



March 28, 2014

Ms. Sheryl Bennett, Director of Administrative Services  
City of Escondido  
201 North Broadway  
Escondido, CA 92025

Dear Ms. Bennett:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Escondido Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 24, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, which may have included obtaining clarification for various items.

Based on our review, we are approving all of the items listed on your ROPS 14-15A at this time.

HSC section 34177 (a) (3) states that only those payments listed in the ROPS may be made by the Agency, from the funds specified in the ROPS. HSC does not permit the Agency to make payments that exceed the amounts approved by Finance. On the Prior Period Adjustment worksheet, we note that the Agency's expenditures have exceeded Finance's authorization for Reserve Balances. Therefore, Finance is increasing the Agency's authorization for the ROPS 13-14B period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. The increase includes Reserve Balances for Item No. 2 in the amount of \$2,000,000 and Item No. 10 in the amount of \$119,500, totaling \$2,119,500. This is for informational purposes and will not affect your ROPS 14-15A spending authority.

HSC sections 34177 (a) (4) and 34173 (h) provide alternative mechanisms when Agency payments exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is achieved prior to making payments on enforceable obligations.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds totaling \$42,319.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

Item No. 2 – 2007A Lease Revenue Bonds in the amount of \$21,067,750. The Agency requests \$4,669,375 of RPTTF; however Finance is reclassifying \$42,319 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has \$42,319 in available Other Funds Balances. Therefore, Finance is approving Other Funds in the amount of \$42,319 and the use of RPTTF in the amount of \$4,627,056, totaling \$4,669,375.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$6,854,690 as summarized below:

<b>Approved RPTTF Distribution For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	7,315,860
Total RPTTF requested for administrative obligations	219,475
<b>Total RPTTF requested for obligations</b>	<b>\$ 7,535,335</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>7,315,860</b>
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 2 - 2007A Lease Revenue Bonds	(42,319)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 7,273,541</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>219,475</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 219,475</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 7,493,016</b>
ROPS 13-14A prior period adjustment	(638,326)
<b>Total RPTTF approved for distribution</b>	<b>\$ 6,854,690</b>

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. 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 section 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 HSC section 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 Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Joan Ryan, Assistant Finance Director, City of Escondido  
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County  
California State Controller's Office