DEPARTMENT OF FINANCE

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May 17, 2016

Ms. Kathleen H. Kane, Executive Director
Sonoma County
1440 Guerneville Road
Santa Rosa, CA 95403

Dear Ms. Kane:

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 Sonoma County 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 7, 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 Nos. 29 through 31, 33, 34, 37, 97, 98, 117, and 118 – Thompson Parking Lot and Guerneville Restrooms property maintenance costs in the total requested amount of $57,905 from Reserve Balance and $20,300 from RPTTF funding, totaling $78,205. Finance continues to object to these items. Finance previously denied these items because the costs associated with these properties are no longer Agency obligations, and the Agency should transfer these properties to the County of Sonoma (County) for governmental use in accordance with the Agency's approved Long Range Property Management Plan (LRPMP).

  During the Meet and Confer, the Agency did not contest Finance's determination that these items are no longer Agency obligations. However, the Agency argued that Finance erroneously classified the amount denied for Item No. 98 – Guerneville Restrooms – Property Management as Redevelopment Property Tax Trust Fund (RPTTF) instead of Reserve Balance. As a result, the Agency's overall distribution amount was $13,211 less in RPTTF than the amount needed to satisfy their enforceable obligations. Upon additional review of this item, Finance has determined that Item No. 98 was mistakenly denied as RPTTF instead of Reserve Balance, resulting in the denied amounts of $33,511 in Reserve Balance and $44,694 in RPTTF. As such, Finance is now denying these items in their correct classifications,

$57,905 ($44,694 + $13,211) from Reserve Balance and $20,300 ($33,511 - $13,211) from RPTTF funding, for a total denied amount of $78,205 ($20,300 + $59,905) for ROPS 16-17.

- Item No. 100 – Roseland Village Redevelopment in the total requested amount of $3,100,000 in Reserve Balance, $2,866,479 in RPTTF, and $101,446 in Other Funds, totaling $6,067,925. Finance continues to partially reclassify this item. While this item is an enforceable obligation for the ROPS 16-17 period, Finance previously reclassified this item because the obligation does not require payment from property tax revenues and as a result of Finance's determination in the above bullet, the Agency has available Reserve Balances.

  During the Meet and Confer process, the Agency disagreed with Finance's determination, contending that that the Sonoma County Auditor-Controller (CAC) requires the Agency to spend all Reserve Balance and RPTTF funds strictly within the Project Area from which the funds are derived, and as such, the CAC will not allow use of these funds in the Roseland Project Area.

  However, pursuant to HSC section 34189 (a), for the purposes of the payment of enforceable obligations, a successor agency is not subject to the limitations relating to time, number of tax dollars, or any other matters set forth in HSC sections 33333.2, 33333.4, and 33333.6. Therefore, this item will continue to be payable out of available RPTTF and Reserve Balance until this obligation has been satisfied. Further, Finance is applying the denied $13,211 reserve funding from Item No. 98 to this item. As a result, the total amount of RPTTF reclassified to Reserve Balance for this item is $57,905. Therefore, Finance is approving Reserve Balances in the amount of $3,157,905, RPTTF in the amount of $2,808,574, and Other Funds in the amount of $101,446, totaling $6,067,925 for the July 1, 2016 through December 31, 2016 (ROPS A) period.

The Agency also contested Item No. 120 during the Meet and Confer. However, pursuant to HSC section 34177 (m) (1), items that are the subject of litigation disputing Finance's previous or related determination are not eligible for meet and confer. As a result, we continue to make the following determination:

- Item No. 120 – Housing administrative costs total outstanding amount of $750,000 and $450,000 for the ROPS 16-17 period is not allowed. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing successor to the former redevelopment agency of the County is the County-formed Housing Authority (Authority) and the Authority operates under the control of the County, the Authority is considered the County under Dissolution Law pursuant to HSC section 34167.10. Therefore, the housing successor administrative allowance is not authorized to be funded on the ROPS.

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:

- Item No. 2 – 2008 Springs Tax Allocation Bonds in the amount of $1,123,788 is partially allowed. Although total Redevelopment Property Tax Trust Fund (RPTTF) requested is

$1,123,788, only $1,122,788 is due during the ROPS 16-17 period. Therefore, the excess $1,000 is not eligible for RPTTF funding.

- Item No. 107 – Litigation costs in the amount of $220,000 has 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, litigation costs are considered general administrative costs. Furthermore, although $250,000 is claimed for ACA, only $250,000 is available pursuant to HSC section 34171 (b) (3). Therefore, $220,000 of excess administrative cost is not allowed for the January 1, 2017 through June 30, 2017 (ROPS B) period.

Except for the items denied in whole or in part or the items that have been adjusted, 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. 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 $6,581,600 as summarized in the Approved RPTTF Distribution table on page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the 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

This is Finance's final 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 Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Dawn Chandler, Accountant, Sonoma County
Ms. Brooke Koop, Property Tax Manager, Sonoma County

Attachment

	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 6,339,055	$ 741,750	$ 7,080,805
Requested Administrative RPTTF	125,000	125,000	250,000
Total Requested RPTTF on ROPS 16-17	**$ 6,464,055**	**$ 866,750**	**$ 7,330,805**
Total RPTTF requested	6,339,055	741,750	7,080,805
Denied Items			
Item No. 2	0	(1,000)	(1,000)
Item No. 29	(400)	0	(400)
Item No. 30	(1,000)	0	(1,000)
Item No. 31	(1,200)	0	(1,200)
Item No. 97	(17,700)	0	(17,700)
Item No. 120	(450,000)	0	(450,000)
	(470,300)	(1,000)	(471,300)
Reclassified Items			
Item No. 100	(57,905)	0	(57,905)
Item No. 107	(110,000)	(110,000)	(220,000)
	(167,905)	(110,000)	(277,905)
Total RPTTF authorized	**5,700,850**	**630,750**	**$ 6,331,600**
Total Administrative RPTTF requested	125,000	125,000	250,000
Reclassified Item			
Item No. 107	110,000	110,000	220,000
Total Administrative RPTTF after Finance adjustments	235,000	235,000	$ 470,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	0	(220,000)	(220,000)
Total Administrative RPTTF authorized	**235,000**	**15,000**	**$ 250,000**
Total RPTTF approved for distribution	**5,935,850**	**645,750**	**$ 6,581,600**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 3,013,397
Less sponsoring entity loan and Administrative RPTTF	149,009
Actual RPTTF distributed for 2015-16 after adjustment	2,864,388
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative RPTTF after Finance adjustments	470,000
Administrative Cost Allowance in excess of the cap	**$ (220,000)**