



April 26, 2013

Ms. Leslie Fritzsche, Senior Project Manager
City of Sacramento Successor Agency
915 I Street
Sacramento, CA 95814

Dear Ms. Fritzsche:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Sacramento Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on March 13, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item Nos. 17, 41, 64, 114, 136, 223, 258, 313 and 332 – Housing Monitoring costs for various housing projects totaling \$30,168. HSC section 34176(a)(1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a Redevelopment Agency (RDA), all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the Housing Authority of the City of Sacramento assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item Nos. 24, 53, 87, 169, 235, 281, and 341 – Property Maintenance costs totaling \$59,400. The Agency has listed duplicate contracts for Property Holding costs and Property Maintenance costs for the same project areas. Therefore, these items are not enforceable obligations and are not eligible for RPTTF.
- Item No. 29 – Globe Mills Project in the amount of \$6,481,462. A review of the contract, between the Redevelopment Agency of the City of Sacramento (RDA), Sacramento Housing and Redevelopment Agency (SHRA), and the Secretary of Housing and Urban Development (HUD), states HUD would loan the RDA and SHRA funds to assist in the Globe Mills Project. However, further review of the Acquisition, Construction and Permanent Loan Agreement between the RDA, SHRA, and GMA Investors LP indicates the HUD loan will be repaid by GMA Investors LP. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

- Item Nos. 62 and 63 – Deposit Liabilities for various payees, payable from Other Funds totaling \$23,517. The Agency requested for funding for these obligations on ROPS for the periods July through December 2012 and January through June 2013 for the same amounts. However, no disbursements were made for these amounts. It is our understanding that the funds are not due within the ROPS 13-14A period; allocating funds for unknown contingencies is not an allowable use of funds. Therefore, these items are not enforceable obligations and are not eligible for funding on this ROPS.
- Item No. 71 – Environmental Remediation costs in the amount of \$26,185; payable from Reserve Funds. The Agency has requested authority to spend Reserve Funds for this line item. This item was approved for \$26,185 RPTTF funding on the January through June 2013 ROPS (ROPS III). While not eligible for funding on this ROPS, the Agency has until June 2013 to spend previously approved funding. Pursuant to HSC Section 34186 (a), the difference between the approved obligations and actual payments associated with ROPS III shall be reported in subsequent ROPS.
- Item No. 72 – Environmental Remediation costs in the amount of \$553,713. Based on a review of the contract with Pacific States Environmental Contractor, Inc. (Contractor), it is our understanding the Contractor will provide the remediation service at a cost not to exceed \$358,980. While the contract is an enforceable obligation, Finance has approved RPTTF funding for this contract in the amount of \$516,287 on the ROPS for the January through June 2013 period. It appears that the total outstanding obligation amount requested on this ROPS has exceeded the total contract amount. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item Nos. 75, 79 and 81 – Del Paso Nuevo Project Construction costs totaling \$1,297,550, payable from Bond Proceeds, are not enforceable obligations at this time. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items have not yet been awarded. Pursuant to HSC section 34191.4(c), your request to use bond funds for these obligations may be allowable once the Agency receives a Finding of Completion form Finance.
- Item No. 118 – Franklin Redevelopment Area in the amount of \$173,785; payable from Reserve Funds. The Agency has requested authority to spend Reserve Funds for this line item. This item was approved for RPTTF funding on ROPS III. While not eligible for funding on this ROPS, the Agency has until June 2013 to spend previously approved funding. Pursuant to HSC Section 34186 (a), the difference between the approved obligations and actual payments associated with ROPS III shall be reported in subsequent ROPS.
- Item Nos. 127, 154 and 159 – 700 K Street Project Loans totaling \$3.6 million; \$2,573,542 payable from Reserve Funds and \$1,026,458 payable from Bond Proceeds, are not enforceable obligations. It appears the obligations were established on June 22, 2011. However, on December 14, 2011 the Agency extended the commitment of funds due to the lack of performance under the agreement. HSC section 34163 (c) (1) prohibits an agency from renewing or extending terms of agreements for any purpose after June 27, 2011. Therefore; these line items are not enforceable obligations and are not eligible for funding on this ROPS.

