DEPARTMENT OF FINANCE

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REVISED

May 24, 2016

Ms. Jessica O'Connell, Accountant II
City of Cotati
201 West Sierra Avenue
Cotati, CA 94931

Dear Ms. O'Connell:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 28, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Cotati Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 28, 2016. Finance issued a ROPS determination letter on March 28, 2016. 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 April 12, 2016.

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 No. 24 – Long-Range Property Management Plan Implementation in the amount of $35,000. Finance continues to deny $12,500 of the costs associated with Disposition and Development Agreement (DDA) and reclassify $21,000 of the costs associated with the sale for the property. We note the Agency did not contest reclassification of $1,500 for Agency and Oversight Board hearings.

  The Agency contends that $12,500 in Redevelopment Property Trust Fund (RPTTF) is needed for legal and financial consultant costs associated with entering into a DDA so the Agency can maximize the revenue received from the sale of the property. However, as previously determined HSC section 34177.3 (a) prohibits successor agencies from creating new obligations or beginning redevelopment work after June 28, 2011. Additionally, based on the Agency's classification of these costs, Finance has determined that these costs are associated with planning. Pursuant to HSC section 34177.3 (b), except as required by an enforceable obligation, the work of winding down the redevelopment agency does not include planning, design, redesign, development, demolition, alteration, construction, construction financing, site remediation, site development or improvement, land clearance, seismic retrofits, and other similar work. Therefore, this item is not an enforceable obligation and the requested amount of $12,500 for the ROPS 16-17 period is not allowed.

The Agency also requested $21,000 for costs associated with the sale of the property. In our original review, Finance reclassified these costs to Other Funds, specifically the proceeds from the sale of the property. During the Meet and Confer the Agency contended that the request is to prefund the activities necessary to sell the property as there is no other funds available. However, the Agency did not specify why these costs could not be paid from the proceeds from the sale of the property. Therefore, Finance maintains our original determination that while these costs are enforceable, these costs should be paid with proceeds from the sale of properties. Therefore, Finance continues to reclassifying these costs totaling $21,000 to Other Funds.

Finally, costs requested for Successor Agency and Oversight Board hearings in the amount of $1,500 should be funded from Administrative Cost Allowance (ACA). The Agency did not contest this reclassification. Therefore, Finance continues to reclassify $1,500 to ACA for the ROPS 16-17 period.

In addition, per Finance's letter dated March 28, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- After Finance adjustments of $1,500, the claimed administrative costs exceed the allowance by $107,961. HSC section 34171 (b) (3) limits the fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of actual distributed RPTTF in the preceding fiscal year or $250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. As a result, the Agency's maximum ACA is $143,539 for the fiscal year 2016-17.

  Although, after Finance adjustments, $251,500 is claimed for administrative costs, only $143,539 is available pursuant to the cap. Therefore, $107,961 of excess administrative cost is not allowed.

Except for the administrative costs denied in part, Finance is not objecting to the remaining items listed on your ROPS 16-17.

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds in the amount specified below:

Item No. 1 – 2001 Tax Allocation Bonds in the amount of $50. The Agency requests $653,260 of RPTTF; however, Finance is reclassifying $50 to Other Funds. This item is an enforceable obligation for the ROPS 2016-17 period. However, the Agency has $50 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of $653,210 and the use of Other Funds in the amount of $50, totaling $653,260 for the July 1, 2016 through December 31, 2016 period.

The Agency's maximum approved RPTTF distribution for the reporting period is $1,015,274 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 ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any 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

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

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Norman Veloso, Finance Director, City of Cotati
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)	$ 653,260	$ 253,525	$ 906,785
Requested Administrative RPTTF	125,000	125,000	$ 250,000
Total Requested RPTTF on ROPS 16-17	**$ 778,260**	**$ 378,525**	**$ 1,156,785**
Total RPTTF Requested	$ 653,260	$ 253,525	$ 906,785
Denied Item			
Item No. 24	(12,500)		(12,500)
Reclassified Items			
Item No. 1	(50)		(50)
Item No. 24	(5,000)	(17,500)	(22,500)
Total RPTTF authorized	**635,710**	**236,025**	**$ 871,735**
Total Administrative RPTTF requested	125,000	125,000	250,000
Reclassified Item			
Item No. 24	1,500	0	1,500
Total Administrative RPTTF after Finance adjustments	126,500	125,000	251,500
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(107,961)	(107,961)
Total Administrative RPTTF authorized	**126,500**	**17,039**	**$ 143,539**
Total RPTTF approved for distribution	**762,210**	**253,064**	**$ 1,015,274**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 537,077
Less sponsoring entity loan and Administrative RPTTF	250,000
Actual RPTTF distributed for 2015-16 after adjustment	287,077
Administrative Cap for 2016-17 per HSC section 34171 (b)	143,539
ROPS 16-17 Administrative RPTTF after Finance adjustments	251,500
Administrative Cost Allowance in excess of the cap	**$ (107,961)**