

December 18, 2012

Ms. Jone Hayes, Administrative Services Director
City of Cotati
201 W. Sierra Avenue
Cotati, CA 94931

Dear Ms. Hayes:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 19, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Cotati Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 19, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 20, 2012.

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 items being disputed.

- Items Nos. 18 through 25 totaling \$787,090 are agreements between the City of Cotati (City) and third parties. Notwithstanding the potential benefits of the project, Finance continues to deny the items. The Agency did not dispute Items 20 through 23. The documentation provided during the Meet and Confer session for Items 18, 19, 24, and 25 represented agreements between the City and third parties and resolutions of the City Council. The former RDA is not a party to the contracts or agreements and no former RDA Board resolutions were provided that demonstrated a commitment of funding to the contracts or agreements. Since the former RDA was not a party to the contracts or agreements or responsible for payment of the contracts or local match for the agreements, the items are not enforceable obligations and are not eligible for funding from any funding sources.

In addition, per Finance's determination letter dated October 19, 2012, the following items not disputed by the Agency continue to be denied:

- Item No. 10 for property tax administration fees in the amount of \$1.44 million. HSC section 34182 (e) allows the county auditor-controller to deduct from the Redevelopment Property Tax Trust Fund for its administration costs prior to making a distribution. Therefore, this is not an enforceable obligation and not eligible for funding.

- Item No. 29 is an agreement in the amount of \$414,965 requesting to expend Low and Moderate Income Housing Fund. No documents were provided to show these are obligations of the Agency; therefore these line items are not enforceable obligations.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$386,173 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 388,173
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 10	62,000
Item 18	65,000
Total approved RPTTF for enforceable obligations	\$ 261,173
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
Total RPTTF approved:	\$ 386,173

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. 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 successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

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December 18, 2012
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cc: Mr. Erick Roeser, Property Tax Manager, Sonoma County
California State Controller's Office