



November 6, 2013

Ms. Leslie Fritzsche, Senior Project Manager
City of Sacramento
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 Sacramento City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 24, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 for the reasons specified:

- Item Nos. 7, 9, 31, 33, 89, 93, 97, 99, 101, 103, 105, 107, 109, 189, 192, 244, 246, 248, 252, 283, 288, 290, 292, 294, 296, 298, and 300 – Various debt service payment reserves totaling \$16,440,863. The Agency requested Redevelopment Property Tax Trust Fund (RPTTF) funding, in the amount of \$16,440,863, for debt service payments due during the July through December 2014 (ROPS 14-15A) period for smoothing purposes.

HSC section 34171 (d) (1) (A) allows agencies to hold a reserve for debt service payments when required by the bond indenture, or when the next property tax allocation will be insufficient to pay all obligations due for the next payment due in the following half of the calendar year. Based on our review of the bond indentures, we did not note any requirement to create such reserves. Additionally, based on the history of the Agency's RPTTF distributions, it is our understating that the next property tax allocation will be sufficient to pay debt service due for these bonds during the ROPS 14-15A period.

Therefore, the debt service payment reserves requested for the following bonds are not eligible for RPTTF funding as specified below:

- Item No. 7 – 2006 65th Street Capital Improvement Revenue Bond (CIRB) Series A in the amount of \$77,313.
- Item No. 9 – 2006 65th Street CIRB Series B in the amount of \$191,323.

- Item No. 31 – 2003 Alkali Flat Tax Allocation Revenue Bond (TARB) Series C in the amount of \$407,586.
 - Item No. 33 – 2003 Alkali Flat TARB Series C in the amount of \$102,800.
 - Item No. 89 – 2005 Del Paso Refunding Revenue Bond (RRB) in the amount of \$192,475.
 - Item No. 93 – 2005 Del Paso RRB in the amount of \$593,509.
 - Item No. 97 – 2003 Del Paso TARB Series A in the amount of \$10,350.
 - Item No. 99 – 2006 Del Paso TARB Series A in the amount of \$136,201.
 - Item No. 101 – 2006 Del Paso TARB Series B in the amount of \$99,688.
 - Item No. 103 – 2003 Del Paso TARB Series A in the amount of \$75,819.
 - Item No. 105 – 2005 Del Paso RRB in the amount of \$213,766.
 - Item No. 107 – 2006 Del Paso TARB Series A in the amount of \$37,565.
 - Item No. 109 – 2006 Del Paso TARB Series B in the amount of \$100,710.
 - Item No. 189 – 1993 Merged Downtown TARB in the amount of \$8,510,926.
 - Item No. 192 – 1993 Merged Downtown TARB in the amount of \$2,884,075.
 - Item No. 244 – 2006 North Sacramento CIRB Series A in the amount of \$21,300.
 - Item No. 246 – 2003 North Sacramento TARB Series C in the amount of \$150,056.
 - Item No. 248 – 2006 North Sacramento CIRB Series B in the amount of \$225,073.
 - Item No. 252 – 2003 North Sacramento TARB Series C in the amount of \$46,275.
 - Item No. 283 – 2005 Oak Park RRB in the amount of \$115,275.
 - Item No. 288 – 1999 Oak Park RRB in the amount of \$145,837.
 - Item No. 290 – 2006 Oak Park TARB Series A in the amount of \$570,420.
 - Item No. 292 – 2005 Oak Park TARB Series A in the amount of \$174,500.
 - Item No. 294 – 2005 Oak Park TARB Series B in the amount of \$909,941.
 - Item No. 296 – 1999 Oak Park RRB in the amount of \$66,878.
 - Item No. 298 – 2006 Oak Park TARB Series A in the amount of \$254,995.
 - Item No. 300 – 2005 Oak Park TARB Series B in the amount of \$126,207.
- Item No. 37 – 14th Avenue Extension Project contract in the amount of \$2,209,150 funded by Reserve Funds. It is our understanding the Agency has not started the contracting process for this project. HSC section 34163 (b) prohibits a redevelopment agency (RDA) from entering a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation and is not eligible for Reserve Funds funding.
 - Item Nos. 43, 46, 75, 79, 81 and 272 – Various bond funded projects totaling \$3,340,753 are not enforceable obligations at this time. The Agency received a Finding of Completion from Finance on September 20, 2013. However, it is our understanding the Agency has not started the contracting process for these projects. Therefore, the request to use bond proceeds for the following projects are not allowed:
 - Item No. 43 – 14th Avenue Extension Project in the amount of \$184,955.
 - Item No. 46 – 14th Ave Extension Project in the amount of \$1,381,906.
 - Item No. 75 – Del Paso Nuevo Project phases V and VI in the amount of \$168,646.
 - Item No. 79 – Del Paso Nuevo Project Phase VI in the amount of \$436,399.

