

**COUNTY OF SAN DIEGO  
COUNTY OVERSIGHT BOARD**

**REGULAR MEETING**

**January 4, 2013, 9:30 a.m.**

County Administration Center, Room 302  
1600 Pacific Highway, San Diego, California 92101

- A. Call to Order
- B. Roll Call
- C. Approval of Statement of Proceedings/Minutes of October 12, 2012.
- D. Public Communication Speakers: Members of the public may address the Oversight Board on subject matters within the Board's jurisdiction, but not an item on this agenda. Each speaker is limited to two minutes.
- E. Discussion Item(s)
  - 1. Receive Non-Housing Funds Due Diligence Review and convene public comment session
  - 2. Receive Staff Report on Meet and Confer with Department of Finance
- F. Action Item(s)
- G. Communications Received
- H. Set Future Meeting Date(s)
- I. Adjournment

Supporting documentation and attachments for items listed on this agenda can be viewed online at [www.sdcounty.ca.gov](http://www.sdcounty.ca.gov) or in the Office of the Clerk of the Board of Supervisors at the County Administration Center, 1600 Pacific Highway, Room 402, San Diego, CA 92101.

**ASSISTANCE FOR THE DISABLED:**

Agendas and records are available in alternative formats upon request. Contact the Clerk of the Board at (619) 531-5434 with questions or to request a disability-related accommodation. Individuals requiring sign language interpreters should contact the Americans with Disabilities Coordinator at (858) 505-6521. To the extent reasonably possible, requests for accommodation or assistance should be submitted at least 24 hours in advance of the meeting so that arrangements may be made. An area in the front of the room is designated for individuals requiring the use of wheelchair or other accessible devices.

**MINUTES  
COUNTY OF SAN DIEGO  
COUNTY OVERSIGHT BOARD**

**REGULAR MEETING  
OCTOBER 12, 2012, 9:30 A.M.**

County Administration Center, Room 302  
1600 Pacific Highway, San Diego, California 92101

A. Call to Order at 9:35 a.m.

B. Roll Call

PRESENT: Chairman Matt Schneider; Vice-Chairman Scott Patterson; Secretary Robert Schiwitz; Board Member Jo Marie Diamond; Board Member Bonnie Dowd; and Board Member Mario Sanchez; also Chief Deputy Clerk Andrew Potter; Community Services Group Finance Director Kaye Hobson; Senior Deputy County Counsel Mark Mead; and Attorney At Law Valerie Tehan (via teleconference).

ABSENT: Board Member Kathy Kassel

C. Approval of Statement of Proceedings/Minutes of October 5, 2012.

ACTION:

ON MOTION of Member Dowd, seconded by Member Sanchez, the Oversight Board approved the Statement of Proceedings/Minutes of October 5, 2012.

AYES: Dowd, Patterson, Sanchez, Schiwitz

ABSENT: Kassel

ABSTAIN: Diamond, Schneider

D. Public Communication Speakers: Members of the public may address the Oversight Board on subject matters within the Board's jurisdiction, but not an item on this agenda. Each speaker is limited to two minutes.

There were no public communication speakers.

E. Discussion Items

There were no discussion items.

F. Action Items

1. Adopt a Resolution Approving the Low- and Moderate-Income Housing Funds Due Diligence Review

ON MOTION of Member Schiwitz, seconded by Member Patterson, the Oversight Board approved the funding amount identified in the Low- and Moderate-Income Housing Funds Due Diligence Review to be transferred to the Low- and Moderate-Income Housing Funds and adopted Resolution OB2012-04, entitled, "A RESOLUTION OF THE COUNTY OF SAN DIEGO OVERSIGHT BOARD APPROVING THE LOW- AND MODERATE-INCOME HOUSING FUNDS DUE DILIGENCE REVIEW."