- Item No. 128 – 700 K Street Project Delivery costs in the amount of \$81,000. Finance has determined that this project is not an enforceable obligation; any associated costs are also not allowed. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item Nos. 129, 132, 133, 138 through 150, 255, 257, 261 through 266, and 333 – Various obligations totaling \$2,465,873, payable from Reserve Funds. The Agency has requested authority to spend Reserve Funds for these line items. These items were approved for Other funding on ROPS III. While not eligible for funding on this ROPS, the Agency has until June 2013 to spend previously approved funding.
- Item No. 134 – Docks Promenade Project in the amount of \$6,000. It is our understanding that contracts for this project have not been awarded; consequently, project delivery cost associated with this project are not allowed. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item Nos. 137, 152, 153, 226 and 331 – Rental Subsidy Agreement Administration costs totaling \$16,240. HSC section 34176(a)(1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the Housing Authority of the City of Sacramento assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.
- Item No. 167 – Supplemental Educational Revenue Augmentation Fund (SERAF) Loan in the amount of \$4 million is not allowed at this time. HSC section 34176 (e) (6) (B) specifies loan repayments to the Low and Moderate Income Housing Funds (LMIHF) shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these loaned amounts is subject to the repayment formula outlined in HSC section 34176 (e)(6)(B).

HSC section 34176 (e)(6)(B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities, in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of SERAF loans beginning with ROPS 14-15A.

- Item No. 170 – Boating & Waterways Loan in the amount of \$615,581, payable from Reserve Funds. The Agency has requested authority to spend Reserve Funds for this line item. This item was approved for RPTTF funding on ROPS III. While not eligible for funding on this ROPS, the Agency has until June 2013 to spend previously approved funding. Pursuant to HSC Section 34186 (a), the difference between the approved obligations and actual payments associated with ROPS III shall be reported in subsequent ROPS.

- Item No. 189 – 1993 Merged Downtown Tax Allocation Bonds in the amount of \$1,225,000; payable from Reserve Balances. Per the Agency's request, Finance has changed the funding source for this item to RPTTF. As a result, the total ROPS 13-14A RPTTF funding requested for enforceable obligations has increased by \$1,225,000, from \$15,810,258 to \$17,035,258.
- Item No. 199 – Shasta Hotel Rental Subsidy Agreement, in the amount of \$1,250,000, is not an obligation of the Agency. The agreement is between Shasta Hotel Corporation and National Equity Fund 1992 Limited Partnership. The former RDA is neither a party to the agreement nor responsible for payment of the agreement. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 219 – Environmental Remediation Project Delivery costs in the amount of \$30,808. It is our understanding that the contract for the environment remediation service has not been awarded, consequently, project delivery cost associated with the project are not allowed. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 224 – Environmental Remediation costs in the amount of \$50,000, payable from Reserve Funds. The Agency has requested authority to spend Reserve Funds for this line item. This item was approved for \$50,000 RPTTF funding on ROPS III. While not eligible for funding on this ROPS, the Agency has until June 2013 to spend previously approved funding. Pursuant to HSC Section 34186 (a), the difference between the approved obligations and actual payments associated with ROPS III shall be reported in subsequent ROPS.
- Item No. 269 – Broadway Triangle, LLC (Developer) Loan agreement in the amount of \$2,547,522; payable from Bond Proceeds. It is our understanding the Construction Loan Agreements entered on June 22, 2011, between the former RDA and the Developer, allowed the former RDA to loan a total of \$6,638,000 to the Developer for the project. However, \$4,748,689 has been approved by Finance. Therefore, only \$1,889,311 is available for the ROPS 13-14A period. The excess amount, \$658,211 (\$2,547,522 - \$1,889,311), is not an enforceable obligation and is not eligible for funding on the ROPS.
- Item No. 273 – Broadway Triangle, LLC (Developer) Grant Agreement in the amount of \$914,693; payable from Bond Proceeds. It is our understanding the Conditional Grant Agreement entered into on June 22, 2011 between the former RDA and the Developer allowed the former RDA to grant \$1,362,136 to the Developer for the project. However, the entire amount has been approved by Finance for payment. Therefore, no outstanding obligation exists, and this item is not eligible for funding.
- Item No. 384 – Securities Lending Program in the amount of \$430,826; payable from Reserve Funds. It is our understanding there are no contracts in place; allocating funds for unknown contingencies is not an allowable use of funds.
- Claimed administrative costs exceed the allowance by \$57,970. HSC section 34171(b) limits fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$438,892 in administrative expenses. Although \$369,318 is claimed for administrative cost, Item Nos. 5, 20, 48, 83, 116, 161, 231, 277, 305, 319

