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**Oversight Board for
Redevelopment Agency
Successor Agency (RASA) for
City of Sacramento**

Meeting Date: 12/3/2012

Report Type: Communications

Title: Report Regarding Communications from the State Department of Finance and State Controller

Recommendation: Receive and file.

Contact: Leslie Fritzsche, (916) 808-5450, RASA staff person and Senior Project Manager, Economic Development, City of Sacramento

Presenter: Leslie Fritzsche, RASA Staff person, (916) 808-5450

Issue: Staff has received the results of two reviews – the State Department of Finance review of the third ROS covering January – June 2013; and a preliminary indication from the State Controller’s Office of their analysis of asset transfers completed by the Redevelopment Agency after January 1, 2011.

State Department of Finance Review of ROPS

Attached as Attachment 1 is a copy of the letter from the Department of Finance (DOF) dated October 5, 2012 regarding the January – June 2013 ROPS.

DOF highlighted a number of items on the ROPS that were planned city infrastructure projects that would be bond funded, indicating that these were ineligible to be placed on the ROPS until receipt of their Finding of Completion. Staff was aware of that requirement, but placed these projects on the ROPS expecting that the Finding of Completion would be received in April and that contracts for these projects could be awarded in May and June, still within the period covered by the third ROPS.

Staff requested a Meet and Confer conference with DOF on two of the items which DOF determined should be funded from RASA’s administrative allowance rather than from the County’s RPTTF: the Oversight Board legal service contract and property and liability insurance costs. The insurance cost item was for costs associated with housing successor agency assets. The following justification was included on the required “Meet and Confer” form:

(1) The Oversight Board legal services contract of \$50,000 was issued by the Oversight Board not the Redevelopment Agency Successor Agency, H&S Code section 34179(o) provides that the Board can contract for administrative support. The Board decided that separate legal counsel was needed to obtain advice independent from the Successor Agency. It is not a Successor Agency expense. Therefore we are seeking a reversal of DOF's earlier determination that it should be deducted from the amount available to RASA to perform successor agency functions.

(2) The property and liability insurance cost of \$5,600 is a "cost of maintaining assets prior to disposition," so such costs should be excluded from the administrative allowance per H&S Code section 34171(b). If fencing and weed abatement are legitimate property management costs, insurance premiums should be too.

A Meet and Confer phone conference occurred on November 6th and resulted in DOF's request for staff to provide the following:

For the Legal Services item: the Oversight Board resolution approving the legal services contract, and the contract.

For the Property and Liability Insurance: a copy of the policy and a list of properties covered.

These items have been provided and DOF has indicated that we will know the outcome of their review by December 15, 2012.

State Controller's Office Asset Transfer Review

In accordance with AB 1484 and pursuant to Health and Safety code section 34178.8, the State Controller's Office (SCO) conducted a review of the Agency's records to review all asset transfers after January 1, 2011, focusing on transfers between the Agency and the City, and Agency transfers to any other public agency. This review included an assessment of whether each asset transfer was allowable under the Community Redevelopment Law and if not, whether the asset should be returned to the successor agency.

Based upon the exit interview conducted on October 31, 2012, the SCO staff indicated that they found one item in question, the transfer of a parcel of land between the Agency and the Housing Authority (reference Item 3 on this December 3rd agenda). We have not, however, received their final report but expect it within the next two weeks.

Attachments:

1. Letter from DOF approving January – June 2013 ROPS



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Attachment 1

DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

October 5, 2012

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

Dear Ms. Fritzsche:

Subject: Recognized Obligation Payment Schedule

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 through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- 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 – 14th 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 \$105,141. 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 City of Sacramento is eligible for \$1,105,534 in administrative costs. Of the \$1,152,545 claimed in administrative cost, \$58,130 was reclassified as administrative cost. Therefore \$105,141 of excess administrative cost claimed is not allowed. The following items were reclassified as administrative costs:
 - Item Nos. 25, 88, 172, 238, and 282 – Loan Servicing Fees totaling \$2,530
 - Item No. 36 – Oversight Board Legal Services in the amount of \$50,000
 - Item No. 357 – Property and Liability Insurance in the amount of \$5,600

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

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

Approved RPTTF Distribution Amount For the period of January through June 2013	
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>
Total RPTTF approved:	\$19,700,607

* Reclassified as administrative cost

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$18,256,049
Total RPTTF for the period January through June 2013	18,595,073
Total RPTTF for fiscal year 2012-13:	\$36,851,122
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
Allowable RPTTF distribution for administrative cost for ROPS III:	\$1,105,534

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.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

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.

Ms. Leslie Fritzsche

October 5, 2012

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Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead 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