AYES: Diamond, Patterson, Sanchez, Schiwitz, Schneider  
ABSTAIN: Dowd  
ABSENT: Kassel

2. Adopt a Resolution Approving the Revised Recognized Obligation Payment Schedule (ROPS III) for January-June 2013

ON MOTION of Member Dowd, Seconded by Member Schiwitz, the Oversight Board directed that in the event that the California State Department of Finance grants permission to file a revised Third Recognized Obligation Payment Schedule (ROPS), then the revised Third ROPS that identifies the adjusted payment from the Redevelopment Property Tax Trust Fund (RPTTF) as \$1,028,996, for the period of January 1, 2013 through June 30, 2012 shall be approved, thereby adopting Resolution OB2012-05, entitled, "A RESOLUTION OF THE COUNTY OF SAN DIEGO OVERSIGHT BOARD RELATED TO THE REVISED THIRD RECOGNIZED OBLIGATION PAYMENT SCHEDULE;" and requested staff to return to the Board with an update on the status of the revised Third ROPS.

AYES: Diamond, Dowd, Sanchez, Schiwitz, Schneider  
NOES: Patterson  
ABSENT: Kassel

DOCUMENTS:

Exhibit 1: Estimate of Amounts Available for RPTTF Distribution FY2012-13  
Exhibit 2: Revised Third Recognized Obligation Payment Schedule (ROPS III)

G. Communications Received

There were no communications submitted to the Oversight Board.

H. Future Agenda Item(s)

Mr. Patterson requested an updated cash flow report.

I. Set Future Meeting Date(s)

The next scheduled meetings of the Oversight Board will be January 4, 2013 at 9:30 a.m., January 11, 2013 at 9:30 a.m., and February 22, 2013 at 9:30 a.m., in Room 302 of the County Administration Center.

J. Adjournment

There being no further business, ON MOTION of Chairman Schneider, the Board adjourned at 11:11 a.m.

THOMAS J. PASTUSZKA  
Clerk of the Board of Supervisors  
County of San Diego, State of California

BY: ANDREW J. POTTER  
Chief Deputy Clerk of the Board of Supervisors  
County of San Diego, State of California

Discussion: Potter

NOTE: These Minutes set forth all actions taken by the County of San Diego Oversight Board on the matters stated, but not necessarily the chronological sequence in which the matters were taken up.

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# COUNTY OF SAN DIEGO

## AGENDA ITEM

### COUNTY OVERSIGHT BOARD

#### COUNTY OVERSIGHT BOARD

JO MARIE DIAMOND  
DR. BONNIE DOWD  
KATHY KASSEL  
SCOTT PATTERSON  
MARIO SANCHEZ  
ROBERT SCHWITZ  
MATT SCHNEIDER

**DATE:** January 4, 2013

**E-1**

**TO:** County of San Diego Oversight Board

**SUBJECT:** RECEIVE NON-HOUSING FUNDS DUE DILIGENCE REVIEW AND  
CONVENE PUBLIC COMMENT SESSION

#### **SUMMARY:**

##### **Overview**

The Redevelopment Agency of the County of San Diego was dissolved on January 31, 2012. On January 24, 2012 (14), the County of San Diego was established as the Successor Agency to oversee the wind-down of the former redevelopment agency's operations following the steps established by AB 1X26, the Dissolution Act, to preserve assets, fulfill legally binding commitments, oversee the termination of activities, and return resources expeditiously to the affected taxing entities. Since that time, and as required by the Dissolution Act, the Oversight Board has been selected and met to take actions to remain in compliance with legislation and State Department of Finance and State Controller procedures.

AB 1484, effective June 27, 2012 as a trailer bill to the Fiscal Year 2012-13 State budget, set forth new and accelerated deadlines for actions to be taken by the Oversight Board, and cash payments to be made to the affected taxing entities, and also made changes to other elements of the dissolution process. Other requirements included agreed-upon procedures for "due diligence" reviews of the assets and obligations of the former redevelopment agency, preparatory to the transfer of excess cash to the affected taxing entities. The first of these reviews concerned the Low- and Moderate-Income Housing Fund (LMIHF). That review identified excess cash of \$1,441,974, which was subsequently transferred to the County Auditor and Controller on November 14, 2012. The second and last of the reviews concerns all Non-Housing Funds, which has not yet been completed. This review will be distributed to the Oversight Board and members of the public at the meeting. The Oversight Board is required by legislation to "convene a public comment session" on the Non-Housing Funds review.

