

December 18, 2012

Ms. Marjie Pettus, City Manager
City of Healdsburg
101 Grove Street
Healdsburg, CA 95448

Dear Ms. Pettus:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 20, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Healdsburg Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 5, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 20, 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 30, 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 item being disputed.

- Item Nos. 11 through 14, 16, and 22 through 55 – Bond related expenditures totaling \$28.4 million. Finance continues to deny these items. These obligations are either agreements between the City and the Redevelopment Agency (RDA), agreements where the Agency is not a party, or instances where contracts are nonexistent or were entered into after June 27, 2011. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Additionally, HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the City that created the RDA and the former RDA are not enforceable. Upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then, they are not enforceable obligations and not authorized for payment. Assuming the excess bond proceeds requested for use were issued prior to January 1, 2011, upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.
- Item Nos. 17 through 21 – Bond funded project expenditures totaling \$1 million. Finance continues to deny these items. The contracts for these items expired prior to the end of 2011. HSC section 34163 (c) prohibits the Agency or former RDA from amending or modifying existing contracts. Additionally, HSC section 34163 (b) prohibits a RDA or Agency from entering into a contract with any entity after June 27, 2011. Upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then, they are not enforceable obligations and not

authorized for payment. Assuming the excess bond proceeds requested for use were issued prior to January 1, 2011, upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$1,655,200 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 1,541,786
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	113,414
Total RPTTF approved:	\$ 1,655,200

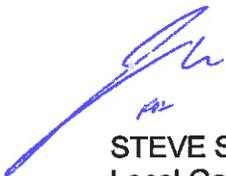
Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account 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

cc: Mr. David Mickaelian, Asst. City Manager, City of Healdsburg
Mr. Erick Roeser, Property Tax Manager, Sonoma County
California State Controller's Office