



December 17, 2013

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

Dear Ms. Fritzsche:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 6, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Sacramento Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 24, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 6, 2013. 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 19, 2013.

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 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. Finance no longer denies these items. 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. The Agency claims that the bond covenants require all available revenues be first set aside until there are sufficient funds to meet the entire annual debt service coverage. Our limited review of the documents provided by the Agency for the 1993 bonds indicate that the bonds shall be secured by a first lien on and pledge of all revenues. Therefore, based on our limited review, it is reasonable to assume the remaining bonds have a similar requirement. As such, these items are approved for RPTTF funding on ROPS 13-14B, at this time. Finance will conduct a full analysis of all bond documents in the future ROPS periods.

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional \$16,440,863 should be placed in reserves for the future debt service payments and transferred upon receipt to the bond trustee(s) along with the amounts approved for the other ROPS 13-14B debt service payments prior to making any other payments on approved ROPS items. Any requests to fund these items again in the ROPS 14-15A period will be denied unless insufficient RPTTF is received to satisfy both the debt service payments due during the ROPS 13-14B period and the reserve amounts requested in ROPS 13-14B for the ROPS 14-15A debt service payments.

Finally, we note that the Contract/Agreement Execution Date column on the ROPS form for these items lists these items as being executed as of January 1, 2014, with a termination date of June 30, 2014. We attempted to contact the Agency to clarify; however, we assume this is an error and we are not approving any new agreement(s) through this letter.

- Item No. 37 – 14th Avenue Extension Project contract in the amount of \$2,209,150 funded by Reserve Funds. Finance continues to deny this item. It is our understanding the Agency has not started the contracting process for this project. In addition, the Agency has not provided sufficient documentation showing that the bidding process will be started or a contractor will be selected in the ROPS 13-14B period; therefore, this item is not eligible for reserve funding on this ROPS.

The Agency claims this amount was reserved for this project through the Other Funds and Accounts Due Diligence Review and should be allowed. However, our review indicates that the Agency was permitted to retain the amounts approved during the ROPS II period because the RPTTF distribution was received prior to June 30, 2012, and included in the beginning balance. To the extent these funds were not expended during the ROPS II period, the Agency must continue to relist the project and requested amounts for the six-month period on future ROPS for Finance's review and approval. For the ROPS 13-14B period, the Agency has not provided any additional contracts to support the amounts claimed. Therefore, this item is not an enforceable obligation and is not eligible for reserve funding.

- Item Nos. 43, 46, 75, 79, 81 and 272 – Various bond funded projects totaling \$3,340,753. Finance no longer denies these items. The Agency received a Finding of Completion from Finance on September 20, 2013, and is now permitted to use excess bond proceeds from bonds issued prior to January 1, 2011. In addition, the Agency provided reasonable estimates for the use of the proceeds. Therefore, the request to use pre-2011 bond proceeds during ROPS 13-14B is approved as follows:
  - Item No. 43 – 14<sup>th</sup> Avenue Extension Project in the amount of \$184,955.
  - Item No. 46 – 14<sup>th</sup> 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.

We note that pursuant to HSC section 34179, these contracts should be presented to the Oversight Board and submitted to Finance for approval.

- Item Nos. 126, 128, and 129 – 700 K Street Project related costs totaling \$144,163; \$57,479 funded by the RPTTF and \$86,684 funded by Reserve Funds. Finance continues to deny these items. Finance denied these items because the 700 K Street project is not an enforceable obligation and the project delivery, closing, and development costs associated with this project are also not enforceable obligations. The Agency did not provide any additional information during the meet and confer process to compel reversal of our previous determination. Therefore, these line items are not enforceable obligations and are not eligible for RPTTF or Reserve Funds funding.
- Item No. 157 – Consulting Services with Ray Stone, Inc. totaling \$104,812. Finance continues to deny this item at this time. The Agency claims this contract was presented to the Oversight Board (OB) and submitted to Finance for review. Finance issued an approval letter on March 5, 2013 permitting the contract with Ray Stone for property management of the 700 and 800 K St. properties in downtown Sacramento. However, the OB resolution states the contract was not to exceed \$55,000, plus certain reimbursable costs, and Finance has already approved \$104,812 for the contract in the ROPS 13-14A period. Therefore, this item has been fully funded and is not eligible for additional RPTTF funding.
- Item Nos. 127, 154, and 159 – 700 K Street Project loans totaling \$3,600,000; \$2,573,542 funded by the RPTTF and \$1,026,458 funded by bond proceeds. Finance continues to deny these items. As previously determined, 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. Finance continues to deny this item. As previously determined, since 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 six-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. Finance continues to deny this item. Finance initially denied this item as it was our understanding the contract for environmental remediation services was not awarded prior to June 27, 2011. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. In addition, the Agency's Long Range Property Management Plan has not been reviewed or approved by Finance to determine if these proposed costs will be necessary to prepare the properties for disposition. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.

In addition, per Finance's letter dated November 6, 2013, we continue to deny the following item not contested by the Agency during the Meet and Confer:

- 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.

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.

The Agency's maximum approved RPTTF distribution for the reporting period is \$21,657,851 as summarized below:

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
<b>Total RPTTF requested for obligations</b>	<b>\$ 26,414,829</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>25,763,575</b>
<u>Denied Items</u>	
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. 219	15,404
Item No. 224	45,500
	2,796,737
<u>Reclassified Items – From RPTTF to Other Funds</u>	
Item No. 384	237,976
<b>Total RPTTF approved for non-administrative obligations</b>	<b>22,728,862</b>
<b>Total RPTTF allowable for administrative obligations</b>	<b>651,254</b>
<u>Reclassified Items – From RPTTF to Other Funds</u>	
Item No. 35	195,779
<b>Total RPTTF for administrative obligations</b>	<b>455,475</b>
<b>Total RPTTF approved for obligations</b>	<b>23,184,337</b>
ROPS III prior period adjustment	(1,526,486)
<b>Total RPTTF approved for distribution</b>	<b>\$ 21,657,851</b>

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

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 section 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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, 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**

<b>Item No</b>	<b>Description</b>	<b>Approved Funding Source</b>	<b>Original Amount</b>	<b>Revised Amount</b>	<b>Net Change</b>
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)
<b>Total Changes to RPTTF Non-Administrative Expenditures</b>					<b>(183,642)</b>
35	Administrative Costs	RPTTF Administrative	809,943	811,788	1,845
<b>Total Changes to RPTTF Administrative Expenditures</b>					<b>1,845</b>
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)
<b>Total Changes to Bond Proceeds Expenditures</b>					<b>253,193</b>