**SUBJECT: RECEIVE NON-HOUSING FUNDS DUE DILIGENCE REVIEW AND  
CONVENE PUBLIC COMMENT SESSION**

**Recommendation(s)**

**COUNTY OVERSIGHT BOARD**

Receive the Non-Housing Funds Due Diligence Review and convene public comment session.

**Fiscal Impact**

If approved by the Oversight Board, funds as identified in the audit report will be transferred from the Non-Housing Funds to the County Auditor and Controller for distribution to affected taxing entities.

**BACKGROUND:**

AB 1484 made both technical and substantive changes to the original dissolution process. Significant changes that affect the County Successor Agency (SA) include accelerated deadlines, substantial monetary penalties for non-compliance, cash payments of former redevelopment agency tax increment, requirements for new agreed-upon procedures "due diligence" reviews by certified accountants, and public notice period for asset transfers.

AB 1484 requires the "due diligence review" by a "licensed accountant" approved by the County Auditor and Controller (A&C) of all SA funds. The purpose of the reviews, whose agreed-upon procedures have been issued by the State Department of Finance (DOF), is to determine the amount of money available for transfer to A&C for eventual distribution to affected taxing entities. The first of these reviews concerned the Low- and Moderate-Income Housing Fund. That review identified excess cash of \$1,441,974, which was subsequently transferred to the A&C on November 14, 2012.

The second and last of these reviews concerns the Non-Housing Funds. As of December 27, 2012, this review had not yet been completed. Copies will be made available to the Oversight Board and to the public at the meeting. The Oversight Board is required to "convene a public comment session" on the Non-Housing Funds Due Diligence Review and then to approve the review at a subsequent meeting. Both the Oversight Board and the DOF (after considering the opinions of the A&C and the State Controller) may make changes to the amount to be transferred, and a meet-and-confer process may occur to resolve disputes between the SA and the DOF. Funds must be transmitted to A&C within five working days of approval by the DOF.

Respectfully submitted,

HELEN N. ROBBINS-MEYER



By  
DAVID ESTRELLA  
Deputy Chief Administrative Officer

**SUBJECT:** RECEIVE NON-HOUSING FUNDS DUE DILIGENCE REVIEW AND  
CONVENE PUBLIC COMMENT SESSION

**ATTACHMENT(S)**

A – Non-Housing Fund Due Diligence Review (not available as of 12/27/2012)

**CONTACT PERSON(S):**

Kaye Hobson

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Name

619-531-5274

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Phone

Kaye.Hobson@sdcounty.ca.gov

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E-mail

**SUBJECT: Receive Non-Housing Funds Due Diligence  
Review and Convene Public Comment Session**  
*(received and made available on Jan. 2, 2013)*

**SUCCESSOR AGENCY OF  
THE REDEVELOPMENT AGENCY OF THE  
COUNTY OF SAN DIEGO**

**AGREED UPON PROCEDURES – AB1484  
OTHER FUNDS OF THE SUCCESSOR AGENCY**

June 30, 2012



**SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE COUNTY OF SAN DIEGO  
AGREED UPON PROCEDURES – AB1484  
OTHER FUNDS OF THE SUCCESSOR AGENCY**

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June 30, 2012

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**PARTNERS**  
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**INDEPENDENT ACCOUNTANTS' REPORT  
 ON APPLYING AGREED UPON PROCEDURES**

Oversight Board of the Successor Agency  
 County of San Diego  
 San Diego, California 92101

We have performed the procedures enumerated below solely to assist in ensuring that the Successor Agency of the Redevelopment Agency of the County of San Diego is complying with its statutory requirements with respect to AB1484. Management of the Successor Agency is responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code Section 34179.5.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures with respect to AB1484.

