



December 17, 2014

Mr. Brian Hagerty, Group Finance Director
San Diego County
1600 Pacific Highway #201
San Diego, CA 92101

Dear Mr. Hagerty:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 10, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the San Diego County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 26, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 10, 2014. 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 November 19, 2014.

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 items being disputed.

- Item No. 2 – San Diego County (County) Airport Enterprise Fund Loan Repayment totaling \$216,872. Finance no longer denies this item. During the meet and confer the Agency provided additional documentation to support the remaining principal amount loaned. In addition, the oversight board (OB) resolution OB2014-04 approving the loan was for legitimate redevelopment purposes was approved in Finance's letter dated December 17, 2014. Therefore, pursuant to HSC section 34191.4, this loan is an enforceable obligation. Since the amount requested for ROPS 14-15B does not exceed the repayment formula outlined in HSC section 34191.4 (b) (2) (A) or the outstanding balance, Finance is approving the amount requested.
- Item No. 7 – San Diego County (County) General Fund Loan Repayment totaling \$37,967. Finance continues to deny this item. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) The Agency has received a Finding of Completion; and (2) The Agency's oversight board approves the loans as enforceable obligations by finding the loans were for legitimate redevelopment purposes.

The Agency received a Finding of Completion on May 10, 2013. However, Oversight Board Resolution No. OB2014-03, approving the reinstatement of loan from the County continued to be denied in our revised letter dated December 17, 2014. As such, this item is not eligible for Redevelopment Property Tax Trust Funds (RPTTF) funding totaling \$37,967.

In addition, per Finance's letter dated November 10, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 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 review of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$162,792 as summarized in the Approved RPTTF Distribution Table below.

Approved RPTTF Distribution For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	254,839
Total RPTTF requested for administrative obligations	75,000
Total RPTTF requested for obligations on ROPS	\$ 329,839
Total RPTTF requested for non-administrative obligations	254,839
<u>Denied Items</u>	
Item No. 7	(37,967)
	(37,967)
Total RPTTF authorized for non-administrative obligations	216,872
Total RPTTF requested for administrative obligations	75,000
Total RPTTF authorized for obligations	\$ 291,872
ROPS 13-14B prior period adjustment	(129,080)
Total RPTTF approved for distribution	\$ 162,792

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Holly Simonette, CAO Staff Officer, San Diego County
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office