- Item No. 81 – Del Paso Nuevo Project Phases V and VI in the amount of \$692,505.
- Item No. 272 – Broadway Streetscape/Third Avenue Plaza Project in the amount of \$476,342.
- Item Nos. 126, 128, 129, and 157 – 700 K Street Project related costs totaling \$248,975; \$162,291 funded by RPTTF, and \$86,684 funded by Reserve Funds. Because the 700 K Street project is not an enforceable obligation, project delivery, closing, and development costs associated with this project are also not enforceable obligations. Therefore, these line items are not enforceable obligations and are not eligible for RPTTF or Reserve Funds funding.
- Item Nos. 127, 154, and 159 – 700 K Street Project loans totaling \$3,600,000 million; \$2,573,542 funded by RPTTF, and \$1,026,458 funded by bond proceeds. The Agency's obligation to fund the project expired on June 30, 2013, as the developer did not meet the requirements to obtain new market tax credits. Therefore, these line items are not enforceable obligations and are not eligible for RPTTF or bond proceeds funding.
- Item No. 219 – 58 Arden Way Project Environmental Remediation Project Delivery Costs in the amount of \$30,808. Because the environmental remediation costs for the 58 Arden Way Project (Item No. 224) is not an enforceable obligation, the project delivery costs associated with this project is also not an enforceable obligation. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 224 – 58 Arden Way Project Environmental Remediation costs in the amount of \$45,500. The Agency requested that the 6-month amount for this obligation be increased from \$0 to \$45,500. This change increased total RPTTF requested for ROPS 13-14B by \$45,500. However, it is our understanding the contract for environmental remediation services was not awarded before June 27, 2011. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 386 – Housing Entity Administrative Allowance in the amount of \$150,000 funding by RPTTF. On Resolution No. 2013-0015, the oversight sight board approved the Agency's request to eliminate this item from ROPS 13-14B. Per the Agency's request, the amount requested for this obligation was changed from \$150,000 to \$0. This change decreased the total RPTTF requested for ROPS 13-14B by \$150,000.
- The Agency's claimed administrative costs exceed the allowance by \$455,475. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The Sacramento County Auditor Controller's Office distributed \$348,746 in administrative costs for the July through December 2013 period, thus leaving a balance of \$195,779 available for the January through June 2014 period. Although \$548,892 is claimed for administrative cost, only \$195,779 is available pursuant to the cap. Therefore, \$455,475 of excess administrative cost is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds totaling \$433,755.

Therefore, with the Agency's concurrence, the funding source for the following items have been reclassified to Other Funds and in the amounts specified below:

- Item No. 35 – Administrative Costs in the amount of \$195,779. The Agency requested \$548,892 of RPTTF; however, Finance is reclassifying \$195,779 to Other Funds. This item was partially approved for RPTTF funding for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has \$433,755 in Other Funds. Therefore, Finance is approving zero RPTTF and the use of Other Funds in the amount of \$195,779 in Other Funds, totaling \$195,779 for this item.
- Item No. 384 – Securities Lending Program Liability in the amount of \$237,976. The Agency requested \$430,826 of RPTTF; however Finance is reclassifying \$237,976 to Other Funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has \$433,755 in Other Funds. Therefore, Finance is approving RPTTF in the amount of \$192,850 and the use of Other Funds in the amount of \$237,976, totaling \$430,826 for this item.