- Attachment A – Agreed Upon Procedures Results
- Attachment B – Asset Transfer List to the Successor Agency on February 1, 2012 – Other Funds
- Attachment C – Asset Transfer List from January 1, 2011 to January 31, 2012 – Other Funds
- Attachment D – Summary Schedule of Financial Transactions
- Attachment E – Asset Listing as of June 30, 2012 – Other Funds
- Attachment F – Asset Listing for Restricted Balances as of June 30, 2012 – Other Funds
- Attachment G – Non-Liquid Assets as of June 30, 2012 – Other Funds
- Attachment H – Recognized Obligation Payment Schedule
- Attachment I – Allocation to Affected Taxing Entities – Other Funds

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A through Attachment I. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the Oversight Committee, Management, California State Controller's Office, Department of Finance, and San Diego County Auditor-Controller, and is not intended to be and should not be used by anyone other than these specified parties.

*Moss, Levy & Hartzheim*

MOSS, LEVY & HARTZHEIM, LLP  
 Culver City, California  
 December 10, 2012

COUNTY OF SAN DIEGO  
AGREED-UPON PROCEDURES OF AB1484  
ATTACHMENT A – AGREED UPON PROCEDURE RESULTS

Procedures Applied

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

Result:

The former Redevelopment Agency transferred the total asset amount of \$4,548,262 to the Successor Agency on February 1, 2012. See Attachment B for the listing of all assets that were transferred.

2. If the State Controller’s Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, performed the following procedures:

- A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency’s enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Result:

No assets were transferred (excluding payments for goods and services) from the former Redevelopment Agency to the city, county, or city and county that formed the redevelopment agency from January 1, 2011 through January 31, 2012.

- B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency’s enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Result:

No assets were transferred (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency from February 1, 2012 through June 30, 2012.

- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Result:

Not applicable. No assets were transferred (excluding payments for goods and services) to the city or county.

3. If the State Controller’s Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:

- A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency’s enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

COUNTY OF SAN DIEGO  
AGREED-UPON PROCEDURES OF AB1484  
ATTACHMENT A – AGREED UPON PROCEDURE RESULTS

Result:

Payments of \$1,756,442 were transferred to other public agencies for the period from January 1, 2011 through January 31, 2012. See Attachment C for the listing.

- B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report

Result:

No assets were transferred (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties from February 1, 2012 through June 30, 2012

- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Result:

We found no exceptions as a result of the procedures performed.

4. Perform the following procedures:

- A. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.

Result:

See Attachment D for the financial transactions of the former Redevelopment Agency and the Successor Agency.

- B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.

Result:

We found no exceptions as a result of the procedures performed.

- C. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.

Result:

For the fiscal year ended June 30, 2010, we compared the financial transactions on Attachment D to the State Controller's report. We found no exceptions as a result of the procedures performed. See Attachment D.

- D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Result:

For the fiscal year ended June 30, 2010 and June 30, 2011, we compared the financial transactions on Attachment D to the State Controller's report as well as the audited financial statements. For the seven months ended January 31, 2012 and five months ended June 30, 2012, we compared the financial transactions on Attachment D to the Agency's trial balance and long term debt schedule. We found no exceptions as a result of the procedures performed. See Attachment D.

COUNTY OF SAN DIEGO  
 AGREED-UPON PROCEDURES OF AB1484  
 ATTACHMENT A – AGREED UPON PROCEDURE RESULTS

5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

Result:

We found no exceptions as a result of the procedures performed. See Attachment E.

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:
- A. Unspent bond proceeds:
- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.)
  - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
  - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

Result:

We found no exceptions as a result of the procedures performed.

- B. Grant proceeds and program income that are restricted by third parties:
- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
  - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
  - iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

Result:

The successor agency did not have grant proceeds and program income restricted by third parties.

- C. Other assets considered to be legally restricted:
- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
  - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
  - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.

Result:

We found no exceptions as a result of the procedures performed.

