



November 6, 2014

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 14-15B) to the California Department of Finance (Finance) on September 24, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 37 – 14<sup>th</sup> Avenue Extension Project contracts in the amount of \$2,209,150 is not allowed. Pursuant to HSC section 34163, the former redevelopment agency does not have the authority to make commitments to any entity, including governmental entities, after June 27, 2011. It is our understanding the Agency and the City Council did not submit grant applications for the federal grants associated with this project until September 7, 2011. Therefore, this item is not an enforceable obligation and is not eligible for Reserve Balances funding.
- Item No. 122 – Campbell's Soup Property Tax Rebate in the amount of \$9,399,608 is not allowed. It is our understanding the tax rebate reimbursement is processed annually. Finance approved \$538,622 on the July through December 2014 ROPS (ROPS 14-15A) for fiscal year 2014-15, and the Agency received the full Redevelopment Property Tax Trust Fund (RPTTF) distribution for this item. Finally, the Agency does not have any remaining obligation for this item in the ROPS 14-15B period. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 163 – Citizen Hotel Property Tax Rebate in the amount of \$1,428,832 is not allowed. It is our understanding the tax rebate reimbursement is processed annually. Finance approved \$117,302 on ROPS 14-15A for fiscal year 2014-15, and the Agency received the full RPTTF distribution for this item. Finally, the Agency does not have any remaining obligation for this item in the ROPS 14-15B period. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.

- Item No. 164 – Orleans Hotel Property Tax Rebate in the amount of \$435,487 is not allowed. It is our understanding the tax rebate reimbursement is processed annually. Finance approved \$54,952 on ROPS 14-15A for fiscal year 2014-15, and the Agency received the full RPTTF distribution for this item. Finally, the Agency does not have any remaining obligation for this item in the ROPS 14-15B period. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 217 – Environmental Remediation costs in the amount of \$16,728 is not allowed. The Third Amendment to the service contract with Grayland Environmental expires on December 31, 2014; therefore, it is insufficient to support the amount requested for the ROPS 14-15B period. To the extent the Agency can provide suitable documentation to support the requested funding, the Agency may be able to obtain Other Funds on future ROPS for this item.
- Item No. 334 – Property Holding costs for the Stockton Project Area are not allowed. It is our understanding the Agency does not have properties in the Stockton Project Area. As such, the Agency has no financial responsibility for property holding costs. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 405 – Environmental Remediation costs are not allowed. The Tenth Supplemental Agreement to the service contract with Grayland Environmental expires on December 31, 2014; therefore, it is insufficient to support the amount requested for ROPS 14-15B period. To the extent the Agency can provide suitable documentation to support the requested funding, the Agency may be able to obtain Other Funds on future ROPS for this item.
- Item No. 422 – Settlement Agreement for the 700 Block of K Street Project in the amount of \$1,026,458 is not necessary. Finance approved the use of Bond Proceeds pursuant to the Settlement Agreement in its letter dated September 30, 2014. The Agency has no additional obligation for this item in the ROPS 14-15B period.
- Claimed administrative costs exceed the allowance by \$21,956. HSC section 34171 (b) limits the fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$993,557 in administrative expenses. The Sacramento County Auditor-Controller's Office distributed \$306,266 in administrative costs for the July through December 2014 period, thus leaving a balance of \$687,291 available for the January through June 2015 period. Although \$709,247 is claimed for administrative cost, only \$687,291 is available pursuant to the cap. Therefore, \$21,956 of excess administrative cost is not allowed.

The Agency received a Finding of Completion on September 20, 2013 and is allowed to expend bond proceeds deriving from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenant. The Agency intends to transfer pre-2011 bond proceeds to the City of Sacramento (City) during the ROPS 14-15B period, as listed Item No. 44 – Lowell Street Sidewalks Project in the amount of \$220,000 payable from Bond Proceeds. Before the actual transfer can take place, a bond expenditure agreement with the City outlining

the transfer of pre-2011 bond proceeds should be approved by the Oversight Board and Finance.

Finance review of the ROPS 14-15B also includes our determination for the following Oversight Board (OB) resolutions:

- Item No. 423 – OB Resolution No. 2014-0024, approving the expenditure of \$1 million in Bond Proceeds from the River District Redevelopment Project Area for the Powerhouse Science Center Project and Excess Bond Expenditure Agreement, is approved.
- Item No. 424 – OB Resolution No. 2014-0025, approving the defunding of low-moderate income housing bond funds from the Sutterview Project, allocating low-moderate income housing bond funds to the 700 Block of K Street Project, and Excess Bond Expenditure Agreement, is approved.
- Item No. 425 – OB Resolution No. 2014-0026, allocating 2005 Merged Downtown bond funds to the 700 Block of K Street Project and approving for Execution an Excess Bond Proceed Expenditure Agreement, is approved. The Agency noted the source of funds indicated in the Excess Bond Proceed Expenditure Agreement should be the 2005 Merged Downtown Master Lease Tax Exempt Bond, and not the 2002 Merged Downtown Master Lease Tax Exempt Bond as originally reported.

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 (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 Reserve Balances totaling \$2,102,856.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Reserve Balances in the amount specified below:

- Item No. 189 – Debt Service Payment for the 1993 Merged Downtown Tax Allocation Bonds. The Agency requests \$7,665,640 from RPTTF and \$845,286 from Other Funds; however, Finance is reclassifying \$2,102,856 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, because the Agency has \$2,102,856 in available Reserve Balances, Finance is approving RPTTF in the amount of \$5,562,784, Other Funds in the amount of \$845,286, and the use of Reserve Balances in the amount of \$2,102,856, totaling \$8,510,926.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects 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. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for items denied in whole or in part or for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 \$20,477,390 as summarized in the Approved RPTTF Distribution Table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	23,791,573
Total RPTTF requested for administrative obligations	709,247
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 24,500,820</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>23,791,573</b>
<u>Denied Items</u>	
Item No. 122	(538,622)
Item No. 163	(117,302)
Item No. 164	(54,952)
Item No. 334	(21,000)
	(731,876)
<b>Total RPTTF for non-administrative obligations</b>	<b>23,059,697</b>
<u>Cash Balances - Item reclassified to Reserves</u>	
Item No. 189	(2,102,856)
	(2,102,856)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 20,956,841</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>709,247</b>
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(21,956)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 687,291</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 21,644,132</b>
ROPS 13-14B prior period adjustment	(1,166,742)
<b>Total RPTTF approved for distribution</b>	<b>\$ 20,477,390</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 14-15A (July through December 2014)	10,208,878
Total RPTTF for 14-15B (January through June 2015)	22,909,697
Less approved unfunded obligations from prior periods	0
<b>Total RPTTF for fiscal year 2014-2015</b>	<b>33,118,575</b>
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	993,557
Administrative allowance for 14-15A (July through December 2014)	306,266
<b>Allowable RPTTF distribution for administrative cost for ROPS 14-15B</b>	<b>687,291</b>
Total RPTTF administrative obligations after Finance adjustments	709,247
<b>Administrative costs in excess of the cap</b>	<b>\$ (21,956)</b>

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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.

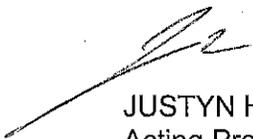
The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to the enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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  
Acting Program Budget Manager

cc: Mr. Dennis Kauffman, Accounting Manager, City of Sacramento  
Mr. Ben Lamera, Assistant Auditor-Controller, Sacramento County  
California State Controller's Office