



May 17, 2012

Chris Pahule, Program Manager
Sacramento Housing and Redevelopment Agency
801 12th Street
Sacramento, CA 95814

Dear Mr. Pahule:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the County of Sacramento Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 2, 2012 for the period January through June 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

- HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. The following items did not have contracts in place for the anticipated work prior to June 28, 2011:
 - Page 3, item 15 in the amount of \$1.2 million. A Memorandum of Agreement was provided, which is not valid agreement and the County's contract with the contractor was executed after June 27, 2011.
 - Page 4, items 54, 56, 58, 60, and 64 in the amount of \$9 million. Disposition and Development Agreements (DDA) were provided, which specified the developer would acquire and develop the specified parcels and the RDA would complete public improvements related to the development projects. However, the costs of the improvements were not identified in the DDA and the City's biddings for construction contracts for these improvements have not started.
- Page 3, Items 2, 3, 17, 18, and 28 in the amount of \$1.9 million. *Internal Loan/Advance Agreements* between the Sacramento Housing and Redevelopment Agency (SHRA) and RDA were provided. The SHRA is a Joint Powers Agency that the County RDA was a member of. According to the *Internal Loan/Advances Agreements*, these advances are from the SHRA to the RDA project area, which the SHRA is responsible for project delivery in the area. Therefore, these advances appear to be loans from the SHRA to one of its project areas and are not EOs.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

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Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

Redevelopment_Administration@dof.ca.gov

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL

Program Budget Manager

cc: Mr. Ben Lamera, Assistant Auditor Controller, Sacramento County Auditor-Controller
Ms. Kim Le, Senior Accounting Manager, Sacramento County Auditor-Controller