



April 7, 2014

Mr. 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 14-15A) to the California Department of Finance (Finance) on February 28, 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.

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 for the reasons specified:

- Item Nos. 42 and 247 – Contracts for Legal Services totaling \$20,000. Although enforceable, the types of services requested totaling \$20,000 are considered general administrative costs and have been reclassified.
- Item No. 14 – Judgment Case No. 667691 in the total amount of \$13,804,600. Previously, the Agency was required to set aside funds to be used on types of projects listed within the judgment. The judgment states the Agency is to set aside the funds for the life of the redevelopment project. However, with the passing of ABx1 26 and AB 1484, the Agency is no longer allowed to enter into contracts pursuant to HSC section 34177.3 (b). Since there are no current projects specified or in progress that obligate the Agency, there is no enforceable obligation tied to this judgment. Therefore, this item is not an enforceable obligation and not eligible for funding.

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 Funds (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 unused funds in the amount of \$2,246,712 that had been retained in the All Other Funds and Accounts Due Diligence Review.

Therefore, with the Agency's concurrence, the funding source for the following item has been partially reclassified to Reserve Balances in the amount specified below:

Item No. 2 – 2001 Tax Allocation Bonds in the amount of \$2,246,712. The Agency requests \$2,838,282 of RPTTF; however Finance is reclassifying \$2,246,712 to Reserve Balances. 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 \$2,246,712 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of \$591,570 and the use of Reserve Balances in the amount of \$2,246,172 totaling \$2,838,282.

During the review of Oversight Board Resolution No. OSB 13-003 Finance identified \$2,846,518 plus accrued interest in available funds that should be used to offset the need for RPTTF. In Finance's December 5, 2013 letter, the Agency was directed to request these settlement funds prior to requesting RPTTF on the ROPS.

Therefore, the funding source for the following items has been reclassified to Other Funds in the amount specified below:

- Item No. 3 – 2003 Tax Allocation Bonds in the amount of \$2,661,475. The Agency requested \$2,661,475 of RPTTF; however, Finance is reclassifying \$2,661,475 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 \$2,661,475 in available Other Funds. Therefore, Finance is approving the use of Other Funds in the amount of \$2,661,475.
- Item 4 – 2007 Tax Allocation Refunding Bonds in the amount of \$185,043. The Agency requested \$603,079 of RPTTF; however, Finance is reclassifying \$185,043 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 \$185,043 (\$2,846,518 - \$2,661,475) in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$418,036 and the use of Other Funds in the amount of \$185,043 totaling \$603,079.

Any accrued interest earned on the settlement funds should be accounted for in the Agency's ROPS 14-15B report of cash balances and used to fund obligations prior to requesting RPTTF.

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 amount of RPTTF approved in the table on the next page includes excess prior period adjustment (PPA) of \$ 2,378,340. The current approved RPTTF is insufficient to allow for the PPA of \$ 3,973,978 to be fully expended during this ROPS period. The Agency should apply the remaining funds prior to requesting RPTTF on future ROPS.

Except for the items denied in whole or in part as enforceable obligations or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 RPTTF distribution for the reporting period is zero as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	6,873,326
Total RPTTF requested for administrative obligations	281,200
Total RPTTF requested for obligations	\$ 7,154,526
Total RPTTF requested for non-administrative obligations	6,873,326
<u>Denied Item</u>	
Item No. 14	(423,258)
<u>Reclassified Items</u>	
Item No. 42	(10,000)
Item No. 247	(10,000)
	(20,000)
Total RPTTF for non-administrative obligations	6,430,068
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 2	(2,246,712)
Item No. 3	(2,661,475)
Item No. 4	(185,043)
	(5,093,230)
Total RPTTF authorized for non-administrative obligations	\$ 1,336,838
Total RPTTF requested for administrative obligations	281,200
<u>Reclassified Items</u>	
Item No. 42	10,000
Item No. 247	10,000
	20,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(51,200)
Total RPTTF authorized for administrative obligations	\$ 250,000
Total RPTTF authorized for obligations	\$ 1,586,838
ROPS 13-14A PPA	(3,973,978)
Excess PPA	2,378,340
Total RPTTF approved for distribution	0

Administrative Cost Cap Calculation	
Total RPTTF for non-administrative obligations	6,430,068
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF allowable for administrative obligations	\$ 192,902
The greater of 3% or \$250,000	250,000
Total RPTTF administrative obligations after Finance adjustments	301,200
Administrative costs in excess of the cap	\$ (51,200)

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

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

Absent a Meet and Confer, 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. Ashley Jones, Senior Management Analyst, City of Poway
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office