



November 12, 2015

Ms. Carol Giovanatto, City Manager
City of Sonoma
No. 1 The Plaza
Sonoma, CA 95476

Dear Ms. Giovanatto:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Sonoma 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 29, 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 No. 1 – 2003 Tax Allocation Bonds in the amount of \$1,245,132 is partially allowed. Although total Redevelopment Property Tax Trust Fund (RPTTF) requested is \$1,245,132, only \$1,114,569 is supported by documentation. The Agency stated the requested amount includes the payment due for the ROPS 15-16B period of \$323,370, plus a shortfall of \$921,763 from past ROPS periods.

However, Finance was able to verify that only \$320,870 (or half of interest costs of \$641,740) is due during the ROPS 15-16B period. In addition, Finance was able to account for \$793,669 of the \$921,763 shortfall request. As a result, the Agency should only need a total of \$1,114,569 (\$320,870 + \$793,669). Therefore, the excess \$130,563 (\$1,245,132 – \$1,114,569) is not an enforceable obligation and not eligible for RPTTF funding.

- Item No. 5 – 2011 Tax Allocation Bonds in the amount of \$1,344,986 is partially allowed. Although total RPTTF requested is \$1,344,986, only \$732,472 is supported by documentation. The Agency stated the requested amount includes the payment due for the ROPS 15-16B period, \$529,535, plus a shortfall of \$815,450 from past ROPS periods.

However, Finance was able to verify that only \$527,034 (or half of interest costs of \$1,054,068) is due during the ROPS 15-16B period. In addition, Finance was able to account for \$205,438 of the \$815,450 shortfall. As a result, the Agency should only need a total of \$732,472 (\$527,034 + \$205,438). Therefore, the excess \$612,514

(\$1,344,986 – \$732,472) is not an enforceable obligation and not eligible for RPTTF funding.

- Item No. 19 – Supplemental Educational Revenue Augmentation Fund loan repayment in the amount of \$121,737 and total outstanding amount of \$1,798,373 is not allowed.

HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residuals pass-through distributed to the taxing entities in the fiscal year 2012-13 base. Further, HSC section 34171 (d) (1) (G) requires the Oversight Board (OB) to approve a repayment schedule for the repayment of the amounts borrowed. No OB approving the repayment schedule has been submitted. Once the OB approves the loan and loan repayment schedule, and the corresponding OB action is approved by Finance, the Agency may request funding for this item on future ROPS. Therefore, these line items are not eligible for RPTTF funding at this time.

- The Agency requested an incorrect amount for the Historic Preservation Easement, identified as Item No. 10. Per discussion with Agency staff and review of documentation provided, the \$250,000 requested for the six-month period should be \$150,000. As a result, the total ROPS 15-16B RPTTF funding requested for enforceable obligations has been decreased by \$100,000.

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 next page includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

In addition, Finance noted on the Agency's ROPS 14-15B prior period adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:

Reserve Balances totaling \$931,459 – Item No. 1, \$330,567, Item No. 5, \$530,660, Item No. 8, \$23,696, Item No. 14, \$15,324, Item No. 15, \$688, and Item No. 16, \$5,524

Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your oversight board and Finance prior to making payments on enforceable obligations.

Except for the items denied in whole or in part, 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 \$2,499,878 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	3,339,692
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 3,464,692
Total RPTTF requested for non-administrative obligations	3,339,692
<u>Denied Items</u>	
Item No. 1	(130,563)
Item No. 5	(612,514)
Item No. 10	(100,000)
Item No. 19	(121,737)
	(964,814)
Total RPTTF authorized for non-administrative obligations	\$ 2,374,878
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,499,878
ROPS 14-15B prior period adjustment	0
Total RPTTF approved for distribution	\$ 2,499,878

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.

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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Cathy Lanning, Administrative Services Manager, City of Sonoma
Ms. Brooke Koop, Property Tax Manager, Sonoma County