



April 14, 2016

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

Dear Mr. Jarrett:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177(o) (1), the San Diego City Successor Agency (Agency) submitted a 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 28, 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 Nos. 2, 3, 4, 18, 19, 20, 21, 64, 66, 67, 68, 69, 70, 71, 72, 73, 77, 78, 79, 80, 91 and 92 – Bond debt service totaling \$32,319,568 for the ROPS 16-17 period is partially approved for \$21,739,218. On December 18, 2015, Finance approved the Agency's request to refund tax allocation bonds associated with the above item numbers. The issuance of the bonds was not complete by the ROPS 16-17 submission date, so the Agency requested the debt service payment for the bonds as if they had not been refunded.

The refunding bonds were issued concurrently with the ROPS 16-17 review period and the Agency was able to determine the debt service payment for the Tax Allocation Refunding Bonds, Series 2016 A and B (2016 TABs). Pursuant to the Bond Covenants, the Agency is required to pay the entire 2017 debt service payment totaling \$21,739,218. Therefore, Finance will approve an aggregate amount of the refunded bonds equal to the payment due of \$21,739,218 (\$32,319,568 - \$10,580,350) in Redevelopment Property Tax Trust Fund (RPTTF) funding. The adjustments are summarized on Page 2. The Agency has authority to spend the approved amounts on the 2016 TABs for the ROPS 16-17 period, but should include a new line item for the bonds on the subsequent ROPS.

Pursuant to HSC section 34183 (a) (2) (A), debt service obligations have first priority for payment from distributed RPTTF funding. As such, the \$21,739,218 of RPTTF authorized for the March and September 2017 2016 TABs debt service payments should be transferred upon receipt to the bond trustee(s). RPTTF funding approved for debt service obligations is restricted for that purpose and is not authorized to be used for other ROPS items. Any requests to fund the \$21,739,218 again from RPTTF will not be approved unless insufficient RPTTF was received to satisfy the approved debt service.

Adjustments

Item No.	Project Name	Total Amount Requested	Total Amount Adjusted	Total Amount Approved
2	City Heights Tax Allocation Bonds, Series 1999 A	\$ 431,654	\$ 0	\$ 431,654
3	City Heights Tax Allocation Bonds, Series 1999 B	1,600,000	0	1,600,000
4	City Heights Tax Allocation Bonds, Series 2003 A	445,924	0	445,924
18	North Bay Tax Allocation Bonds, Series 2000	911,524	0	911,524
19	North Park Tax Allocation Bonds, Series 2000	491,006	0	491,006
20	North Park Tax Allocation Bonds, Series 2003 A	539,714	0	539,714
21	North Park Tax Allocation Bonds, Series 2003 B	259,332	0	259,332
64	Centre City Tax Allocation Bonds, Series 1999 A	6,133,638	0	6,133,638
66	Centre City Tax Allocation Bonds, Series 1999 C	1,279,538	0	1,279,538
67	Centre City Tax Allocation Bonds, Series 2000 A	456,780	0	456,780
68	Centre City Tax Allocation Bonds, Series 2000 B	1,863,408	0	1,863,408
69	Centre City Tax Allocation Bonds, Series 2001 A	4,750,888	0	4,750,888
70	Centre City Tax Allocation Bonds, Series 2003 A	585,510	0	585,510
71	Centre City Tax Allocation Bonds, Series 2004 A	5,126,250	(3,135,948)	1,990,302
72	Centre City Tax Allocation Bonds, Series 2004 C	2,247,638	(2,247,638)	0
73	Centre City Tax Allocation Bonds, Series 2004 D	728,698	(728,698)	0
77	Horton Plaza Tax Allocation Bonds, Series 2000	1,602,610	(1,602,610)	0
78	Horton Plaza Tax Allocation Bonds, Series 2003 A	1,246,728	(1,246,728)	0
79	Horton Plaza Tax Allocation Bonds, Series 2003 B	562,346	(562,346)	0
80	Horton Plaza Tax Allocation Bonds, Series 2003 C	808,650	(808,650)	0
91	Mount Hope Tax Allocation Bonds, Series 1995 A	94,982	(94,982)	0
92	Mount Hope Tax Allocation Bonds, Series 2002 A	152,750	(152,750)	0
Total		\$32,319,568	\$(10,580,350)	\$21,739,218

- Item Nos. 6, 7, 8, 9, 10, 11, 12, 13, 16, 22, 23, 24, 25, 74, 75, 76, 88, 89, 90, 97 and 98 – Tax Allocation Bond debt service totaling \$21,478,201. The Agency requested RPTTF funding for debt service payments due for the 12-month period. Based upon our review, the bond indenture does require all tax revenues to be deposited until the full year's bond debt service is covered. Therefore, debt service payment reserves totaling \$21,478,201 is approved.

Pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional \$21,478,201 requested to be held in reserve along with the amounts required for the current ROPS period must be transferred upon receipt to the bond trustee(s). The amounts approved for debt service payments on this ROPS are restricted for that purpose and are not authorized for other ROPS items. Future requests to fund these debt service items again will be denied unless insufficient RPTTF was received to satisfy the approved annual debt service payments.

