



December 14, 2012

Mr. Martin Tuttle, City Manager
City of West Sacramento
1110 West Capitol Avenue
West Sacramento, CA 95691

Dear Mr. Tuttle:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 20, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of West Sacramento Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 6, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 20, 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 November 13, 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 specific item being disputed.

- Item No. 11 – Delta Lane Housing Loan in the amount of \$9.7 million. Finance continues to deny this item. Finance denied the item because although the loan agreement was signed on June 22, 2011, prior to the June 27, 2011 cut-off date, the agreement contains a clause which releases the Agency from its duty to fulfill the commitment if all funds necessary to disburse the loan are unavailable. Funds are not available because tax increment is no longer allocated to the Agency pursuant to HSC section 33670. The Agency contends the item is an enforceable obligation because the loan agreement was executed with the West Sacramento Housing Development Corporation, a non-profit housing corporation, prior to the June 28, 2011 cutoff date for enforceable obligations. However, the loan agreement identifies multiple conditions precedent that have to be met, otherwise the lender (Agency) shall not be obligated to disburse additional loan proceeds. Specifically, for example, Section 24 (B) (iv) requires the borrower to have an executed Disposition and Development Agreement (DDA) with the lender, for the purpose of conveying the property to the borrower for the development of the project. However, the Agency is no longer able to enter into any additional agreements after June 27, 2011. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 16 and 25 – Bridge District 2014 Plan and Bridge District Infrastructure in the amount of \$145.1 million are loans with the City of West Sacramento (City). Finance

continues to deny the item. Finance denied the items as HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable. Since the agreement requiring the Agency to provide funding is between the City and the RDA, this item is not an enforceable obligation and not eligible for RPTTF funding. Further, the underlying development agreements are between the City and third parties, and the Agency is not a party. The Agency contends the items are enforceable obligations because on February 2, 2011, the RDA approved the Bridge District Infrastructure Agreement with the City that called for a commitment of \$115.7 million of future tax increment generated by the Bridge District to fund infrastructure development. However, the agreement to provide the infrastructure improvements is between the former RDA and the City, which is no longer valid per HSC section 34171 (d) (2), and the development agreement is between the City and a third party, not the former RDA. Therefore, the items are not enforceable obligations.

- Item No. 19 – Hotel Project in the amount of \$310,329. Finance continues to deny the item. Finance denied the item as the contract is between the City of West Sacramento and Garfield Traub California Developments, Inc. As the former RDA is neither a party to the contract nor responsible for contract payment, this item is not an enforceable obligation. The Agency contends the item is an enforceable obligation because the contract is between the West Sacramento Financing Authority (WSFA), a joint powers agency that was established by the RDA and the City. However, the former RDA was not a party to the agreement nor are they responsible for payment of the contract. Furthermore, even if the former RDA was a party to the agreement, the agreements provided for the Hotel Project are all dated after June 27, 2011, which are not enforceable obligations per HSC section 34177.3 (a). Therefore, the item is not an enforceable obligation.

In addition, per Finance's ROPS letter dated October 20, 2012, the following items not disputed by the Agency continue to be denied:

- Item No. 17, 18, 20, and 21 – Various projects in the amount of \$1.0 million. No documents were provided to support the expenditure plan as enforceable obligations.
- Administrative costs exceed the allowance by \$86,176. HSC section 34171 (b) limits fiscal year 2012-13 administrative costs to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. The Agency is eligible for \$416,542 in administrative costs for fiscal year 2012-13. The Auditor-Controller's Office distributed \$238,718 of administrative costs for the July through December 2012 period, thus leaving a balance of \$177,824 available for the January through June 2013 period. Therefore, \$86,176 of the claimed \$264,000 is not allowed.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$5,742,737 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 8,798,305
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 11	2,850,000
Item 16	92,780
Item 17	31,033
Item 18	39,000
Item 19	110,000
Item 20	34,520
Item 21	45,545
Item 25	30,514
Total approved RPTTF for enforceable obligations	\$ 5,564,913
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	177,824
Total RPTTF approved:	\$ 5,742,737

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 8,319,811
Total RPTTF for the period January through June 2013	5,564,913
Total RPTTF for fiscal year 2012-13:	\$ 13,884,724
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	416,542
Administrative allowance for the period of July through December 2012	238,718
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 177,824

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.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Szalay", written over the printed name.

STEVE SZALAY
Local Government Consultant

cc: Mr. Paul Blumberg, Public Finance Manager, City of West Sacramento
Mr. Howard Newens, Auditor-Controller, County of Yolo
California State Controller's Office