



May 17, 2016

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

Dear Ms. Fritzsche:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Sacramento Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 28, 2016. Finance issued a ROPS determination letter on April 15, 2016. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on May 2, 2016.

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 determinations being disputed.

- Item No. 27 – Property Tax Assessment fees in the total outstanding obligation amount of \$131,576. Finance continues to deny this item. Finance approved the Agency's Long-Range Property Management Plan (LRPMP) in December 15, 2015. Pursuant to the approved LRPMP, properties with a permissible use of governmental or future development were approved for transfer to the City of Sacramento (City). During the meet and confer, the Agency contended that there is a process that includes appraisals, Oversight Board approval, entrance into compensation agreements, and City Council approval before said properties may be transferred to the City. However, the LRMP does not stipulate that those properties must transfer at the conclusion of this process, nor does it state that the Agency must be responsible for these costs. As a result, Finance maintains that the City is now responsible for all costs associated with those properties.

The Agency had provided a list of project areas and associated fees that included all permissible uses. During the Meet and Confer process, the Agency did not provide a list of assessments solely for sale properties to support the annual estimated expenditures. To the extent the Agency can provide a breakdown of these costs in a future period, funding may be approved. Therefore, the requested amount of \$131,576 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS 16-17.

- Item No. 47 – Property Holding costs in the amount of \$230,727. Finance continues to partially allow this item. Finance approved the Agency's LRPMP in December 15, 2015. Pursuant to the approved LRPMP, properties with a permissible use of governmental or future development were approved for transfer to the City. Similar to Item No. 27, the Agency contended that there is a process that includes appraisals, Oversight Board approval, entrance into compensation agreements, and City Council approval before said properties may be transferred to the City. However, the LRMP does not stipulate that those properties must transfer at the conclusion of this process nor does it state that the Agency must be responsible for these costs. As a result, Finance maintains that the Agency is only responsible for properties with a permissible use of sale.

We note that holding costs for properties with a permissible use of sale totaling \$80,167, are allowed. However, holding costs for properties with a permissible use of governmental or future development are not allowed because they are no longer the obligation of the Agency. Therefore, the excess \$150,560 (\$230,727 - \$80,167) is not considered an enforceable obligation and is not eligible for RPTTF funding on the ROPS.

- Item Nos. 124, 197, 198, and 355 – Rental Subsidy Agreements (Agreements), in the aggregate amount of \$1,072,872 for ROPS 16-17. Finance is not denying these items at this time. These items were initially denied because the Agency is not a party to these Agreements and, therefore, did not qualify as an obligation of the Agency. Finance has not been able to complete its review of the documentation provided by the Agency related to these items to determine if they are enforceable obligations of the former RDA/Agency pursuant to HSC section 34171 (d). Therefore, until Finance has completed its review, and out of an abundance of caution, Finance is approving these items for the amounts requested on the ROPS 16-17. We will continue to work with the Agency during the next ROPS period. The Agency, or any other parties for that matter, should not conclusively rely upon this very limited ROPS period approval, as approval for the entirety of these obligations. Therefore, funding in the requested amount of \$1,072,872 (\$244,272 + \$194,424 + \$237,312 + \$396,864) specifically for the ROPS 16-17 period is eligible for RPTTF funding.
- Item Nos. 303 and 308 – Railyards Inland Master Phase and Initial Phase Owner Participation Agreements (OPA), in the amount of \$137,274. Finance no longer denies these items. During the Meet and Confer process, the Agency provided sufficient documentation to support the Assignment and Assumption of the Railyards OPAs as an ongoing enforceable obligation of the Agency. Therefore, these items are eligible for \$137,274 in RPTTF funding on this ROPS.
- Item No. 385 – Property Disposition Costs in the amount of \$250,000. Finance continues to partially allow this item. During the Meet and Confer process, the Agency explained that it had provided an estimate for a six-month period with costs totaling \$124,900. The Agency doubled the amount by requesting funding in the amount of \$125,000 in both the July 1, 2016 through December 31, 2016 period (ROPS A period) and the January 1, 2017 through June 30, 2017 period (ROPS B period). This estimate represents costs for 14 appraisals and 12 title reports. The LRPMP currently contains 20 sale-of-property items. With an average cost of \$7,575 for appraisals and title reports per property for 20 properties and \$20,000 in marketing and brokerage costs per six-

