



April 6, 2013

Andrew White, Finance Manager
City of Poway
13325 Civic Center Drive
Poway, CA 92064

Dear Mr. White:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Poway Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 21, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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:

- Item Nos. 28 and 29 – Contracts for Legal Services in the amount of \$13,562 to be paid with reserve funds. These contracts are for general legal services for the Housing Successor Agency. HSC section 34176 (a) (2) 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 Poway assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor.
- Item No. 265 – Unpaid administrative costs for the ROPS I period in the amount of \$571,717. The County Auditor Controller paid the Finance approved amount of \$18,618,313 in full, which includes approved enforceable obligations in the amount of \$17,731,727 and approved administrative costs in the amount of \$886,586. Therefore, this item is not eligible for RPTTF funding on this ROPS.
- Item No. 266 – Unpaid administrative costs for the ROPS II period in the amount of \$232,906. Based on the ROPS II reconciliation between actual received of \$10,134,422 and actual payment of \$7,998,455, there is an excess of \$2,137,968. Therefore, even if the administrative allowance for ROPS II was unpaid, there is no need to recover this amount.
- Administrative costs funded by RPTTF exceed the allowance by \$440,580. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the

successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$268,147. Therefore, \$424,920 of the claimed \$440,580 is not an EO. The following items were considered administrative expenses and therefore have been reclassified:

- o Item No. 63 – Financial Advisor Services
- o Item No. 247 – Contract for Legal Services
- o Item No. 262 – Audit Services
- o Item No. 263 – Lease of Office Space
- o Item No. 264 – Redevelopment Agency Staffing

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 \$7,068,403 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 10,170,592
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 63*	2,500
Item 247*	1,250
Item 262*	8,000
Item 263*	275,683
Item 264*	140,312
Item 265	571,717
Item 266	232,906
Total approved RPTTF for enforceable obligations	\$ 8,938,224
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	268,147
Minus: ROPS II prior period adjustment	(2,137,968)
Total RPTTF approved for distribution:	\$ 7,068,403

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

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

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Wendy Griffe, Supervisor or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Ashley Jones, Senior Management Analyst, City of Poway
Mr. Juan Perez, Senior Auditor and Controller Manager, County of San Diego
California State Controller's Office