- Item Nos. 451 and 452 – Property Maintenance totaling \$167,692 requested for ROPS 16-17 and a total outstanding amount of \$618,154 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 on October 15, 2015, and the property associated with these items should have transferred to the City of San Diego (City) as future development; the Agency will not need funds to maintain these properties. Therefore, Item No. 451 for \$64,000 and Item No. 452 for \$103,692, totaling \$167,692 are not eligible for funding from RPTTF.
- Item No. 467 – Project Management Costs totaling \$3,635,000 for the ROPS 16-17 period is not approved. Finance issued a Finding of Completion on December 2, 2013. Therefore, the Agency can utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. As a result, Finance approved the Agency's OB Resolution No. 2015-9 on October 2, 2015, which authorized an Agreement Regarding Expenditure of Excess Redevelopment Bond Proceeds (Agreement) by and between the City and Agency. The Agreement outlined permissible uses of the Agency's excess pre-2011 bond proceeds. However, the Agency is not authorized to create new RPTTF funded obligations as a result of their ability to expend excess pre-2011 bond proceeds. Therefore, these project management costs are not eligible for funding from RPTTF.
- Item No. 627 – Naval Training Center Section 108 Loan in the amount of \$6,033,044 is partially approved in the amount of \$2,023,637. The Agency requested the entire remaining loan balance as they were planning to enter into talks with Housing and Urban Development to defease this loan. However, as the Agency has yet to request the defeasement or been provided with an estimated cost for the defeasement, Finance cannot approve the expenditure of the entire loan amount. In addition, the ROPS should only list the minimum amounts owed for each obligation.

As the loan remains an enforceable obligation of the Agency, \$2,023,655 is approved to bring the loan current and make the following payments up to the ROPS 16-17 period.

Fiscal Year	Amount Due
2013 – 14	\$ 505,827
2014 – 15	506,831
2015 – 16	505,685
2016 – 17	505,312
Total Due	\$ 2,023,655

Therefore, the excess request of \$4,009,389 (\$6,033,044 - \$2,023,637) is not approved.

- Item Nos. 631 and 632 – Affordable Housing Public Improvements funded with \$1,197,700 in Bond Proceeds. The Agency received a Finding of Completion on December 2, 2013 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenants. Our approval is specifically limited to the use of excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c) (1). Such approval; however, should not be construed as approval of the project itself as an enforceable obligation.
- Claimed administrative costs exceed the allowance by \$733,536. 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. The San Diego County Auditor-Controller's Office distributed \$108,169,482 of RPTTF in the ROPS 15-16 period. However, the Agency's ROPS 15-16 distributed amount of \$3,820,691 in Administrative Cost Allowance (ACA) and \$500,000 in total City Loan Repayments should be excluded from the ACA calculation. As a result, the ROPS 15-16 adjusted distributed RPTTF is \$103,848,791 (\$108,169,482 - \$3,820,691 - \$500,000). Since \$103,848,791 is greater than \$250,000, \$103,848,791 is multiplied by three percent, which leaves an allowable ACA of \$3,115,464.

The Agency requested \$2,984,472 from RPTTF funding and \$864,528 from Other Funds, totaling \$3,849,000 for their ROPS 16-17 ACA. Although \$3,849,000 is claimed, only \$3,115,464 is available pursuant to the cap. Therefore, \$733,536 (\$3,849,000 - \$3,115,464) of excess administrative cost is not allowed.

Except for the items denied in whole or in part or the items that have been adjusted, 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/

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 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$83,340,895 as summarized in the Approved RPTTF Distribution Table on Page 7 (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 future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

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

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

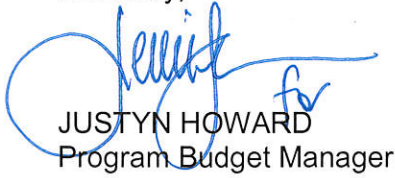
Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for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

Mr. Reese A. Jarrett
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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
Ms. Wanda Nations, Principal Accountant, Civic San Diego
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	<u>ROPS A Period</u>	<u>ROPS B Period</u>	<u>Total</u>
Requested RPTTF (excluding administrative obligations)	\$ 49,140,120	\$ 50,342,270	\$ 99,482,390
Requested Administrative RPTTF	1,474,204	1,510,268	2,984,472
Total Requested RPTTF on ROPS 16-17	50,614,324	51,852,538	\$ 102,466,862
Adjustment to Agency Requested RPTTF			
Item No. 71	0	(3,135,948)	(3,135,948)
Item No. 72	(531,319)	(1,716,319)	(2,247,638)
Item No. 73	(174,349)	(554,349)	(728,698)
Item No. 77	(196,305)	(1,406,305)	(1,602,610)
Item No. 78	(133,364)	(1,113,364)	(1,246,728)
Item No. 79	(63,673)	(498,673)	(562,346)
Item No. 80	(124,325)	(684,325)	(808,650)
Item No. 91	(7,491)	(87,491)	(94,982)
Item No. 92	(76,375)	(76,375)	(152,750)
Total RPTTF adjustments	(1,307,201)	(9,273,149)	\$ (10,580,350)
Total RPTTF requested	47,832,919	41,069,121	88,902,040
<u>Denied Items</u>			
Item No. 451	(64,000)	0	(64,000)
Item No. 452	(103,692)	0	(103,692)
Item No. 467	(1,817,500)	(1,817,500)	(3,635,000)
Item No. 627	(4,009,389)	0	(4,009,389)
	(5,994,581)	(1,817,500)	(7,812,081)
Total RPTTF authorized	41,838,338	39,251,621	\$ 81,089,959
Total Administrative RPTTF requested	1,474,204	1,510,268	2,984,472
Administrative costs in excess of the cap (see Admin Cost Cap table below)	0	(733,536)	(733,536)
Total Administrative RPTTF authorized	1,474,204	776,732	\$ 2,250,936
Total RPTTF approved for distribution	43,312,542	40,028,353	\$ 83,340,895

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 108,169,482
Less sponsoring entity loan and Administrative RPTTF	4,320,691
Actual RPTTF distributed for 2015-16 after adjustment	103,848,791
Administrative Cap for 2016-17 per HSC section 34171 (b)	3,115,464
ROPS 16-17 Administrative RPTTF after Finance adjustments	3,849,000
Administrative Cost Allowance in excess of the cap	\$ (733,536)