

December 18, 2012

Mr. Andrew White, Finance Manager  
City of Poway  
P. O. Box 789  
Poway, CA 92074-0789

Dear Mr. White:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 10, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Poway Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 27, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 10, 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 November 21, 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 specific item being disputed.

- Item No. 21 – Contract for undergrounding utility services in the amount \$34,980. Finance continues to deny the Item at this time. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. According to the documentation provided the contract with Cox Communications was awarded after that date. Additionally, the contract provided is between the City of Poway and Cox Communications. The former RDA is not a party to the contract and is not responsible for payment. To the extent that excess bond proceeds are the intended funding source for this project, upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.
- Item 225 – Compliance monitoring totaling \$5,063 (\$4,916 RPTTF and \$147 Administrative Cost). This Item was originally denied because it was believed that it was housing administrative costs of the housing successor. Upon clarification from the Agency these costs are related to project management costs for a non housing project. Therefore, Finance is no longer objecting to this Item.

In addition, per Finance's determination letter dated October 10, 2012, the following items are not being disputed by the Agency and continues to be denied:

- Item No. 6, 7, 8, and 9 – Interagency loans between the City and Agency totaling \$4.8 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA’s creation date or for issuance of indebtedness to third-party investors or bondholders. Therefore, these items are not enforceable obligations at this time. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.
- Items No. 72 through 216, 254 and 257 in the amount of \$94,440 are identified as obligations of the housing entity. HSC section 34176 (a) (2) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Poway assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for funding.
- Although enforceable, Item No. 63 and 247 are considered administrative costs and have been reclassified.

The Agency’s maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$12,283,653 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 11,959,669
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item No. 6	0 *
Item No. 7	0 *
Item No. 8	0 *
Item No. 9	0 *
Item No. 21	34,980
Item No. 63	1,000
Item No. 247	2,500
Total approved RPTTF for enforceable obligations	\$ 11,921,189
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	362,464
<b>Total RPTTF approved:</b>	<b>\$ 12,283,653</b>

\* No funding requested at this time

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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Ashley Jones, Senior Management Analyst, City of Poway  
Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego County  
California State Controller's Office