DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 15, 2015

Mr. 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) letter dated April 08, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Poway Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on February 26, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 08, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 23, 2015.

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 determinations being disputed.

- Item No. 14 – Judgment Case No. 667691 in the amount of $381,430 requested for ROPS 15-16A and total outstanding amount of $14,097,934. Finance continues to deny this item. We note that this item is subject of litigation and the agency did not provide any additional information or documentation to support this item is an enforceable obligation. Therefore, as previously determined, 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 AB1484, the Agency is no longer allowed to enter into contracts pursuant to HSC section 34163 (b). Since there are no current projects specified or in progress and no underlying contracts, there is no enforceable obligations tied to this judgment. Therefore, this item is not an enforceable obligation and not eligible for funding.

- Item No. 269 – Pest Control/Vacant Agency Properties in the amount of $3,000 requested for ROPS 15-16A period and total outstanding amount of $5,000. Finance continues to deny this item. During the Meet and Confer process the agency claimed that the contract entered into on January 8, 2014 between the City and Poway Housing Authority and Agricultural Pest Control Services, that the former RDA is not a party to, includes pest abatement for the Agency's property. However, the properties listed in the agreement do not tie to the property listed on the Agency's Long Range Property

Management Plan. In addition, the agency did not provide support that the Oversight Board approved the agreement for expenditures related to the Agency's properties. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding on this ROPS.

- Item No. 270 – Allowable Housing Admin Expense from RPTTF in the amount of $75,000 requested for ROPS 15-16A period and total outstanding amount of $750,000. Finance continues to deny this item. We note that this item is subject of litigation and the agency did not provide any additional information or documentation to support this item is an enforceable obligation. Pursuant to HSC section 34177 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City is the City-formed Housing Authority (Authority), the Authority is considered the City under Dissolution Law pursuant to HSC section 34167.10. Therefore, $75,000 of housing entity administrative allowance is not allowed.

In addition, per Finance's letter dated April 08, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 41 – Contract for consulting services in the amount of $2,000 requested for ROPS 15-16A period and total outstanding amount of $32,000 is denied. It is our understanding these agreements entered into on January 1, 2012 are between the City of Poway (City), the Poway Housing Authority and Stearns, Conrad, Schmidt Consulting Engineers, Inc., and the former redevelopment agency (RDA) is not a party to the contract. Therefore, this line item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.

- Item No. 290 – Consulting Costs in the amount of $24,000 requested for the ROPS 15-16A period and total outstanding amount of $30,000 is denied. The Agency has requested consulting fees for analyzing and negotiating compensation agreements (Agreements) for properties listed on the Long-Range Property Management Plan. As these Agreements will be between the City and the affected taxing entities, it is the responsibility of the City to pay any associated costs.

Finance noted on the ROPS 14-15A Prior Period Adjustment (PPA) worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:

- Reserve Balances totaling $10,169 for Item No. 2
- Other Funding totaling $8,113 for Item No. 1 - $2,327; Item No. 4 - $278; Item No. 12 - $5,490; and Item No. 50 - $18

Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. However, these items were determined to be enforceable obligations for the 15-16A period. Therefore, Finance is increasing the Agency's authorization for the 15-16A to ensure that authorization is consistent with expenditures for the approved enforceable obligations. As these Reserve Balances and Other Funds were previously expended, the increase in authorization should not result in increased expenditures for the current ROPS period, but should merely allow the Agency to reconcile actual expenditures to the authorization.

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

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (PPAs) associated with the July through December 2014 period. HSC section 34186 (a) also specifies PPAs 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 on the following page includes the PPA resulting from the CAC's review of the Agency's self-reported PPA.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16A.

The Agency's maximum approved RPTTF distribution for the reporting period is $6,306,536 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of July through December 2015		
Total RPTTF requested for non-administrative obligations		6,675,591
Total RPTTF requested for administrative obligations		200,268
Total RPTTF requested for obligations on ROPS	**$**	**6,875,859**
Total RPTTF requested for non-administrative obligations		**6,675,591**
Denied Items		
Item No. 14		(381,430)
Item No. 41		(2,000)
Item No. 269		(3,000)
Item No. 270		(75,000)
Item No. 290		(24,000)
		(485,430)
Total RPTTF authorized for non-administrative obligations	**$**	**6,190,161**
Total RPTTF requested for administrative obligations		**200,268**
Total RPTTF authorized for administrative obligations	**$**	**200,268**
Total RPTTF authorized for obligations	**$**	**6,390,429**
ROPS 14-15A PPA		(83,893)
Total RPTTF approved for distribution	**$**	**6,306,536**

Please refer to the ROPS 15-16A 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, 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 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) 445-3274.

Sincerely,

JUSTYN HOWARD
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