



April 13, 2015

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

Dear Mr. Phillips:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the San Diego City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 27, 2015 for the period of July 1, 2015 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 200 – Project Costs for the Ballpark Village in the amount of \$50,000 requested in Reserves Balances for ROPS 15-16A and total outstanding amount of \$150,000 is denied. No documentation was provided to support the amounts requested. To the extent the Agency can provide suitable documentation, such as the executed contract and vendor invoices, the Agency may be able to obtain funding on future ROPS.
- Item No. 303 – I-5 Bridge Streetlights, East Village Streetscape, Park Boulevard Crossing, Horton Plaza Park and San Diego High School Crosswalks in the amount of \$102,732 is partially allowed. The Agency requested Redevelopment Property Tax Trust Funds (RPTTF) in the amount of \$102,732. However, the Agency only provided support for \$40,074. Therefore, the difference of \$62,658 (\$102,732 - \$40,074) is not eligible for RPTTF funding. To the extent the Agency can provide suitable documentation, such as executed contracts or an approved budget for the project, the Agency may be able to obtain RPTTF on future ROPS.
- Item No. 466 – Claimed administrative costs exceed the allowance by \$16,879. HSC section 34171 (b) limits the fiscal year administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$1,888,903 is claimed for administrative cost, only \$1,872,024 is available pursuant to the cap. Therefore, \$16,879 of excess administrative cost is not allowed.

- Item No. 474 – General property management for all project areas in the amount of \$500,000 requested for ROPS 15-16A and total outstanding amount of \$992,722 is denied. Insufficient documentation was provided to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as executed contracts and vendor invoices, the Agency may be able to obtain RPTTF on future ROPS.

During our review of the Cash Balance Form, the Agency self-reported possessing funds that should be used prior to requesting 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. The Agency provided financial records that displayed available Reserve Balances totaling \$7,699,531.

Therefore, the funding source for the following items have been reclassified to Reserve Balances and in the amounts specified:

Item No.	Project Name/ Debt Obligation	ROPS 14-15B Amount of RPTTF Requested	Amount Reclassified to Reserve Balances
64	Centre City Tax Allocation Bonds, Series 1999 B	\$ 2,066,635	\$ 2,066,635
66	Centre City Tax Allocation Bonds, Series 1999 C	1,052,288	1,052,288
67	Centre City Tax Allocation Bonds, Series 2000 A	360,130	360,130
68	Centre City Tax Allocation Bonds, Series 2000 B	1,501,954	1,501,954
69	Centre City Tax Allocation Bonds, Series 2001 A	2,718,524	2,718,524
Total		\$7,699,531	\$7,699,531

Finance noted on the ROPS 14-15A Prior Period Adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items and by the following amounts:

- Bond Proceeds totaling \$288,776 – Item No. 2, \$683; Item No. 3, \$1599; Item No. 6, \$1; Item No. 7, \$2; Item No. 10, \$1; Item No. 11, \$1; Item No. 16, \$764; Item No. 18, \$28,848; Item No. 19, \$15,274; Item No. 20, \$360; Item No. 21, \$310; Item No. 23, 289; Item No. 24, 185; Item No. \$457; Item No. 62, \$2; Item No. 63, \$9,266; Item No. 68, \$2; Item No. 69, \$2; Item No. 70, \$12,968; Item No. 71, \$179,683; Item No. \$38,078; Item No. 77, \$1.

Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. However, these items were determined to be enforceable obligations for the 14-15A period. Therefore, Finance is increasing the Agency's authorization for the 15-16A period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. As these Bond Proceeds were previously expended, the increase in authorization should not result in increased expenditures for the current ROPS period, but should merely allow the Agency to reconcile actual expenditures to the authorization.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your Oversight Board and Finance prior to making payments on enforceable obligations.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$50,119,294 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	62,963,446
Total RPTTF requested for administrative obligations	1,888,903
Total RPTTF requested for obligations on ROPS	\$ 64,852,349
Total RPTTF requested for non-administrative obligations	62,963,446
<u>Denied Items</u>	
Item No. 303	(62,658)
Item No. 474	(500,000)
	(562,658)
<u>Cash Balances - Items reclassified to Other Funds/Reserve Balances</u>	
Item No. 64	(2,066,635)
Item No. 66	(1,052,288)
Item No. 67	(360,130)
Item No. 68	(1,501,954)
Item No. 69	(2,718,524)
	(7,699,531)
Total RPTTF authorized for non-administrative obligations	\$ 54,701,257
Total RPTTF requested for administrative obligations	1,888,903
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(16,879)
Total RPTTF authorized for administrative obligations	\$ 1,872,024
Total RPTTF authorized for obligations	\$ 56,573,281
Total ROPS 14-15A PPA	(6,453,987)
Total RPTTF approved for distribution	\$ 50,119,294

Administrative Cost Cap Calculation	
Total RPTTF for non-administrative obligations	62,400,788
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF allowable for administrative obligations	1,872,024
Total RPTTF administrative obligations after Finance adjustments	1,888,903
Administrative costs in excess of the cap	\$ (16,879)

Please refer to the ROPS 15-16A schedule that was used to calculate the approved RPTTF amount:

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2015. This determination only applies to items where funding was requested for the six-month period. 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 denied on this ROPS or a preceding ROPS. The only

exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 that was available prior to the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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
California State Controller's Office