- D. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.

COUNTY OF SAN DIEGO  
AGREED-UPON PROCEDURES OF AB1484  
ATTACHMENT A – AGREED UPON PROCEDURE RESULTS

Result:

We found no exceptions as a result of the procedures performed. See Attachment F.

7. Perform the following procedures:

- A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are not liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.

Result:

The values of non-liquid assets are based on the book value reflected in the accounting records of the Successor Agency. See Attachment G.

- B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.

Result:

We found no exceptions as a result of the procedures performed.

- C. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.

Result:

We found no exceptions as a result of the procedures performed.

- D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

Result:

Not applicable. The values of the non-liquid assets are not listed at estimated market value.

8. Perform the following procedures:

- A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
  - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
  - ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
  - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
  - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

Result:

No asset balances were retained to satisfy enforceable obligations.

COUNTY OF SAN DIEGO  
 AGREED-UPON PROCEDURES OF AB1484  
 ATTACHMENT A – AGREED UPON PROCEDURE RESULTS

- B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:
- i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.
  - ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
    - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
  - iii. For the forecasted annual revenues:
    - a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.

Result:

The procedure was not considered required as the Successor Agency believes future tax revenue with dedicated cash balances will be sufficient to fund future obligations.

- C. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.
- i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
  - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
  - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

Result:

The procedure was not considered required as the Successor Agency believes future tax revenues will be sufficient to fund future obligations.

- D. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures:
- i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
  - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
  - iii. Include the calculation in the AUP report.

Result:

Procedures 8A, 8B, and 8C did not apply.

COUNTY OF SAN DIEGO  
AGREED-UPON PROCEDURES OF AB1484  
ATTACHMENT A – AGREED UPON PROCEDURE RESULTS

9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.

Result:

Successor Agency needs to retain cash balances as of June 30, 2012 of \$1,790,275 to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through December 31, 2012. See Attachment H.

10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

Result:

We found no exceptions as a result of the procedures performed. See Attachment I.

11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

Result:

We found no exceptions as a result of the procedures performed.



COUNTY OF SAN DIEGO  
AGREED-UPON PROCEDURES OF AB1484  
ATTACHMENT B – ASSET TRANSFER LIST TO THE SUCCESSOR AGENCY ON FEBRUARY 1, 2012 –  
OTHER FUNDS

Successor Agency of the Redevelopment Agency of  
County of San Diego  
Asset Transfer List – Other Funds  
February 1, 2012

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Cash	\$	3,273,735
Cash with Fiscal Agent		1,154,993
Tax Increment/Accounts Receivable		119,534
	\$	<u>4,548,262</u>

COUNTY OF SAN DIEGO  
 AGREED-UPON PROCEDURES OF AB1484  
 ATTACHMENT C-ASSET TRANSFER LIST FROM JANUARY 1, 2011 TO JANUARY 31, 2012-OTHER FUNDS

Gillespie Field (GF) and Upper San Diego River (USDRIP)  
 LFPD-Lakeside Fire Protection District  
 SDRC-San Diego River Conservancy

Payments to other public agencies				
Transfer Dates	School Districts	LFPD	SDRC	Description
<b>Gillespie Field:</b>				
05/10/11	163,336.00			Supplemental Education Revenue Augmentation Fund
08/19/11	587,350.00			Annual payment to school district per settlement agreement
11/07/11	59,507.00			Settlement agreement
GF subtotal	810,193.00	-	-	
<b>Upper San Diego River:</b>				
01/19/11	31,812.00			Payment to Lakeside, Grossmont & Office of Ed
02/14/11	3,039.00			Payment to Lakeside, Grossmont & Office of Ed
03/11/11	6,955.00			Payment to Lakeside, Grossmont & Office of Ed
04/11/11	69,577.00			Payment to Lakeside, Grossmont & Office of Ed
05/10/11	24,703.00			Payment to Lakeside, Grossmont & Office of Ed
06/21/11	3,873.00			Payment to Lakeside, Grossmont & Office of Ed
06/30/11	3,213.00			Payment to Lakeside, Grossmont & Office of Ed
10/19/11		550,000.00		Annual reimbursement to LFPD
11/09/11	39,322.00			Payment to Lakeside, Grossmont & Office of Ed
11/15/11			100,000.00	Loan made to SDRC
12/14/11	81,174.00			Payment to Lakeside, Grossmont & Office of Ed
01/17/12	32,581.00			Payment to Lakeside, Grossmont & Office of Ed
USDRIP subtotal	296,249.00	550,000.00	100,000.00	
Grand Totals	1,106,442.00	550,000.00	100,000.00	

