



November 12, 2015

Mr. Reese A. Jarrett, President, Civic San Diego
San Diego City
401 B Street, Suite 400
San Diego, CA 92101

Dear Mr. Jarrett:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the San Diego City 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 October 1, 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 Nos. 261, 266, 285, 446, 447, and 452 – Property Maintenance and Professional Services totaling \$184,540 requested for ROPS 15-16B and a total outstanding amount of \$622,062 is not approved. HSC section 34171 (d) (1) (F) states that agreements necessary for the administration or operation of the Agency, such as the cost of maintaining assets prior to disposition, are enforceable obligations. However, given that Finance approved the Agency's Long-Range Property Management Plan (LRPMP) on October 15, 2015, and 40 out of the 48 properties will transfer to the City of San Diego (City) as either government use or future development; the Agency will not need funds to maintain these properties. Therefore, these items are not eligible for funding from Redevelopment Property Tax Trust Fund (RPTTF).
- Item Nos. 272 and 319 – Property Maintenance Services totaling \$147,700 requested for ROPS 15-16B and total outstanding amounts of \$361,462 is not approved. The OB passed OB Resolution Nos. OB-2015-10 and OB-2015-11 extending the contracts related to these items on August 18, 2015. Finance objected to the resolutions in our letter dated September 28, 2015. Both the duration and amounts of the contracts are excessive given 40 out of the 48 properties will be transferred to the City as either government use or future development. As there are no valid contracts for these items, they are not eligible for funding from RPTTF.
- Item No. 303 – I-5 Bridge Streetlights, East Village Streetscape, Park Boulevard Crossing, Horton Plaza Park and San Diego High School Crosswalks in the amount of \$50,000 requested for ROPS 15-16B and total outstanding amount of \$469,197 is not approved. The Agency provided an agreement between Centre City Development

Corporation and Nasland Engineering entered into on March 16, 2009. However, the former redevelopment agency is not a party to the agreement. Although the Agency claims the amount requested is related to engineering work for projects approved on the ROPS, the Agency did not provide documentation to support that this item, in itself, is an enforceable obligation pursuant to HSC section 34171 (d).

- Item No. 325 – Property Maintenance Costs in the amount of \$107,000 requested for ROPS 15-16B and total outstanding amounts of \$380,838 is not approved. The OB passed OB Resolution No. OB-2015-12 extending the contract with Urban Corps of San Diego on September 21, 2015. However, Finance objected to the resolution in our letter dated October 30, 2015. The contract is excessive given that 40 out of the 48 properties will be transferred to the City as either government use or future development with the passing of the October 15, 2015 LRPMP. As there is no valid contract for this item, it is not eligible for funding from RPTTF.
- Item No. 459 – Business Improvement District/Tax Assessment in the amount of \$155,372 requested for ROPS 15-16B and total outstanding amounts of \$224,328 is not approved. The Agency provided a \$70,787 invoice from the City of San Diego with applicable assessments for Agency properties from July 1, 2013 through June 30, 2014 as estimation for future need.

It is our understanding the Agency obligation for this item will not be due until July 2016. Since the projected costs are not within the current ROPS period of January 1 through June 30, 2016, this cost is not necessary at this time. Therefore, the \$155,372 requested for the ROPS 15-16B period is not supported and not eligible for RPTTF funding. However, this item may be eligible for funding in future ROPS.

- Item No. 569 – LRPMP Transfer Costs in the amount of \$250,000 requested for ROPS 15-16B is partially approved for \$109,800. The budget provided by the Agency displays LRPMP transfer costs for numerous properties totaling \$109,800. Therefore, Finance is approving RPTTF in the amount of \$109,800, and remaining balance of \$140,200 (\$250,000 - \$109,800) is not eligible for funding from RPTTF.
- Item Nos. 571 through 573 – Remediation in the amount of \$398,477 is not approved. During the ROPS 15-16B review period the Agency stated there were no specific expenditures anticipated during ROPS 15-16B. As there are no specific expenditures planned for the period, the items are not eligible for funding from RPTTF.
- Claimed administrative costs exceed the allowance by \$20,477. 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. The San Diego Auditor-Controller's (CAC) Office distributed \$1,870,821 for the ROPS 15-16A period thus leaving a balance of \$1,945,209 available for the ROPS 15-16B period. Although \$1,965,686 is claimed for administrative cost, only \$1,945,209 is available pursuant to the cap. Therefore, \$20,477 (\$1,965,686 – 1,945,209) 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 following page includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, 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 \$57,931,432 as summarized in the Approved RPTTF Distribution table on the following page:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	66,022,882
Total RPTTF requested for administrative obligations	1,965,686
Total RPTTF requested for obligations on ROPS 15-16B	\$ 67,988,568
Total RPTTF requested for non-administrative obligations	66,022,882
Denied Items	
Item No. 261	(15,000)
Item No. 266	(30,000)
Item No. 272	(30,000)
Item No. 285	(11,499)
Item No. 303	(50,000)
Item No. 319	(117,000)
Item No. 325	(107,000)
Item No. 446	(13,289)
Item No. 447	(17,840)
Item No. 452	(96,912)
Item No. 459	(155,372)
Item No. 569	(140,200)
Item No. 571	(212,500)
Item No. 572	(30,768)
Item No. 573	(155,209)
	(1,182,589)
Total RPTTF authorized for non-administrative obligations	\$ 64,840,293
Total RPTTF requested for administrative obligations	1,965,686
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(20,477)
Total RPTTF authorized for administrative obligations	\$ 1,945,209
Total RPTTF authorized for obligations	\$ 66,785,502
ROPS 14-15B prior period adjustment	(8,854,070)
Total RPTTF approved for distribution	\$ 57,931,432

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	62,360,714
Total RPTTF for 15-16B (January through June 2016)	64,840,293
Total RPTTF for fiscal year 2015-2016	127,201,007
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	3,816,030
Administrative allowance for ROPS 15-16A (July through December 2015)	(1,870,821)
Remaining administrative cost cap for ROPS 15-16B	1,945,209
ROPS 15-16B administrative obligations after Finance adjustments	(1,965,686)
Administrative costs in excess of the cap	\$ (20,477)

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: Mr. David Graham, Deputy Chief Operating Officer, City of San Diego, San Diego City
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County
Ms. Wanda Nations, Principal Accountant, Civic San Diego