

March 23, 2015

Ms. Kathleen H. Kane, Executive Director  
Sonoma County  
1440 Guerneville Road  
Santa Rosa, CA 95403

Dear Ms. Kane:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Sonoma County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 13, 2015 for the period of July 1 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 No. 75 – Personnel costs in the amount of \$200,000 is partially denied. Although total Redevelopment Property Tax Trust Fund (RPTTF) requested is \$200,000, only \$115,000 represent project management costs for approved enforceable obligations. The costs associated with the Roseland Village Redevelopment and the Highway 12 projects totaling \$85,000 are not eligible for funding.
- Item Nos. 100 and 101 – Reimbursement Agreements totaling \$15,448,160 (\$5,487,447 and \$9,960,713, respectively) are denied. Finance has denied these items on prior ROPS and continues to deny them. For Item No. 100, the Agency requests \$768,220 from Reserve Balances and \$1,603,176 from RPTTF for the Roseland Village Redevelopment Project. For Item No. 101, the Agency requests \$2,271,625 from RPTTF funding, \$2,216,175 from Bond Proceeds, and \$5,472,913 from Reserve Balances for the Highway 12 Phase 2-Stage 2 Project.
- Item No. 120 – Housing administrative costs totaling \$750,000 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 County of Sonoma is the County-formed Housing Authority (Authority) and the Authority operates under the control of the County, the Authority is considered the County under Dissolution Law pursuant to HSC section 34167.10. Therefore, the housing successor administrative allowance is not authorized to be funded on the ROPS.

- Additionally, Finance notes that although a \$2,090,164 Other Funds and Accounts (OFA) Due Diligence Review (DDR) payment was made, \$6,784,163 remains outstanding. Furthermore, the Agency was not permitted to retain Reserve Balances for these projects through the DDR process. Therefore, your request to fund items with Reserve Balances remaining from the DDR process is denied; and Finance has reclassified the following requests from Reserve Balances to RPTTF:
  - Property Maintenance Costs totaling \$44,905
    - i. Item No. 33 - \$1,000
    - ii. Item No. 34 - \$1,000
    - iii. Item No. 37 - \$1,000
    - iv. Item No. 98 - \$13,211
    - v. Item No. 117 - \$15,000
    - vi. Item No. 188 - \$13,694
  - Item No. 98 – Roseland Village, Environmental Contamination Clean Up in the amount of \$75,231

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 Redevelopment Property Tax Trust Fund (RPTTF) approved in the table below 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,124,888 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	5,947,726
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 6,072,726</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>5,947,726</b>
<u>Denied Items</u>	
Item No. 75	(85,000)
Item No. 100	(1,603,176)
Item No. 101	(2,271,625)
Item No. 120	(225,000)
	<u>(4,184,801)</u>
<u>Reclassified Items</u>	
Item No. 33	1,000
Item No. 34	1,000
Item No. 37	1,000
Item No. 98	13,211
Item No. 99	75,231
Item No. 117	15,000
Item No. 118	13,694
	<u>120,136</u>
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 1,883,061</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 2,008,061</b>
ROPS 14-15A prior period adjustment	(883,173)
<b>Total RPTTF approved for distribution</b>	<b>\$ 1,124,888</b>

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. Dawn Chandler, Accountant, Sonoma County  
Mr. Randy Osborn, Property Tax Manager, Sonoma County  
California State Controller's Office