



AGENDA

City of El Cajon Successor Agency – Oversight Board

8:00 a.m., Wednesday, January 17, 2018

El Cajon City Hall – Fifth Floor Conference Room

200 Civic Center Way, El Cajon, CA 92020

Board Members:

Scott Buxbaum, County Board of Education Rep.
Gloria Chadwick, Grossmont Healthcare District Rep.
Dennis Davies, City of El Cajon
Michelle Nguyen, County Board of Supervisors Rep.
Sue Rearic, Chancellor of the California Community Colleges Rep.
Dan Pavao, (Former RDA/MMPEG Employee) City of El Cajon
Debra Emerson, County Board of Supervisors Rep.

Successor Agency Staff:

Douglas Williford, Exec. Director/City Manager
Clay Schoen, Director of Finance
Anthony Shute, Director of Community Development
Victoria Danganan, Senior Accountant
Ron Luis Valles, Administrative Secretary

OB Legal Counsel: **Meyers Nave**

General Counsel: **Morgan Foley**

- I. Call to Order and Pledge of Allegiance
- II. Chair Welcome.
- III. Roll Call
- IV. Public Comment: (This is the opportunity for a member of the public to address the Oversight Board on any item of business within the jurisdiction of the Board that is not on the agenda. Under State law no action can be taken on items brought forward under Public Comment, except to refer the item to the staff for administrative action or to place it on a future agenda.)

V. **ACTION ITEMS:**

Item No. 1: Approval of Action Minutes – November 15, 2017, Meeting

Item No. 2: Approval of proposed resolution for Successor Agency Fiscal Year 2018-2019 Budget, including Administration Budget.

Item No. 3: Approval of proposed resolution for Recognized Obligation Payment Schedule (“ROPS 18-19”) for the Period July 1, 2018, to June 30, 2019.

- VI. Other Items for Consideration

Staff Communications:

Item No. 4 – Basic Financial Statements and Independent Auditor’s Report for the Fiscal Year Ended June 30, 2017, and Written Communication Between Auditor and Client

Board Reports/Comments:

- VII. Adjournment

SUMMARY MINUTES

Successor Agency to the El Cajon Redevelopment Agency Oversight Board

Meeting - Wednesday, November 15, 2017
El Cajon City Hall, Fifth Floor Conference Room
200 Civic Center Way, El Cajon, CA 92020

BOARD PRESENT: Gloria Chadwick, Dennis Davies (Vice Chair), Debra Emerson (Chair), Dan Pavao and Sue Rearic

BOARD ABSENT: Scott Buxbaum and Michelle Nguyen

OB LEGAL COUNSEL: Steven Mattas, representing law firm of Meyers Nave (*Via Conference Call*)

STAFF PRESENT: Assistant City Manager Graham Mitchell, Director of Community Development Anthony Shute, Director of Finance Clay Schoen, and Administrative Secretary Ron Luis Valles

[Steven MATTAS was telephoned and placed on speaker phone.]

CALL TO ORDER AND PLEDGE OF ALLEGIANCE:

The meeting was called to order at 8:05 a.m. by EMERSON.

PUBLIC COMMENT: None

ACTION ITEM NO. 1: APPROVAL OF ACTION MINUTES – November 1, 2017

CHADWICK made a motion, seconded by PAVAO, to approve the action minutes of the November 1, 2017 Special Meeting.

Motion carried 5-0 (BUXBAUM and NGUYEN, absent)

ITEM NO. 2: APPROVAL OF THE REFUNDING THE 2005 AND 2007 TAX ALLOCATION BONDS OF THE FORMER EL CAJON REDEVELOPMENT AGENCY.

MITCHELL summarized the staff report and recommended approval by the Oversight Board.

REARIC made a motion, seconded by CHADWICK, to adopt Resolution OB-06-17 approving the issuance of refunding bonds of the Successor Agency of the former

Redevelopment Agency of the City of El Cajon, making certain determinations with respect to the refunding bonds and providing other matters relating thereto.

Motion carried 5-0 (BUXBAUM and NGUYEN, absent).

ITEM NO. 3: APPROVAL OF THE PROPOSED MODIFICATION OF PRIOR DISPOSITION AND DEVELOPMENT AGREEMENT TO CREATE A PURCHASE AND SALES AGREEMENT FOR A PROPOSED HOTEL AND COMMERCIAL DEVELOPMENT (SITE NO. 15), APN: 483-071-52.

SHUTE summarized the staff report and recommended approval by the Oversight Board.

PAVAO made a motion, seconded by REARIC, to adopt Resolution OB-07-17 approving the modification of a Disposition and Development Agreement to, and the execution and delivery of, a purchase and sale agreement, and such other documents necessary to sell Successor Agency property located at 100 Fletcher Parkway (APN 483-071-52).

