



January 20, 2015

Mr. Andrew Phillips, CFO & COO, Civic San Diego
City of San Diego
401 B Street, Suite 400
San Diego, CA 92101

Dear Mr. Phillips:

Subject: Clarification on Recognized Obligation Payment Schedule Determination Letter

This letter is in response to a request we received for further clarification on a specific determination made by the Department of Finance (Finance) in the City of San Diego Successor Agency's (Agency) Recognized Obligation Payment Schedule (ROPS) for the January through June 2015 (ROPS 14-15B) period in our letter dated December 17, 2014. During our review of the ROPS 14-15B, Finance determined that the Agency possesses available Low and Moderate Income Housing Funds (LMIHF) cash balance that should be used to fund approved enforceable obligations on the ROPS 14-15B prior to requesting funds from the Redevelopment Property Tax Trust Fund (RPTTF). Pursuant to HSC section 34177 (I) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.

Based on our review of the Agency's cash balances, Finance determined that \$11,905,560 in the LMIHF is available. These funds are attributable to the Due Diligence Review (DDR) wherein the Agency had requested, and the Finance approved, the retention of LMIHF for use during periods January through June 2012 (ROPS I), July through December 2012 (ROPS II), and January through June 2013 (ROPS III); LMIHF was an approved funding source for use on those ROPS. However, the Agency did not expend these funds as anticipated during the respective periods. Therefore, the Agency's authority to expend the funds has expired, and the funds are now considered unencumbered cash balances.

Pursuant to HSC section 34177 (d), successor agencies are required to remit unencumbered balances of redevelopment agency funds, including LMIHF, to the county auditor-controller for distribution to the affected taxing entities. However, to ensure that the Agency has sufficient funds to pay its ROPS 14-15B enforceable obligations, Finance required the Agency to utilize the available LMIHF cash balance rather than remit the funds to the San Diego County Auditor-Controller. As such, Finance reclassified \$11,905,560 in approved enforceable obligations from RPTTF to available LMIHF for certain ROPS items as referenced on page 3 of our December 17, 2014 letter.

Finance notes that to the extent the Agency has enforceable obligations and outstanding amounts remain on those ROPS items approved for LMIHF funding in ROPS I, II, and III (and subsequently approved for retention on the LMIHF DDR), the Agency may request the amounts

Mr. Andrew Phillips
January 20, 2015
Page 2

again on future ROPS when payments are anticipated so that Finance can review the items for funding out of RPTTF.

Please direct any additional inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. David Graham, Deputy Chief Operating Officer, City of San Diego
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office