



April 8, 2016

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

Dear Ms. Giovanatto:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177(o) (1), the City of Sonoma Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 28, 2016. Finance has completed its review of the ROPS 16-17.

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

- The Agency erroneously requested the incorrect amount and funding source for various items, detailed in the chart below. With the Agency's concurrence, the amounts requested for the obligations listed below were decreased as indicated. The total ROPS 2016-17 Redevelopment Property Tax Trust Fund (RPTTF) funding has been decreased by \$558,686.

Item No.	Description	Amount Requested	Amount Approved
4	2010 Tax Allocation Bonds	\$ 328,468	\$ 328,117
5	2011 Tax Allocation Bonds	1,197,445	1,200,444
8	Exchange Bank Loan	80,894	69,780
14	Legal Services	80,000	62,740
15	Legal Services	50,000	34,562
26	Emergency/Homeless Shelter	60,000	37,500
27	Village Green II Low Income Housing USDA Loan	31,182	25,779
70	Successor Agency Audit Costs	5,400	13,462
71	2015 TAB	1,656,524	1,158,843
	Totals	\$3,489,913	\$2,931,227
	Difference		\$558,686

Additionally, Reserve Balance funding requests have been increased by \$695,541. With the Agency's concurrence, Reserve Balance funding requests have been added to Item No. 4 in the amount of \$164,399, Item No. 14 in the amount of \$17,260, Item No. 15 in the amount of \$15,438, and Item No. 71 in the amount of \$498,444, totaling \$695,540.

- Item Nos. 14 and 15 – Litigation costs in the amount of \$130,000 have been reclassified to the Administrative Cost Allowance (ACA). Pursuant to HSC section 34171 (d) (1) (F) (i), legal expenses related to civil actions, including writ proceeding, contesting the validity of the dissolution law, or challenging acts taken pursuant to the dissolution law shall only be payable out of the ACA. Therefore, these litigation costs are considered general administrative costs.

Furthermore, although the Agency requests \$250,000 for ACA, the reclassification increased ACA by \$130,000. The total adjusted ACA totals \$380,000; however, only \$250,000 is available pursuant to HSC section 34171 (b) (3). Therefore, \$130,000 of excess ACA is not allowed for the January through June 2017 (ROPS B) period.

- Item No. 19 – Low and Moderate Income Housing Fund (LMIHF) loan repayment for purposes of the Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of \$243,475 is not approved at this time.

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 residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the Sonoma County Auditor-Controller's report, the amounts distributed to the taxing entities for fiscal year 2012-13 and 2015-16 is \$1,946,409 and \$707,302, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for 2016-17 is zero. Therefore, repayment on the SERAF obligation in the amount of \$243,475 is not authorized at this time.

- Item No. 70 – Successor Agency Audit Costs in the amount of \$13,462 is partially allowed in the amount of \$11,059. Although total RPTTF requested is \$13,462, only \$11,059 is supported by documentation. Therefore, the excess of \$2,403 is not supported and not eligible for funding.

Except for the items denied in part or the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,818,008 as summarized in the Approved RPTTF Distribution Table on Page 4 (see Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

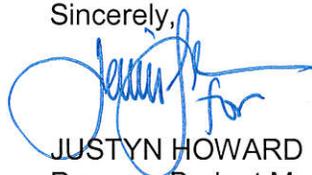
<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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 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

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 3,034,205	\$ 1,468,367	\$ 4,502,572
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	3,159,205	1,593,367	\$ 4,752,572
Adjustment to Agency Requested RPTTF	(556,686)	(2,000)	(558,686)
Total RPTTF adjustments	(556,686)	(2,000)	\$ (558,686)
Total RPTTF requested	2,477,519	1,466,367	3,943,886
<u>Denied Items</u>			
Item No. 19	(182,606)	(60,869)	(243,475)
Item No. 70	0	(2,403)	(2,403)
	(182,606)	(63,272)	(245,878)
<u>Reclassified Items</u>			
Item No. 14	(22,740)	(40,000)	(62,740)
Item No. 15	(9,562)	(25,000)	(34,562)
	(32,302)	(65,000)	(97,302)
Total RPTTF authorized	2,262,611	1,338,095	\$ 3,600,706
Total Administrative RPTTF Requested	125,000	125,000	250,000
<u>Reclassified Items</u>			
Item No. 14	22,740	40,000	62,740
Item No. 15	9,562	25,000	34,562
	32,302	65,000	97,302
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(130,000)	(130,000)
Total Administrative RPTTF Authorized	157,302	60,000	\$ 217,302
Total RPTTF approved for distribution	2,419,913	1,398,095	\$ 3,818,008

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 5,420,174
Less sponsoring entity loan and Administrative RPTTF	125,000
Actual RPTTF distributed for 2015-16 after adjustment	5,295,174
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative RPTTF after Finance adjustments	380,000
Administrative Cost Allowance in excess of the cap	\$ (130,000)
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
Less Administrative Cap Funded with Reserve Balances (Item Nos. 14 and 15)	(32,698)
Available Administrative Cost Allowance eligible for RPTTF funding	\$ 217,302