



December 18, 2012

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

Dear Ms. Fritzsche:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 5, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Sacramento Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 21, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 5, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on Tuesday, November 6, 2012.

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 items being disputed.

- Item 36 – Oversight Board Legal Services in the amount of \$50,000. The Agency's position is this item was for a legal services contract issued by the Oversight Board not the Successor Agency; however, Finance continues to classify this item as administrative costs. Per HCS section 34177.3 (b), Successor agencies may create enforceable obligations to conduct the work of winding down the redevelopment agency. However, Oversight Board legal services are administrative costs and are limited to the administrative cap of three percent of property tax allocated to the successor agency or \$250,000, whichever is greater.
- Item 357 – Property and Liability Insurance. Finance originally reclassified this item as an Administrative cost; however, during the meet and confer process, the Agency confirmed the insurance costs are for properties held by the Housing Authority as the Housing Successor Agency. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Sacramento assumed the housing functions and these the costs associated with these functions are the responsibility of the housing successor. Therefore, this item is not enforceable obligations and not eligible for funding from the Low and Moderate Income Housing Fund.

In addition, per Finance's ROPS III letter dated October 5, 2012, the items below that the Agency did not dispute continue to be denied:

- Pursuant to HSC section 34191.4 (c), the Agency is not allowed to spend unencumbered bond proceeds until a Finding of Completion is issued by Finance. Additionally, the construction work is expected to occur in 2013. Therefore, the following items are not enforceable obligations on this ROPS:
  - Item Nos. 37, 43 and 46 – 14<sup>th</sup> Avenue Extension construction/sub grantee contract totaling \$2.2 million of other funds and \$1.6 million bond funds.
  - Item No.44 – Lowell Street Sidewalks construction contract in the amount of \$220,000 bond funds.
  - Item No. 45 – Power Inn Road Streetscape contract/sub grantee contract in the amount of \$171,816 bond funds.
  - Items No.135 and 156 – Downtown Streetscape – St. Rose Kiosk construction contract in the amount of \$42,610 Redevelopment Property Tax Trust Fund (RPTTF) funds and \$171,581 bond funds.
  - Item No.155 – Docks Promenade Phase II construction in the amount of \$227,625 bond funds.
  - Item Nos. 270 and 274 – Martin Luther King Jr. Boulevard Corridor Improvement construction contract in the amount of \$4.6 million bond funds.
  - Item No. 272 – Broadway Streetscape/Third Avenue Plaza construction contract in the amount of \$476,342 bond funds.
- Item No. 168 – Supplemental Educational Revenue Augmentation Fund (2009-10) Loan from the Redevelopment Property Tax Trust Fund (RPTTF) in the amount of \$4 million. HSC section 34191.4 (b) (2) (A) specifies loan payments shall not be made prior to the 2013-14. Since the item cannot be paid at this time, this line item is not an enforceable obligation and not eligible for RPTTF funding.
- Item No. 317 –Township 9 Infrastructure construction contract in the amount of \$42,985 between the City of Sacramento and the Department of Housing and Community Development. Because the former redevelopment agency is neither a party to the contract nor responsible for payment of the contract, this line item is not an enforceable obligation and not eligible for RPTTF funding.
- Administrative cost claimed exceeds the allowance by \$99,541. HSC section 34171(b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$1,105,534 in administrative costs. The Agency claimed \$1,152,545 claimed in administrative cost. Finance reclassified \$52,530 as administrative cost. Therefore \$99,541 of excess administrative cost claimed is not allowed. The following items were reclassified as administrative costs:

- o Item Nos. 25, 88, 172, 238, and 282 – Loan Servicing Fees totaling \$2,530
- o Item No. 36 – Oversight Board Legal Services in the amount of \$50,000

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$19,700,607, as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$20,047,872
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 25*	440
Item 36*	50,000
Item 88*	280
Item 135	28,590
Item 168	1,333,333
Item 172*	880
Item 238*	280
Item 282*	650
Item 317	32,746
Item 357	5,600
Total approved RPTTF for enforceable obligations	<u>\$18,595,073</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>1,105,534</u>
<b>Total RPTTF approved:</b>	<b>\$19,700,607</b>

\* Reclassified as administrative cost

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$18,256,049
Total RPTTF for the period January through June 2013	18,595,073
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$36,851,122</b>
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	1,105,534
Administrative allowance for the period of July through December 2012	0
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$1,105,534</b>

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the 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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor or Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Dennis Kauffman, Accounting Manager, City of Sacramento  
Mr. Carlos Valencia, Senior Accounting Manager, Sacramento County  
California State Controller's Office