



May 30, 2012

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

Dear Mr. Pahule:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the County of Sacramento Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 2, 2012 for period of the January to June 2012 and on May 22, 2012 for the period of July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

January through June 2012 ROPS

Except for items disallowed in whole or in part as enforceable obligations noted in Finance's letter dated May 17, 2012, Finance is approving the remaining items listed in your ROPS.

July through December 2012 Period:

Except for items disallowed in whole or in part as enforceable obligations noted below, Finance is approving the remaining items listed in your ROPS.

HSC 34171 (d) lists enforceable obligation (EO) characteristics. The following items 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 2, item 5 in the amount of \$1.2 million. A Memorandum of Agreement in itself is not enforceable and the County's contract with the contractor was not executed until August 2011.
 - Page 5, items 17 through 21 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.
- Advances 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/Advance 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 follows:

- o Page 2, items 2, 3, 10, 12 and 25
- o Page 5, items 1, 3, 7, and 9

This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPPTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

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