DEPARTMENT OF FINANCE

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December 18, 2012

Ms. Kaye Hobson, Finance Director
County of San Diego
1600 Pacific Hwy #201
San Diego, CA 92101

Dear Ms. Hobson:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 8, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the San Diego County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 24, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 8, 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 30, 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 2 – Loan from County's Airport Enterprise Fund in the amount of $3.7 million. Finance continues to deny the item at this time. Finance denied the item as HSC section 34171 (d) (2) states that loans between the County and the former RDA are not enforceable obligations. The Agency contends the item is an enforceable obligation because the loan from the County's Airport Enterprise Fund (AEF) to the former RDA for the Gillespie Field Redevelopment Project Area would have been an unlawful use of airport revenue if the RDA was not obligated to repay the loan with interest and the repayment of the loan from the AEF to the former RDA is required by federal law. 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 or solely for the purpose of securing or repaying indebtedness obligations, may be deemed to be enforceable obligations. However, the loan was not entered into within two years of the date of creation of the RDA or solely for the purpose of securing or repaying indebtedness obligations. 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. However, HSC section 34191.4 may cause this item to be an enforceable obligation in future ROPS periods.

- Item No. 5 – Transition period cash flow reserve in the amount of $1.2 million. Finance continues to deny the item. Finance denied the item as restricting cash without an expenditure contract does not meet the definition of an enforceable obligation. The Agency requested that the generic reserve be changed to the specific bond-related reserve as allowed under HSC section 34171 (d) (1) (A) for the anticipated deficit amount of $263,000. The Agency provided the estimated amount of Redevelopment Property Tax Trust Fund (RPTTF) available for the June 1, 2013 distribution showing an estimated deficit of $263,000 to cover all obligations. However, the estimate shows that $1,229,000 of RPTTF is expected to be available and the bond debt service payment due in December 2013 is $785,000. Although HSC section 34171 (d) (1) (A) states a reserve may be held when...the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year, the Agency is estimated to have enough RPTTF to cover the bond debt service in the following half of the calendar year. Therefore, the item is not an enforceable obligation.

The Agency's maximum approved RPTTF distribution for the reporting period is: $475,996 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	669,996
Less: Six-month total for item(s) denied or reclassified as administrative cost		
Item 2 - County of San Diego Loan		300,000
Total approved RPTTF for enforceable obligations	$	369,996
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		106,000
Total RPTTF approved:	$	475,996

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. Holly Simonette, Staff Officer, County of San Diego
Ms. Tracy Sandoval, Assistant Chief Financial, County of San Diego
Mr. Juan Perez, Senior Auditor and Controller Manager, County of San Diego
Ms. Nenita DeJesus, Senior Auditor and Controller Accountant, County of San Diego
California State Controller's Office