Through Resolution No. 2013-0015, the Oversight Board approved the Agency's modifications to the Fund Balance Form. Per the Agency's request, the following changes have been made to the Fund Balance form:

- Bond proceeds beginning available fund balance as of January 1, 2013 for issuances on or before December 31, 2010 was changed from \$24,655,271 to \$24,599,503. Further, Finance increased the beginning balance by additional \$3,068,488 to include the cash with fiscal agent amounts. As a result, the beginning available fund balance as of January 1, 2013 for issuances on or before December 31, 2010 should be \$27,667,991. However, because the Agency is allowed to reserve the cash with fiscal agent balance as required by the bond indentures, the increase in the amount \$3,068,488 to the beginning balance will not increase the available bond proceeds for expenditures.
- Revenues generated from bond proceeds for issuances on or before December 31, 2010 during the January through June 2013 ROPS (ROPS III) period were changed from \$0 to \$145,832 to include interests earned from the bond proceeds.
- Expenditures of bond proceeds for issuances on or before December 31, 2010 during the ROPS III period was changed from \$285,863 to \$539,056 to reflect the actual bond proceeds expenditure for the period.

- Reserves beginning available fund balance as of January 1, 2013 were changed from \$10,575,201 to \$14,476,266 to reflect Finance's final determination regarding the Other Funds and Accounts (OFA) Due Diligence Report (DDR) review.
- Revenues for reserve balance during the ROPS III period were changed from \$0 to \$105,505 to reflect the recovery of disallowed transfers of Low and Moderate Income Housing Fund (LMIHF) as a result of Finance's LMIHF DDR review.
- Other Funds beginning available fund balance as of January 1, 2013 was changed from \$7,317,601 to \$2,712,626 to reflect Finance's final determination regarding the OFA DDR review.
- Revenues for Other Funds balance during the ROPS III period were changed from \$625,276 to \$948,917 to reflect the actual revenues generated in the period.
- RPTTF non-administrative expenditures for ROPS III period were changed from \$6,991,865 to \$6,647,696 to include the Agency's year-ending adjustments to related obligations. Accordingly, the retention of available fund balances for ROPS III was also changed from \$10,547,213 to \$10,707,740.
- RPTTF administrative expenditures for the ROPS III period were changed from \$821,332 to \$823,117 to include the Agency's year-ending adjustments to administrative costs.

Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the table below 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. However due to the form changes requested by the Agency, the prior period adjustment report Finance received from the CAC was incomplete. Therefore, the amount of RPTTF approved in the table below includes only the prior period adjustment self-reported by the Agency.

Through Resolution No. 2013-0015, the Oversight Board approved the Agency's modifications to the Prior Period Adjustments form. Per the Agency's request, various changes have been made to the Prior Period Adjustment form to include the Agency's year-ending adjustments (see Exhibit A). As a result, the total actual expenditures for the following funding sources have been changed by the amounts specified below:

- RPTTF non-administrative expenditures were decreased by \$183,642 from \$17,539,078 to \$17,355,435.
- RPTTF administrative expenditures were increased by \$1,845 from \$821,332 to \$823,177.
- Bond proceeds expenditures were increased by \$253,193 from \$285,863 to \$539,056.

Except for items denied in whole or in part as enforceable obligations or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 RPTTF distribution for the reporting period is \$4,761,513 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF originally requested for non-administrative obligations	25,868,075
Plus: Changes to RPTTF as requested by the Agency	
Item No. 224	45,500
Item No. 386	(150,000)
Total RPTTF requested for non-administrative obligations	25,763,575
Total RPTTF requested for administrative obligations	651,254
Total RPTTF requested for obligations	\$ 26,414,829
Total RPTTF requested for non-administrative obligations	25,763,575
Denied Items*	19,237,600
Reclassified Items – From RPTTF to Other Funds	
Item No. 384	237,976
	237,976
Total RPTTF approved for non-administrative obligations	6,287,999
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	195,779
Reclassified Items – From RPTTF to Other Funds	
Item No. 35	195,779
	195,779
Total RPTTF for administrative obligations	0
Total RPTTF approved for obligations	6,287,999
ROPS III prior period adjustment	(1,526,486)
Total RPTTF approved for distribution	\$ 4,761,513
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	11,624,870
Total RPTTF for 13-14B (January through June 2014)	6,525,975
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	18,150,845
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	544,525
Administrative allowance for 13-14A (July through December 2013)	348,746
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	195,779

