DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 13, 2015

Ms. Kate Goldfine, Administrative Services Officer
City of Santa Rosa
90 Santa Rosa Avenue
Santa Rosa, CA 95404

Dear Ms. Goldfine:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Santa Rosa Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 27, 2015 for the period of July 1, 2015 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 13, 17, 22, 33 and 35 – Loans and agreements between the City of Santa Rosa (City) and the former City of Santa Rosa Redevelopment Agency (RDA) in the amount of $1,140,659 requested for ROPS 15-16A and total outstanding amount of $7,124,311 is denied. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless executed within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. The loans and agreements were executed after the first two years of the former RDA's creation and are not associated with the issuance of debt. We note that pursuant to HSC section 34191.4 (b), these loan agreements between the former redevelopment agency and sponsoring entity may be enforceable obligations if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) the Agency's oversight board approves the loans as enforceable obligations by finding the loans were for legitimate redevelopment purposes. However, the Agency has not received a Finding of Completion. Therefore, these items are not enforceable obligations and are not eligible for funding on at this time.

- Item No. 91 – Housing Successor Administrative Allowance in the amount of in the amount of $75,000 requested for ROPS 15-16A and total outstanding amount of $600,000 is denied. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing successor to the former

redevelopment agency of the City of Santa Rose (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law pursuant to HSC section 34167.10. Therefore, this item is not an enforceable obligation and is not eligible for funding.

In addition, Finance notes the following:

- Item 90 – Litigation Related Expenses in the amount of $50,000. The Agency's request for Redevelopment Property Tax Trust Fund (RPTTF) funding is authorized; however, Finance notes the approved RPTTF funding may only be used on litigation costs attributable to the Agency. Any litigation expense attributable to the Housing Authority is not an enforceable obligation and should be funded by Authority funds.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. Our review indicated the Agency has Other Funds in the amount of $1,027,102 and Reserve Balances totaling $843,847 that are available for use on ROPS 15-16A enforceable obligations.

Therefore, with the Agency's concurrence, the funding source for the following items have reclassified from RPTTF to Other Funds and/or Reserve Balances in the amounts specified below:

Item No.	Project Name / Debt Obligation	Requested RPTTF	Amount Reclassified to Other Funds	Amount Reclassified to Reserve Balances
1	2002A Bond SW Debt Service	$ 347,396	$ 347,396	$ 0
2	2005A Bond SW Debt Service	436,700	436,700	0
3	2005B Bond SW Debt Service	87,889	87,889	0
4	2002 Bond Fee	2,860	2,860	0
7	2005A Certificate of Participation	70,925	70,925	0
8	2005B Certificate of Participation	709,018	81,332	627,686
10	Revolving Line of Credit	147,918	0	147,918
11	Revolving Line of Credit	405,248	0	68,243
	Total	**$ 2,207,954**	**$ 1,027,102**	**$ 843,847**

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table on the next page includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is $512,005 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	3,398,613
Total RPTTF requested for administrative obligations	200,000
Total RPTTF requested for obligations on ROPS	**$ 3,598,613**
Total RPTTF requested for non-administrative obligations	**3,398,613**
Denied Items	
Item No. 13	(480,649)
Item No. 17	(464,242)
Item No. 22	(90,768)
Item No. 33	(70,000)
Item No. 35	(35,000)
	(1,140,659)
Total RPTTF for non-administrative obligations	**2,257,954**
Cash Balances - Items reclassified to Other Funds	
Item No. 1	(347,396)
Item No. 2	(436,700)
Item No. 3	(87,889)
Item No. 4	(2,860)
Item No. 7	(70,925)
Item No. 8	(81,332)
	(1,027,102)
Cash Balances - Items reclassified to Reserve Balances	
Item No. 8	(627,686)
Item No. 10	(147,918)
Item No. 11	(68,243)
	(843,847)
Total RPTTF authorized for non-administrative obligations	**$ 387,005**
Total RPTTF requested for administrative obligations	**200,000**
Denied Item	
Item No. 91	(75,000)
Total RPTTF authorized for administrative obligations	**125,000**
Total RPTTF authorized for obligations	**$ 512,005**
ROPS 14-15A prior period adjustment	0
Total RPTTF approved for distribution	**$ 512,005**

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 15-16A review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was able to support the amounts reported except for certain Reserve Balances that appear to be available for use on enforceable obligations. Therefore, as noted earlier, Finance has reclassified available Other Funds in the amount of $1,027,102 and Reserve Balances totaling $843,847 that were supported by the Agency's records. Finance will continue to work with the Agency after the ROPS 15-16A review period to resolve the remaining issues. If it is determined the Agency possesses additional cash balances that are available to pay approved obligations, the Agency should request the use of such cash balances prior to requesting RPTTF in ROPS 15-16B.

Please refer to the ROPS 15-16A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2015. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to the enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Wendy Griffe, Supervisor or Erika Santiago, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Cheryl Reynolds, Accountant, City of Santa Rosa
Mr. Randy Osborn, Property Tax Manager, Sonoma County
California State Controller's Office