COUNTY OF SAN DIEGO  
 AGREED-UPON PROCEDURES OF AB1484  
 ATTACHMENT D- SUMMARY SCHEDULE OF FINANCIAL TRANSACTIONS

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
<b>Assets (modified accrual basis)</b>				
Cash	\$ 5,909,284	\$ 6,241,383	\$ 6,256,033	\$ 6,778,166
Cash with Fiscal Agent	1,154,993	1,154,993	1,154,993	1,154,993
Tax Increment/Accounts Receivable	324,841	208,778	119,534	119,534
Accrued Interest Receivable	224,293	317,987	370,820	5,810
Loans Receivable	3,175,364	3,417,074	3,417,073	
Due from RDA Other Funds	79,184	70,213		
Prepaid items	390,141	330,303	294,510	
<b>Total Assets</b>	<b>\$ 11,258,100</b>	<b>\$ 11,740,731</b>	<b>\$ 11,612,963</b>	<b>\$ 8,058,503</b>
<b>Liabilities (modified accrual basis)</b>				
Accounts Payable	\$ 657,107	\$ 616,412	\$ -	\$ 2,213,836
Interest payable				150,000
Other Liabilities	479,005	523,089	390,354	
Due to RDA LMIHF	79,184	70,213		
<b>Total Liabilities</b>	<b>\$ 1,215,296</b>	<b>\$ 1,209,714</b>	<b>\$ 390,354</b>	<b>\$ 2,363,836</b>
<b>Equity</b>	<b>10,042,804</b>	<b>10,531,017</b>	<b>11,222,609</b>	<b>5,694,667</b>
<b>Total Liabilities + Equity</b>	<b>\$ 11,258,100</b>	<b>\$ 11,740,731</b>	<b>\$ 11,612,963</b>	<b>\$ 8,058,503</b>
<b>Total Revenues:</b>	<b>\$ 4,411,262</b>	<b>\$ 4,133,719</b>	<b>\$ 2,858,584</b>	<b>\$ 945,513</b>
<b>Total Expenditures:</b>	<b>\$ 6,420,643</b>	<b>\$ 3,645,506</b>	<b>\$ 2,166,992</b>	<b>\$ 2,761,871</b>
<b>Total Transfers*:</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,511,025</b>
<b>* Includes Cash Advances from City</b>				
<b>Net change in equity</b>	<b>\$ (2,009,381)</b>	<b>\$ 488,213</b>	<b>\$ 691,592</b>	<b>\$ 5,694,667</b>
<b>Beginning Equity:</b>	<b>\$ 12,052,185</b>	<b>\$ 10,042,804</b>	<b>\$ 10,531,017</b>	<b>\$ -</b>
<b>Ending Equity:</b>	<b>\$ 10,042,804</b>	<b>\$ 10,531,017</b>	<b>\$ 11,222,609</b>	<b>\$ 5,694,667</b>
<b>Other Information (show year end balances for all three years presented):</b>				
<b>Capital assets as of end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Long-term debt as of end of year</b>	<b>\$ 19,513,206</b>	<b>\$ 19,088,418</b>	<b>\$ 18,713,418</b>	<b>\$ 18,743,771</b>
<b>Long-term debt as of end of year:</b>				
<b>Due to County of San Diego -loans</b>	<b>\$ 4,001,983</b>	<b>\$ 3,951,983</b>	<b>\$ 3,951,983</b>	<b>\$ 3,951,983</b>
<b>Interest on loans</b>	<b>\$ 909,372</b>	<b>\$ 892,882</b>	<b>\$ 892,882</b>	<b>\$ 921,533</b>
<b>2005A Gillespie Refunding Bond</b>	<b>\$ 14,640,000</b>	<b>\$ 14,280,000</b>	<b>\$ 13,905,000</b>	<b>\$ 13,905,000</b>
<b>Unamortized discount</b>	<b>\$ (38,149)</b>	<b>\$ (36,447)</b>	<b>\$ (36,447)</b>	<b>\$ (34,745)</b>

