



December 18, 2012

Ms. Linda Kelly, City Manager
City of Sonoma
No. 1 The Plaza
Sonoma CA, 95476

Dear Ms. Kelly:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 14, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Sonoma Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 14, 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 15, 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.

- Item No. 28 – Affordable Housing Project in the amount of \$1.5 million. Finance continues to deny the item. Finance denied the item as HSC section 34163 (b) prohibits a redevelopment agency for entering into a contract with any entity after June 27, 2011. The ROPS III form shows the contract was signed on January 1, 2012. Furthermore, requested documents were not provided to support the expenditure plan. The Agency contends the item is an enforceable obligation because the \$1.45 million under dispute is proceeds from a redevelopment tax allocation bond sold in March 2011. We note that pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use excess proceeds from bonds issued prior to December 31, 2010 for the purposes for which the bonds were issued. Successor Agencies are required to defease or repurchase on the open market for cancellation any bonds that cannot be used for the purpose they were issued or if they were issued after December 31, 2010. The bond proceeds requested for use were issued in March 2011. Therefore, this item is not an enforceable obligation.
- Item No. 30 through 48 in the amount of \$7.5 million. Finance denied the items as HSC 34163 (b) prohibits the successor agency from entering into contracts after June 27, 2011. The contracts provided were either signed after June 27, 2011 or did not support the amount requested for on this ROPS period. The Agency contends the items are

enforceable obligations because not all of the identified contracts were entered after June 27, 2011 and some of those entered after June 27, 2011 were necessary to the implementation of or contemplated in the contracts entered before June 27, 2011. We note that pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use excess proceeds from bonds issued prior to December 31, 2010 for the purposes for which the bonds were issued. Successor Agencies are required to defease or repurchase on the open market for cancellation any bonds that cannot be used for the purpose they were issued or if they were issued after December 31, 2010. The bond proceeds requested for use were issued in March 2011. Therefore, the items are not enforceable obligations.

In addition, per Finance's ROPS letter dated October 14, 2012, the following item not disputed by the Agency continues to be denied:

- Item No. 13 – Memorandum of Understanding in the amount of \$65,000. The agreement with the Sonoma Valley Chamber of Commerce is for the period between July 9, 2010 and July 9, 2012. The contract ended before the ROPS III period begins and may not be extended. HSC section 34163 (b) and 34163 (c) prohibits the Agency from entering into a contract or amending a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation and not eligible for ROPS III funding.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$789,725 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 572,225
Less: Item 13 - Memorandum of understanding	32,500
Total approved RPTTF for enforceable obligations	\$ 539,725
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	250,000
Total RPTTF approved:	\$ 789,725

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

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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 Sues, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Steve Szalay', with a long, sweeping underline that extends to the left.

STEVE SZALAY
Local Government Consultant

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