



December 18, 2012

Mr. Gilbert Rojas, Finance Director
City of Escondido
201 North Broadway
Escondido, CA 92025

Dear Mr. Rojas:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 14, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Escondido Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 14, 2012. 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 Monday, October 29, 2012.

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 items being disputed.

- Item No. 6 – Loan repayment to the City of Escondido (City) in the amount of \$34.5 million. Finance continues to deny this item at this time. Finance denied the item as an enforceable obligation as HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable. In addition, the payment schedule in the settlement agreement identifies the final loan payment was due in fiscal year 2010-11. The Agency contends the item is an enforceable obligation because the outstanding loan amounts are out of a loan agreement entered into within two years of the creation of the RDA. Per HSC section 34171 (d) (2), loan agreements entered into between the RDA and the city, county, or city and county that created it, within two years of the date of creation of the RDA, may be deemed to be enforceable obligations. The loan agreement was entered into within the first two years of the date of creation; however, various advances or loans were made from 1987 through 2003, which is after the first two years of creation. Furthermore, the agreement does not specify dollar amounts to be loaned or advanced or specific repayment terms. Finance has not issued a Finding of Completion to the Agency; therefore, the provisions of HSC section 34171 apply. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, this item is currently not an enforceable obligation.

- Item No. 7 – Loan repayment to the City in the amount of \$1 million – Finance no longer objects to this item. Finance denied the item as an enforceable obligation as HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable. In addition, the payment schedule in the settlement agreement identifies the final loan payment was due in fiscal year 2010-11. The Agency contends the item is an enforceable obligation because the outstanding loan amounts are out of a loan agreement entered into within two years of the creation of the RDA. Per HSC section 34171 (d) (2), loan agreements entered into between the RDA and the city, county, or city and county that created it, within two years of the date of creation of the RDA, may be deemed to be enforceable obligations. The loan agreement was entered into within the first two years of the date of creation and funds were advanced within the first two years of creation. Therefore, this item is an enforceable obligation.

In addition, per Finance's ROPS letter dated October 14, 2012, the following items the Agency did not dispute continue to be denied:

- Item No. 11 through 23 – Pass-through payments in the amount of \$4.3 million. HSC section 34183 (a) (1) states the county auditor-controller shall make pass-through payments. Therefore, pass-through payments should not appear on the Agency's ROPS.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$3,268,773 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 7,845,794
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item No. 6	500,000
Item No. 11	27,806
Item No. 12	127,547
Item No. 13	29,138
Item No. 14	683,926
Item No. 15	1,749,919
Item No. 16	1,334,293
Item No. 17	141,841
Item No. 18	932
Item No. 19	218,217
Item No. 20	215
Item No. 21	359
Item No. 22	6,011
Item No. 23	6,817
Total approved RPTTF for enforceable obligations	\$ 3,018,773
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	250,000
Total RPTTF approved:	\$ 3,268,773

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June

2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the property tax increment that was available prior to 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 successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



Steve Szalay
Local Government Consultant

cc: Ms. Joan Ryan, Finance Manager, City of Escondido
Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office