



November 5, 2015

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) (1) (A), the Poway Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 23, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 14 – Judgment Case No. 667691 in the amount of \$530,000 requested for ROPS 15-16B and total outstanding amount of \$14,372,574 is not allowed. 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 are no enforceable obligations tied to this judgment. Therefore, this item is not an enforceable obligation and not eligible for funding from Redevelopment Property Tax Trust Fund (RPTTF).
- Item No. 42 – Contract for Consulting Services requested for ROPS 15-16B and total outstanding obligation amount of \$8,000 is not allowed. The agreement entered into on August 8, 2012 is between the Oppen & Varco, LLP and the San Diego Housing Authority (Authority), not the Agency. Therefore, this item is not an obligation of the Agency and is not eligible for RPTTF.
- Item No. 270 – Housing Admin Expense in the amount of \$300,000 requested for ROPS 15-16A period and total outstanding amount of \$750,000 is not allowed. 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 Authority, the Authority is considered the City under Dissolution Law pursuant to

HSC section 34167.10. Therefore, \$300,000 of housing entity administrative allowance is not allowed.

- Claimed administrative costs exceed the allowance by \$39,703. HSC section 34171 (b) limits the fiscal year 2015-2016 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$415,771 in administrative costs for fiscal year 2015-16. The San Diego County Auditor-Controller's (CAC) Office distributed \$200,268 thus leaving a balance of \$215,503 available for the January through June 2016 period. Although \$255,206 is claimed for administrative cost, only \$215,503 is available pursuant to the cap. Therefore, \$39,703 (\$255,206 – 215,503) of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the CAC. The amount of RPTTF approved in the table on the next page includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

In addition, Finance noted on the Agency's ROPS 14-15B prior period adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for Other Funds totaling \$25,469 – Item No. 1, \$1,651; Item No. 2, \$3,463; Item No. 3, \$14,886; Item No. 4, \$; Item No. 30, \$577; Item No. 60, \$3,876. Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) 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.

Except for the items denied in whole or in part or the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 \$7,791,887 as summarized in the Approved RPTTF Distribution table at the next page:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	8,506,880
Total RPTTF requested for administrative obligations	255,206
Total RPTTF requested for obligations on ROPS 15-16B	\$ 8,762,086
Total RPTTF requested for non-administrative obligations	8,506,880
<u>Denied Item(s)</u>	
Item No. 14	(530,000)
Item No. 42	(8,000)
Item No. 270	(300,000)
	(838,000)
Total RPTTF authorized for non-administrative obligations	\$ 7,668,880
Total RPTTF requested for administrative obligations	255,206
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(39,703)
Total RPTTF authorized for administrative obligations	\$ 215,503
Total RPTTF authorized for obligations	\$ 7,884,383
ROPS 14-15B prior period adjustment	(92,496)
Total RPTTF approved for distribution	\$ 7,791,887

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	6,190,161
Total RPTTF for 15-16B (January through June 2016)	7,668,880
Total RPTTF for fiscal year 2015-2016	13,859,041
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	415,771
Administrative allowance for ROPS 15-16A (July through December 2015)	(200,268)
Remaining administrative cost cap for ROPS 15-16B	215,503
ROPS 15-16B administrative obligations after Finance adjustments	(255,206)
Administrative costs in excess of the cap	\$ (39,703)

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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 January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Wendy Griffe, Supervisor or Jared Smith, Lead Analyst, at (916) 445-1546.

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