



May 17, 2013

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

Dear Mr. White:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 6, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Poway Successor Agency (Agency) submitted ROPS 13-14A to Finance on February 21, 2013 for the period of July through December 2013. Finance issued a ROPS determination letter on April 6, 2013. 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 May 7, 2013.

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. 265 – Unpaid administrative costs for the Recognized Obligation Payment Schedule (ROPS) for January through June 2012 (ROPS I) period in the amount of \$571,717. The Agency stated they were not aware they could use the distributed Redevelopment Property Tax Trust Fund (RPTTF) for their administrative cost allocation for the ROPS I period. Our review indicates that Finance approved the Agency for \$18,841,240 and the County Auditor Controller (CAC) distributed \$18,618,313 in RPTTF for the ROPS I period including \$886,586 in administrative costs. The agency reported expending \$11,434,331 during the ROPS I period and returned \$7,608,262 of unspent RPTTF to the CAC. However, the Agency did not provide sufficient documentation to show the amount requested was actually incurred. As such, we continue to deny this item for funding. To the extent the Agency can demonstrate these funds were expended for the Agency's administrative costs, the Agency may place the item on a future ROPS to be paid with RPTTF.
- Prior Period adjustment in the amount of \$2,137,967. The Agency contends the July through December 2012 ROPS (ROPS II) prior period adjustment is overstated. Our review indicates that the Agency received a RPTTF distribution in the amount of \$10,134,422 for the ROPS II period. The CAC performed their ROPS II prior period review pursuant to HSC 34186 (a) and reported that the Agency expended \$7,996,455 and resulting in a prior period adjustment in the amount of \$2,137,968 (\$10,134,422 - \$7,996,455); however, the Other Funds and Accounts (OFA) Due Diligence Review

(DDR) allowed the Agency to retain only \$8,548,123 in RPTTF funding for the ROPS II period and the remaining funds were distributed to the taxing entities. Because the Agency was only allowed to retain \$8,548,123 for the ROPS II period, only \$551,669 (\$8,548,123 - \$7,996,455) is available to pay the prior period adjustment. Therefore, Finance recommends that the CAC reduce the amount of the ROPS II prior period adjustment to \$551,669 because the remaining unspent ROPS II funds were already remitted in the OFA DDR.

In addition, per Finance's ROPS letter dated April 6, 2013, the following items continue to be denied and were not contested by the Agency:

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

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$8,654,702 as summarized on the next page:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
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	(551,669)
<b>Total RPTTF approved for distribution:</b>	<b>\$ 8,654,702</b>

\*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.

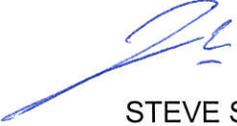
The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property 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.

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Please direct inquiries to Evelyn Sues, Dispute Resolution Supervisor, or Derk Symons, 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