



November 9, 2015

Ms. Ingrid Alverde, Economic Development and Redevelopment Manager
City of Petaluma
P.O. Box 61
Petaluma, CA 94953

Dear Ms. Alverde:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Petaluma Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 30, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item Nos. 4, 5, 46, and 47 – Bonds funded from Redevelopment Property Tax Trust Fund (RPTTF) funding totaling \$5,450,129 are approved. However, Finance notes the RPTTF authorization includes \$2,177,229 for ROPS 16-17 debt service.

Pursuant to HSC section 34183 (a) (2) (A), debt service obligations have first priority for payment from distributed RPTTF funding. As such, the \$2,177,229 of RPTTF authorized to be held in reserve, along with the amounts required for the current ROPS period, should be transferred upon receipt to the bond trustee(s). RPTTF funding approved for debt service obligations is restricted for that purpose and is not authorized to be used for other ROPS items. Any requests to fund the \$2,177,229 again from RPTTF will not be approved unless insufficient RPTTF was received to satisfy the approved debt service.

- Item No. 41 – Litigation costs in the amount of \$80,000 is reclassified from RPTTF funding to Administrative Cost Allowance (ACA) funding. Pursuant to HSC 34171 (b) (5) and HSC 34171 (d) (1) (F) (i), the ACA shall be the sole funding source for legal costs associated with litigation challenging redevelopment dissolution statutes. Therefore, Item No. 41 is reclassified from RPTTF funding to ACA funding in the amount of \$80,000.

HSC section 34171 (b) (2) limits the fiscal year 2015-16 ACA to three percent of RPTTF allocated to the Agency or \$250,000, whichever is greater. As such, the Agency's fiscal year 2015-16 ACA is \$250,000. The Sonoma County Auditor-Controller (CAC) distributed \$125,000 for July through December 2015 (ROPS 15-16A) administrative

costs, leaving a balance of \$125,000 (\$250,000 - \$125,000) available for ROPS 15-16B administrative costs.

The Agency claims \$125,000 of ACA funding on ROPS 15-16B. However, Item No. 41 is reclassified to ACA funding in the amount of \$80,000. Consequently, the Agency's ROPS 15-16B administrative costs total \$205,000 (\$125,000 + \$80,000), \$80,000 more than the allowable ACA. Therefore, \$80,000 of excess administrative cost is not allowed.

- Item No. 48 – Reentered Cooperative Agreement in the amount of \$11,000 requested for ROPS 15-16B and total outstanding amount of \$8,584,200 is not allowed. Pursuant to HSC section 34178 (c), the Agency cannot (or could not) enter or reenter into agreements with the City of Petaluma on and after June 27, 2012, unless the agreements are for the purposes set for the in HSC section 34177.3 (b).

The Reentered Cooperative Agreement is not for the purposes set forth in HSC section 34177.3 (b) and is dated September 18, 2012, after the June 26, 2012 cutoff date. Therefore, Item No. 48 is not an enforceable obligation and not eligible for funding on ROPS.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the CAC. The amount of RPTTF approved in the table on the following page includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the item denied or the item reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 \$5,560,097 as summarized in the Approved RPTTF Distribution table on the following page:

Approved RPTTF Distribution For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	5,571,129
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 5,696,129
Total RPTTF requested for non-administrative obligations	5,571,129
<u>Denied Item</u>	
Item No. 48	(11,000)
<u>Reclassified Item</u>	
Item No. 41	(80,000)
Total RPTTF authorized for non-administrative obligations	\$ 5,480,129
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Item</u>	
Item No. 41	80,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(80,000)
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 5,605,129
ROPS 14-15B prior period adjustment	(45,032)
Total RPTTF approved for distribution	\$ 5,560,097

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	1,877,514
Total RPTTF for 15-16B (January through June 2016)	5,450,129
Total RPTTF for fiscal year 2015-2016	7,327,643
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	250,000
Administrative allowance for ROPS 15-16A (July through December 2015)	(125,000)
Remaining administrative cost cap for ROPS 15-16B	125,000
ROPS 15-16B administrative obligations after Finance adjustments	(205,000)
Administrative costs in excess of the cap	\$ (80,000)

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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 January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Sue Castellucci, Housing Coordinator, City of Petaluma
Mr. Randy Osborn, Property Tax Manager, Sonoma County