COUNTY OF SAN DIEGO  
AGREED-UPON PROCEDURES OF AB1484  
ATTACHMENT E-ASSET LISTING AS OF JUNE 30, 2012 – OTHER FUNDS

Successor Agency of the Redevelopment Agency of  
County of San Diego  
Asset Listing – Other Funds  
June 30, 2012

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Cash	\$	3,793,031
Cash with Fiscal Agent		1,154,993
Accounts Receivable		119,534
Accrued Interest Receivable		3,104
	\$	<u>5,070,662</u>

COUNTY OF SAN DIEGO  
AGREED-UPON PROCEDURES OF AB1484  
ATTACHMENT F- ASSET LISTING FOR RESTRICTED BALANCES AS OF JUNE 30, 2012

Successor Agency of the Redevelopment Agency of  
County of San Diego  
Asset Listing for Restricted Balances

Assets	Period of Restriction	Purpose	Amounts
Cash with fiscal agent	Dec. 1, 2006 to Dec. 1, 2032	Debt service reserve	\$ 1,154,993
		Total	<u>\$ 1,154,993</u>

COUNTY OF SAN DIEGO  
AGREED-UPON PROCEDURES OF AB1484  
ATTACHMENT G–NON-LIQUID ASSET AS OF JUNE 30, 2012

Successor Agency of the Redevelopment Agency of  
County of San Diego  
Non-Liquid Asset – Other Funds  
June 30, 2012

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Accounts Receivable	\$	119,534
	\$	<u>119,534</u>

COUNTY OF SAN DIEGO  
 AGREED-UPON PROCEDURES OF AB1484  
 ATTACHMENT H –RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Successor Agency of the Redevelopment Agency of the County of San Diego  
 Recognized Obligation Payment Schedule  
 For the Period of July 2012 through December 2012

Project Name/Debt Obligation	Contract/Agreement	Execution Date	Payee	Description/Payee	Amount
Gillespie Field 2005 Bond Principal & Interest County of San Diego Airport Enterprise Fund. Principal and Interest		December 1, 2005	Bank of NY, as Trustee	Bond Principal & Interest	\$1,144,275.00
Lakeside Field Protection District (LFPD) Cooperative Agreement Admin Costs		December 1, 1987	AEF	Loan Funding Assistance for Construction of a 19,162 sf fire station and administration building Admin Costs	- 550,000.00 96,000.00 <u>\$1,790,275.00</u>
		September 26, 2007	LFPD County Successor Agency		

COUNTY OF SAN DIEGO  
AGREED-UPON PROCEDURES OF AB1484  
ATTACHMENT I –ALLOCATION TO AFFECTED TAXING ENTITIES – OTHER FUNDS

<b>SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES</b>	<b>Other Funds</b>
Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ 5,070,662
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	(1,154,993)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	(119,534)
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)	-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	(1,790,275)
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	<u>(667,969)</u>
Amount to be remitted to county for disbursement to taxing entities	<u><u>\$ 1,337,891</u></u>