month period, the Agency may be allowed up to \$191,500 for the ROPS 16-17 period to fund these items. Therefore, the remaining amount of \$58,500 (\$250,000 - \$191,500) is not eligible for RPTTF funding in the ROPS B period.

- Item No. 419 – Settlement Costs for the Canez Court Case in the amount of \$100,000. Finance continues to deny this item. It is our understanding the case has been set for trial on August 1, 2016. Additionally, it is our understanding that although the case was initially filed in 2013, there have been no attorney costs claimed to date with respect to this case. The Agency contends that these funds are needed in anticipation of a jury decision or a settlement for the case and must have funds on hand; however, Finance maintains that requesting funding for contingencies is not an allowable use of funds. To the extent the Agency can provide a court judgment, or some other agreement mandating payment, to support the amounts claimed, the Agency may be eligible for funding on a subsequent ROPS. Therefore, the requested amount of \$100,000 is not eligible for RPTTF funding at this time.

In addition, per Finance's letter dated April 15, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 216 – Project Management costs in the total outstanding obligation amount of \$6,600 are not allowed. It is our understanding the Agency received a grant from the State Water Resources Control Board for the remediation of 1340 Del Paso Boulevard. However, the Agency was unable to provide the order for remediation from the Department of Toxic Substances or the grant agreement. Additionally, it is our understanding the remediation may have been voluntary. To the extent the Agency can provide an order for remediation and an executed grant agreement to support costs, the funding may be approved in the future. Therefore, this item is not an enforceable obligation and the requested amount of \$6,600 is not eligible for RPTTF funding on the ROPS.
- Item No. 221 – Project Management costs in the total outstanding obligation amount of \$7,116 are not allowed. It is our understanding the Agency received a grant from the State Water Resources Control Board for the remediation of the El Monte Triangle. However, the Agency was unable to provide the order for remediation from the Department of Toxic Substances or documentation to support the requested amount. Additionally, it is our understanding the remediation may have been voluntary. To the extent the Agency can provide an order for remediation and invoices to support costs, the funding may be approved in the future. Therefore, this item is not an enforceable obligation and the requested amount of \$7,116 is not eligible for RPTTF funding on the ROPS.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17.

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. Be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved enforceable obligations, HSC section 34177 (I) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$34,702,011 as summarized in the Approved RPTTF Distribution Table on page 5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

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

This is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Daisy Rose, Analyst, (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Dennis Kauffman, Operations Manager, City of Sacramento
Mr. Ben Lamera, Assistant Auditor-Controller, Sacramento County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	6,392,743	27,890,954	34,283,697
Requested Administrative RPTTF	436,333	436,333	872,666
Total RPTTF requested for obligations on ROPS 16-17	6,829,076	28,327,287	\$ 35,156,363
Total RPTTF requested	6,392,743	27,890,954	34,283,697
<u>Denied Items</u>			
Item No. 27	(65,788)	(65,788)	(131,576)
Item No. 47	(75,280)	(75,280)	(150,560)
Item No. 216	(6,600)	0	(6,600)
Item No. 221	(7,116)	0	(7,116)
Item No. 385	0	(58,500)	(58,500)
Item No. 419	(50,000)	(50,000)	(100,000)
	<u>(204,784)</u>	<u>(249,568)</u>	<u>(454,352)</u>
Total RPTTF authorized	6,187,959	27,641,386	\$ 33,829,345
Total Administrative RPTTF authorized	436,333	436,333	\$ 872,666
Total RPTTF approved for distribution	6,624,292	28,077,719	\$ 34,702,011