



May 17, 2019

Mr. Nicolae Leustian, Accounting Manager
Sacramento County
827 7th Street, Room 225
Sacramento, CA 95814

Dear Mr. Leustian:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 22, 2019. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Sacramento County Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2019 through June 30, 2020 (ROPS 19-20) to Finance on January 16, 2019. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 15, 2019.

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. 96 – Property Holding Costs in the total outstanding amount of \$6,000. Finance originally denied this item because the Agency did not provide support for the amount requested. During the Meet and Confer, the Agency provided the Special Assessment Billing from the Sacramento County Tax Collector's Office supporting the amount of the assessment. Therefore, Finance is approving the requested amount of \$3,000 for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 97 – Property Maintenance Costs in the total outstanding amount of \$10,000. Finance originally denied this item because the contract entered into on November 28, 2018 to install tubular steel fencing at 5700 and 5716 Stockton Boulevard is between the Sacramento Housing and Redevelopment Agency and CR Fencing Company, Inc.; the Agency is not a party to the contract. Additionally, Finance considers this type of installation an improvement to the property as it is permanent in nature. The Agency disputes this, contending the existing but temporary chain-link fence is not sufficient to secure the site.

During the Meet and Confer, the Agency stated that the chain-link fence has repeatedly been pushed over or cut through and, as a result, now has a homeless encampment occupying the site. Further, due to legal conditions, the Agency is not able to evict persons occupying the site without notifying them of shelters, authorized homeless sites, or places where other assistance can be provided. The Agency states final eviction is difficult due to the constantly changing population and, for this reason, requires a more secure fence. However, the Agency has not provided any support that it is required to install a more permanent fence or is otherwise required to provide additional security for the site. Until and unless this is required, Finance will not approve costs for the tubular steel fence.

Finance notes the Agency did provide additional support for ongoing clean-up costs of the site. Invoices totaling \$1,698 were provided to Finance for dumpster rental and general site clean-up. As these costs are considered property maintenance, Finance will approve estimated future clean-up costs up to \$2,000. To the extent the Agency can provide additional support for costs associated with the maintenance of the property, or a requirement to further secure the site, these costs may be requested on a subsequent ROPS. Therefore, Finance is reducing the requested RPTTF amount by \$8,000 from \$10,000 to \$2,000.

In addition, per Finance's letter dated March 22, 2019, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- Item No. 28 – 2006 Auburn Boulevard Advance in the requested amount of \$34,375 is partially allowed. According to the debt service schedule, the amount requested for the December 2019 payment should be \$9,914. Therefore, to accurately reflect the correct payment due, Finance made an adjustment in the amount of \$24,461 (\$34,375 - \$9,914) in RPTTF to tie to the actual amount due.
- On the ROPS 19-20 form, the Agency reported cash balances and activity for the period July 1, 2016 through June 30, 2017 (ROPS 16-17). According to our review, the Agency has approximately \$52,024 in Other Funds, available to fund enforceable obligations on the ROPS 19-20. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 2 – 2003 Tax Exempt Bonds, Series A has been partially reclassified from RPTTF to Other Funds. This item does not require payment from property tax revenues. Therefore, Finance is approving \$52,024 in Other Funds, \$376,367 in RPTTF, and \$1,256,110 in Reserves, totaling \$1,684,501.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$6,775,936 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is Finance's final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 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 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 RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in RPTTF.

Please direct inquiries to Joshua Mortimer, Supervisor, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Ms. Sophia Palileo, Accountant, Sacramento County
Mr. Ben Lamera, Finance Director, Sacramento County

Attachment

Approved RPTTF Distribution			
For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 523,870	\$ 6,263,391	\$ 6,787,261
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	648,870	6,388,391	7,037,261
RPTTF Requested	523,870	6,263,391	6,787,261
<u>Adjustments</u>			
Item No. 2	0	(52,024)	(52,024)
Item No. 28	(24,461)	0	(24,461)
Item No. 97	(3,000)	(5,000)	(8,000)
	(27,461)	(57,024)	(84,485)
RPTTF Authorized	496,409	6,206,367	6,702,776
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Authorized for Obligations	621,409	6,331,367	6,952,776
Prior Period Adjustment	(176,840)	0	(176,840)
Total RPTTF Approved for Distribution	\$ 444,569	\$ 6,331,367	\$ 6,775,936