



March 14, 2016

Mr. Andrew White, Finance Manager  
City of Poway  
13325 Civic Center Drive  
Poway, CA 92064

Dear Mr. White:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Poway Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 20, 2016. Finance has completed its review of the ROPS 16-17.

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 \$995,000 requested for ROPS 16-17 and total outstanding amount of \$12,958,454 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 Nos. 30, 54, 55, and 267 – Property Maintenance totaling \$13,699 requested for ROPS 16-17 and a total outstanding amount of \$36,097 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 December 2, 2015, and these properties will transfer to the City of Poway (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 RPTTF.
- Item No. 270 – Housing Admin Expense in the amount of \$450,000 requested for ROPS 16-17 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, \$450,000 of housing entity administrative allowance is not allowed.

- Claimed administrative costs exceed the allowance by \$64,823. HSC section 34171 (b) limits the fiscal year 2016-2017 administrative expenses to three percent of property tax distributed to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$403,325 in administrative costs for fiscal year 2016-17. The San Diego County Auditor-Controller's (CAC) Office distributed \$14,098,423 of RPTTF in 2015-16. Removing the Administrative Cost Allowance (\$415,771) and City/County Loan Repayments (\$238,483) from actual RPTTF distributed and then taking three percent leaves an allowable administrative cost allowance of \$403,325. Although \$468,148 is claimed for administrative cost, only \$403,325 is available pursuant to the cap. Therefore, \$64,823 (\$468,148 – 403,325) of excess administrative cost is not allowed.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (I) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$14,549,546 as summarized in the Approved RPTTF Distribution table on pages 4-5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF for ROPS 15-16A and ROPS 15-16B.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

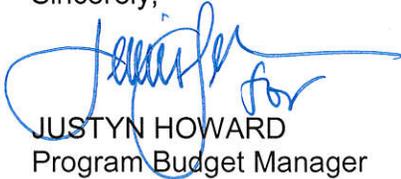
<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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

Attachment

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2016 through June 2017</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>Total</b>
Requested RPTTF (excluding administrative obligations)	\$ 8,232,022	\$ 7,372,898	\$ 15,604,920
Requested Administrative RPTTF	246,961	221,187	468,148
<b>Total RPTTF requested for obligations on ROPS</b>	<b>8,478,983</b>	<b>7,594,085</b>	<b>\$ 16,073,068</b>
<b>Total RPTTF Requested</b>	<b>8,232,022</b>	<b>7,372,898</b>	<b>15,604,920</b>
<u>Denied Items</u>			
Item No. 14	(425,000)	(570,000)	(995,000)
Item No. 30	(5,000)	(5,000)	(10,000)
Item No. 54	(600)		(600)
Item No. 55	(1,099)		(1,099)
Item No. 267	(1,000)	(1,000)	(2,000)
Item No. 270	(375,000)	(75,000)	(450,000)
	(807,699)	(651,000)	(1,458,699)
<b>Total RPTTF authorized</b>	<b>7,424,323</b>	<b>6,721,898</b>	<b>\$ 14,146,221</b>
<b>Total Administrative RPTTF requested</b>	<b>246,961</b>	<b>221,187</b>	<b>468,148</b>
<u>Denied Item</u>			
Item No. 288	(64,823)	0	(64,823)
	(64,823)	0	(64,823)
<b>Total Administrative RPTTF after Finance adjustments</b>	<b>182,138</b>	<b>221,187</b>	<b>403,325</b>
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table on page 5)	0	0	0
<b>Total Administrative RPTTF authorized</b>	<b>182,138</b>	<b>221,187</b>	<b>\$ 403,325</b>
<b>Total RPTTF approved for distribution</b>	<b>7,606,461</b>	<b>6,943,085</b>	<b>\$ 14,549,546</b>

<b>Administrative Cost Allowance Cap Calculation</b>	
Actual RPTTF distributed for fiscal year 2015-16	\$ 14,098,423
Less sponsoring entity loan and Administrative RPTTF	654,254
Actual RPTTF distributed for 2015-16 after adjustment	13,444,169
Administrative Cap for 2016-17 per HSC section 34171 (b)	403,325
ROPS 16-17 Administrative RPTTF Requested by Agency	468,148
<b>Administrative Cost Allowance in excess of the cap</b>	<b>\$ (64,823)</b>