# COUNTY OF SAN DIEGO

## AGENDA ITEM

### COUNTY OVERSIGHT BOARD

#### COUNTY OVERSIGHT BOARD

JO MARIE DIAMOND  
DR. BONNIE DOWD  
KATHY KASSEL  
SCOTT PATTERSON  
MARIO SANCHEZ  
ROBERT SCHIWITZ  
MATT SCHNEIDER

**DATE:** January 4, 2013

**E-2**

**TO:** County of San Diego Oversight Board

**SUBJECT:** RECEIVE STAFF REPORT REGARDING MEET AND CONFER WITH DEPARTMENT OF FINANCE

#### **SUMMARY:**

##### **Overview**

The State Department of Finance (DOF) disallowed two Enforceable Obligations on the Recognized Obligations Payment Schedule for the period January-June 2013 (ROPS III), as approved by the Oversight Board on August 23, 2012 and revised on October 12, 2012. Item 2, payment of \$300,000 on the loan in the amount of \$3.7 million from the County Airport Enterprise Fund, was disallowed because loans between the former redevelopment agency and the sponsoring agency and its related entities are by definition not Enforceable Obligations. Item 5 was initially a request for a generic cash-flow contingency reserve of \$1.2 million, but was revised to be a specific reserve of \$263,000 for the purpose of bond payments.

Successor Agency staff and DOF representatives held a Meet and Confer session by telephone on November 30, 2012 to request reconsideration of DOF's actions. On December 18, 2012, the DOF issued its final determination letter disallowing both items.

##### **Recommendation(s)**

##### **COUNTY SUCCESSOR AGENCY**

Receive staff report on Meet and Confer session with Department of Finance.

##### **Fiscal Impact**

There is no fiscal impact.

#### **BACKGROUND:**

The State Department of Finance (DOF) disallowed two Enforceable Obligations (EOs) on the Recognized Obligations Payment Schedule for the period January-June 2013 (ROPS III), as approved by the Oversight Board on August 23, 2012 and revised on October 12, 2012. Successor Agency staff and DOF representatives held a Meet and Confer session by telephone

**SUBJECT: RECEIVE STAFF REPORT REGARDING MEET AND CONFER WITH DEPARTMENT OF FINANCE**

on November 30, 2012 to request reconsideration of DOF's actions. On December 18, 2012, the DOF issued its final determination letter (Attachment A) disallowing both items.

Item 2, payment of \$300,000 on the loan in the amount of \$3.7 million from the County Airport Enterprise Fund, was disallowed because loans between the former redevelopment agency and the sponsoring agency and its related entities are, by definition, not EOs under Health and Safety Code 34171(d)(2), except under circumstances that are not applicable in this case. However, DOF's denial does not mean that the loan from the Airport Enterprise Fund can never be repaid. Once a Finding of Completion has been issued by the DOF, the Oversight Board may reinstate this loan and establish a new EO. The Finding of Completion can be issued only when the County Successor Agency has made the following three specific payments to County Auditor and Controller for distribution to affected taxing entities: 1) the "true-up" payment of property tax revenue for the period of November 2012-January 2013; 2) transfer of unencumbered cash from the Low- and Moderate-Income Housing Funds; and 3) transfer of unencumbered cash from the Non-Housing Funds. The first two payments have been accomplished and the last is a companion item on today's agenda.

Item 5 was initially a request for a generic cash-flow contingency reserve, but was revised to be a specific reserve for the purpose of bond payments as allowed under Health and Safety Code Section 34171(d)(1)(A). The specific reserve was denied because the estimated amount of cash available from the Redevelopment Property Tax Trust Fund on June 1, 2013, is greater than the bond debt service for July-December 2013.

Respectfully submitted,

HELEN N. ROBBINS-MEYER



By  
DAVID ESTRELLA  
Deputy Chief Administrative Officer

**ATTACHMENT(S)**

A – Meet and Confer Review Letter dated December 18, 2012

**CONTACT PERSON(S):**

Kaye Hobson

Name

619-531-5274

Phone

Kaye.Hobson@sdcountry.ca.gov

E-mail



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:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2013</b>	
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	<u>\$ 369,996</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>106,000</u>
<b>Total RPTTF approved:</b>	<b>\$ 475,996</b>

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,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a long horizontal stroke extending to the left.

**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