and 337 – Banc of America Public Capital Corporation, totaling \$3,742,215, are considered administrative expenses and should be counted toward the cap. Therefore, \$58,168 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$13,769,437 as summarized below:

| Approved RPTTF Distribution Amount For the period of July through December 2013 | |
|--|----------------------|
| Total RPTTF funding requested for obligations | \$ 15,810,258 |
| Plus: Funding source changed to RPTTF Item 189 | \$ 1,225,000 |
| Minus: Six-month total for items denied or reclassified as administrative cost* | 2,505,517 |
| Total approved RPTTF for enforceable obligations | \$ 14,529,741 |
| Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost | 435,892 |
| Minus: ROPS II prior period adjustment | (1,196,196) |
| Total RPTTF approved for distribution: | \$ 13,769,437 |

*Please refer to Attachment A for itemized denied or reclassified items

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14A_Forms_by_Successor_Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i).

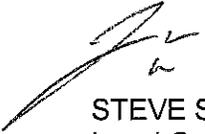
Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Dennis Kauffman, Accounting Manager
Mr. Carlos Valencia, Senior Accounting Manager, County of Sacramento
California State Controller's Office

Attachment A

| Approved RPTTF Distribution Amount | |
|--|----------------------|
| For the period of July through December 2013 | |
| Total RPTTF funding requested for obligations | \$ 15,810,258 |
| Plus: Funding source changed to RPTTF | |
| Item 189 | \$ 1,225,000 |
| Minus: Six-month total for items denied or reclassified as administrative cost | |
| Item 5* | 5,017 |
| Item 17 | 657 |
| Item 20* | 4,908 |
| Item 24 | 1,500 |
| Item 29 | 331,921 |
| Item 41 | 448 |
| Item 48* | 12,470 |
| Item 53 | 1,600 |
| Item 64 | 1,438 |
| Item 72 | 553,713 |
| Item 83* | 6,925 |
| Item 87 | 10,000 |
| Item 114 | 1,318 |
| Item 116* | 20,715 |
| Item 128 | 40,500 |
| Item 134 | 3,000 |
| Item 136 | 6,994 |
| Item 137 | 1,624 |
| Item 152 | 1,624 |
| Item 153 | 1,624 |
| Item 161* | 21,567 |
| Item 167 | 1,333,333 |
| Item 169 | 1,600 |
| Item 199 | 50,000 |
| Item 219 | 15,404 |
| Item 223 | 1,271 |
| Item 226 | 1,624 |
| Item 231* | 12,081 |
| Item 235 | 5,000 |
| Item 258 | 1,713 |
| Item 277* | 17,183 |
| Item 281 | 5,000 |
| Item 305* | 328 |
| Item 313 | 730 |
| Item 319* | 1,468 |
| Item 331 | 1,624 |
| Item 332 | 515 |
| Item 337* | 22,080 |
| Item 341 | 5,000 |
| Total approved RPTTF for enforceable obligations | <u>\$ 14,529,741</u> |
| Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost | <u>435,892</u> |
| Minus: ROPS II prior period adjustment | <u>(1,196,196)</u> |
| Total RPTTF approved for distribution: | \$ 13,769,437 |

*Reclassified as administrative cost