



December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 4, 2015. 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 15-16B) to Finance on September 21, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 4, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on November 12, 2015.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed.

- Item Nos. 13, 17, 22, 33, 34, and 35 – Loans and agreements between the City of Santa Rosa (City) and the former City of Santa Rosa Redevelopment Agency (RDA) with a total outstanding amount of \$7,207,483. Finance initially denied these items; however, pursuant to a settlement agreement (Agreement) between the Agency and Finance, the Agency is approved to fund these items on the ROPS 15-16B period in the total amount of \$7,207,483 using other funds or proceeds from the sale of certain properties as referenced in the Agreement. The payment of these items on the ROPS 15-16B satisfies in full the total obligation on these items and thus permanently retires Item Nos. 13, 17, 22, 33, 34, and 35 on the ROPS.
- Item No. 90 – Litigation Related Expenses in the amount of \$50,000 is reclassified from RPTTF funding to Administrative Cost Allowance (ACA) funding. Finance continues to reclassify this item. Per the Agency, this item is for litigation costs related to housing successor administrative allowance. 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. 90 continues to be reclassified from RPTTF funding to ACA funding in the amount of \$50,000.

- Item No. 91 – Housing Successor Administrative Allowance in the amount of \$75,000 requested for ROPS 15-16B and total outstanding obligation of \$600,000. Finance continues to deny this item. Finance denied this item because pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is only allowable when the city, county, or city and county that authorized the creation of the RDA elected not to assume the housing functions of the former RDA.

The Agency contends that the Authority, as a separate legal entity from the City, retained the housing functions pursuant to HSC section 34176 (b) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of city includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. HSC section 34167.10 (a) defines city for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is included in the City's CAFR, which identifies the Authority as a component unit of the City and states that the City is financially accountable for the component units.

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that "the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts." Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for housing entity administrative allowance.

In addition, per Finance's letter dated November 4, 2015, we continue to make the following determination not contested by the Agency during the Meet and Confer:

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 county auditor-controller (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 items denied or the item reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,346,722 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	2,396,900
Total RPTTF requested for administrative obligations	200,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 2,596,900
Total RPTTF requested for non-administrative obligations	2,396,900
<u>Reclassified Item</u>	
Item No. 90	(50,000)
<u>Denied Items</u>	
Item No. 13	(51,134)
Item No. 17	(49,388)
Item No. 22	(9,656)
Item No. 33	(5,000)
Item No. 34	(5,000)
Item No. 35	(5,000)
Total Denied Items	(125,178)
Total RPTTF authorized for non-administrative obligations	\$ 2,221,722
Total RPTTF requested for administrative obligations	200,000
<u>Reclassified Item</u>	
Item No. 90	50,000
<u>Denied Item</u>	
Item No. 91	(75,000)
ROPS 15-16B administrative obligations after Finance adjustments	175,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(50,000)
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,346,722
ROPS 14-15B prior period adjustment	0
Total RPTTF approved for distribution	\$ 2,346,722

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	3,307,845
Total RPTTF for 15-16B (January through June 2016)	2,346,900
Total RPTTF for fiscal year 2015-2016	5,654,745
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	(175,000)
Administrative costs in excess of the cap	\$ (50,000)

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>

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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Cheryl Reynolds, Accountant, City of Santa Rosa
Mr. Randy Osborn, Property Tax Manager, Sonoma County