*Refer to Exhibit B for an itemized list of denied items

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

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 HSC section 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,



JUSTYN HOWARD
Assistant Program Budget Manager

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

Exhibit A
Changes to Prior Period Payment Adjustments Form

Item No	Description	Approved Funding Source	Original Amount	Revised Amount	Net Change
5	Banc of America Public Capital Corporation Payment	RPTTF non-administrative	7,470	-	(7,470)
20	Banc of America Public Capital Corporation Payment	RPTTF non-administrative	7,307	-	(7,307)
47	Property Holding Costs	RPTTF non-administrative	8	-	(8)
48	Banc of America Public Capital Corporation Payment	RPTTF non-administrative	18,568	-	(18,568)
82	Property Holding Costs	RPTTF non-administrative	1,096	1,088	(8)
83	Banc of America Public Capital Corporation Payment	RPTTF non-administrative	10,311	-	(10,311)
116	Banc of America Public Capital Corporation Payment	RPTTF non-administrative	30,844	-	(30,844)
158	Property Holding Costs	RPTTF non-administrative	48	22	(26)
160	Property Holding Costs	RPTTF non-administrative	43,515	43,490	(25)
161	Banc of America Public Capital Corporation Payment	RPTTF non-administrative	32,113	-	(32,113)
228	Property Holding Costs	RPTTF non-administrative	-	2,137	2,137
231	Banc of America Public Capital Corporation Payment	RPTTF non-administrative	17,989	-	(17,989)
271	Property Holding Costs	RPTTF non-administrative	-	26	26
277	Banc of America Public Capital Corporation Payment	RPTTF non-administrative	25,585	-	(25,585)
305	Banc of America Public Capital Corporation Payment	RPTTF non-administrative	488	-	(488)
319	Banc of America Public Capital Corporation Payment	RPTTF non-administrative	2,186	-	(2,186)
337	Banc of America Public Capital Corporation Payment	RPTTF non-administrative	32,877	-	(32,877)
Total Changes to RPTTF Non-Administrative Expenditures					(183,642)
35	Administrative Costs	RPTTF Administrative	809,943	811,788	1,845
Total Changes to RPTTF Administrative Expenditures					1,845
78	Construction Costs	Bond Proceeds	169,462	139,946	(29,516)
79	Construction Costs	Bond Proceeds	-	293,000	293,000
229	Consultant for Del Paso Project	Bond Proceeds	10,291	-	(10,291)
Total Changes to Bond Proceeds Expenditures					253,193

**Exhibit B
Denied Items**

Item No	Amount
Item No. 7	\$77,313
Item No. 9	191,323
Item No. 31	407,586
Item No. 33	102,800
Item No. 89	192,475
Item No. 93	593,509
Item No. 97	10,350
Item No. 99	136,201
Item No. 101	99,688
Item No. 103	75,819
Item No. 105	213,766
Item No. 107	37,565
Item No. 109	100,710
Item No. 126	16,979
Item No. 127	1,654,767
Item No. 128	40,500
Item No. 154	918,775
Item No. 157	104,812
Item No. 189	8,510,926
Item No. 192	2,884,075
Item No. 219	15,404
Item No. 224	45,500
Item No. 244	21,300
Item No. 246	150,056
Item No. 248	225,073
Item No. 252	46,275
Item No. 283	115,275
Item No. 288	145,837
Item No. 290	570,420
Item No. 292	174,500
Item No. 294	909,941
Item No. 296	66,878
Item No. 298	254,995
Item No. 300	126,207
Total Denied Items	\$19,237,600