



April 9, 2014

Mr. Donald Cavier, Finance Director  
Sacramento County  
801 12th Street  
Sacramento, CA 95814

Dear Mr. Cavier:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Sacramento County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 26, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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. 1, 3, 5, 7, 9, 11, 13, 15, 17, 19, 21, 23, and 25 – Debt service payments totaling \$2,020,714 for payments due January through June 2015 payable from Other Funds, Reserve Balances, and Redevelopment Property Tax Trust Funds (RPTTF). HSC section 34171 (d) (1) (A) allows successor agencies to hold a reserve for debt service payments when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the *calendar* year. Therefore, the request to fund payments due for the first half of the calendar year is not allowed.
- Item Nos. 24, 26, and 27 through 30 – California Infrastructure and Economic Development Bank loan payments in the amount of \$458,294, payable from Reserve Balances, and \$177,788 payable from RPTTF. The Agency was authorized to retain Other Funds totaling \$636,082 in the ROPS 13-14B period for payments due in the ROPS 14-15A period. Our records indicate the Agency retained sufficient Other Funds to make the payments due this period. Therefore, Finance denies the use of Reserve Balances and RPTTF; however, Finance approves the use of Other Funds totaling \$636,082 for these items.
- Item No. 74 – Florin Lift Station Loan in the amount of \$200,000. It is our understanding the annual payment for this item in the amount of \$200,000 was requested by the Agency during the ROPS 13-14B period; Finance authorized the use of Other Funds in the amount of \$200,000. Therefore, additional funding for this item in ROPS 14-15A

from RPTTF is not approved. The Agency may still fulfill its obligation for the Florin Lift Station during the ROPS 13-14B period from Other Funds.

- Item Nos. 116, 122, 124, and 126 – Various Project Management costs totaling \$190,000. Pursuant to HSC section 34191.4 (c) (1), the Agency is now authorized to expend excess pre-2011 bond proceeds. However, the use of excess bond proceeds does not constitute an enforceable obligation pursuant to HSC section 34171, and therefore does not create further enforceable obligations. As such, the Agency's request to fund project management costs incidental to the use of excess bond proceeds is not eligible for RPTTF funding. Finance notes that to the extent allowable, the Agency should use available bond proceeds to fund project management costs, and should request such funding on future ROPS. Therefore, these line items are not enforceable obligations and are not eligible for RPTTF funding.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (I) (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 self-reported available Other Funds totaling \$937,585 and available Reserve Balances totaling \$240,611.

Therefore, the funding source for the following items has been reclassified to Other Funds and Reserve Balances and in the amounts specified below:

- Item No. 32 through 35 – Banc of America Public Capital Corporation loan payments totaling \$67,192. The Agency requests \$67,192 from RPTTF; however, Finance is reclassifying \$57,190 to Other Funds and \$10,002 to Reserve Balances. These items are enforceable obligations for the ROPS 14-15A period. However, these obligations do not require payment from property tax revenues and the Agency has \$937,585 in available Other Funds and \$240,611 in available Reserve Balances. Therefore, Finance is approving the use of Other Funds in the amount of \$57,190 for Item Nos. 32 through 35 and Reserve Balances in the amount of \$10,002 for Item No. 35, totaling \$67,192.
- Item Nos. 88 through 97 and 99 – Various enforceable obligations totaling \$230,609. The Agency requests \$230,609 from RPTTF. These items are enforceable obligations for the 14-15A period. However, these obligations do not require payment from property tax revenues and the Agency has \$937,585 in available Other Funds and \$240,611 in available Reserve Balances. Therefore, Finance is reclassifying \$230,609 to Other Funds.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies 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 table below only includes the prior period adjustment self-reported by the Agency.

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 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved (RPTTF) distribution for the reporting period is \$227,698 as summarized below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	1,858,107
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 1,983,107</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>1,858,107</b>
<b>Denied Items</b>	
Item No. 15	(169,002)
Item No. 17	(262,114)
Item No. 19	(131,922)
Item No. 21	(153,347)
Item No. 23	(50,453)
Item No. 25	(75,680)
Item No. 74	(200,000)
Item No. 116	(181,250)
Item No. 122	(6,250)
Item No. 124	(1,250)
Item No. 126	(1,250)
	(1,232,518)
<b>Total RPTTF for non-administrative obligations</b>	<b>625,589</b>
<b>Cash Balances - Items reclassified to other funding sources</b>	
Item No. 27	(23,935)
Item No. 28	(38,365)
Item No. 29	(47,554)
Item No. 30	(67,934)
Item No. 32	(2,031)
Item No. 33	(7,915)
Item No. 34	(29,333)
Item No. 35	(27,913)
Item No. 88	(1,025)
Item No. 89	(2,281)
Item No. 90	(5,367)
Item No. 91	(7,886)
Item No. 92	(3,014)
Item No. 93	(6,695)
Item No. 94	(16,417)
Item No. 95	(23,924)
Item No. 96	(8,000)
Item No. 97	(8,000)
Item No. 99	(148,000)
	(475,589)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$150,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 275,000</b>
ROPS 13-14A prior period adjustment	(47,302)
<b>Total RPTTF approved for distribution</b>	<b>\$ 227,698</b>

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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 Nichelle Thomas, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Mr. Ben Lamera, Assistant Auditor-Controller, Sacramento County  
California State Controller's Office