Motion carried 5-0 (BUXBAUM and NGUYEN, absent).

STAFF COMMUNICATIONS:

There were none.

BOARD REPORTS / COMMENTS:

There were no reports.

ADJOURNMENT:

CHADWICK made a motion, seconded by PAVAO, to adjourn this regularly-scheduled meeting of the El Cajon Successor Agency Oversight Board at 8:18 a.m. this 15th day of November 2017, to 8:00 a.m., December 20, 2017, in the Fifth Floor Conference Room at City Hall, 200 Civic Center Way, El Cajon, California.

Motion carried 5-0 (BUXBAUM and NGUYEN, absent).

APPROVED:

Debra Emerson, Chairperson

ATTEST:

Anthony Shute, Oversight Board Secretary

AGENDA REPORT
CITY OF EL CAJON SUCCESSOR AGENCY OVERSIGHT BOARD
January 17, 2018, Meeting

SUBJECT: APPROVAL OF THE SUCCESSOR AGENCY FISCAL YEAR 2018-2019 BUDGET, INCLUDING THE ADMINISTRATION BUDGET

RECOMMENDED ACTION: That the Oversight Board adopts the proposed Resolution OB-01-18 to:

1. Approve the Successor Agency Fiscal Year 2018-2019 Budget in the amount of \$7,175,435, which includes the Successor Agency Fiscal Year 2018-2019 Administration Budget in the amount of \$250,000; and
2. Authorize the Successor Agency staff to carry out activities outlined in the Cooperation Agreement approved by the Oversight Board on April 26, 2012, which are necessary to meet approved obligations outlined in the proposed budgets pursuant to City of El Cajon adopted policies, procedures, and practices, including re-entering into third party service agreements for continuation of projects.

BACKGROUND

Presented for approval and adoption is the Successor Agency Fiscal Year 2018-2019 Budget, including the Successor Agency Fiscal Year 2018-2019 Administration Budget (together the "Budgets"). Both Budgets were prepared in conjunction with the City's Capital Improvement Project Plan and annual budget process that is currently underway, and consist of activity and project costs that will be included in the proposed City budget for Fiscal Year 2018-2019.

As required under Health and Safety Code section 34177, subdivision (j), the Successor Agency must prepare a proposed administrative budget for each fiscal year and submit it to the Oversight Board for its approval. The proposed administrative budget includes:

1. Estimated amounts for the Successor Agency's administrative costs for the upcoming six-month fiscal period;
2. Proposed sources of payment for the administrative costs identified; and
3. Proposals for arrangements for administrative and operations services provided by the City.

Administrative cost allowances may be up to three percent (3%) of the actual property tax distributed to the Successor Agency in the preceding fiscal year but shall not be less than two hundred fifty thousand dollars (\$250,000). Staff has prepared the Successor Agency Administration Budget at \$250,000 for Fiscal Year 2018-2019 to be funded with property tax allocation from the Redevelopment Property Tax Trust Fund (the "RPTTF").

The proposed administrative budget includes staff services and supplies/materials provided by the City to administer the tasks and functions of the Successor Agency. Outside legal, financial, and other professional/technical consultants will be utilized for special services and expertise necessary to wind down the affairs of the former El Cajon Redevelopment Agency.

The Successor Agency Fiscal Year 2018-2019 Budget also includes funding for the following enforceable obligations, activities, and projects:

1. Successor Agency Debt Service (\$5,213,435): Payments of principal and interest on the tax allocation bonds and the costs of financial services related to the debt issues.
2. Hazardous Materials Testing - Park & Ballantyne (\$100,000): Environmental remediation costs associated with a Reimbursement and Indemnity Agreement dated December 16, 2003. The sampling events and monitoring reports indicate the site requires further groundwater investigations as ordered by the California Regional Water Quality Control Board, San Diego Region.
3. Hazardous Materials Testing - Prescott Promenade (\$10,000): Environmental remediation costs associated with a Settlement Agreement dated September 15, 1995. The budgeted amount is an estimate of the Agency's share (20%) of remediation costs.
4. Housing Authority Development and Revitalization Activities (\$705,000): Cornerstone Place housing project located at 230 South Sunshine Avenue will provide affordable housing units to veterans and families. Construction funding for the project includes housing bond proceeds carried over from prior fiscal year, plus interest earnings. These funds have been combined with funds from the Low and Moderate Income Housing Asset Fund (LMIHAF) for a total construction loan amount of \$1.3 million.
5. East County Performing Arts Center (ECPAC) Improvements (\$897,000): Capital improvement project for major improvements needed for the ECPAC facility that include HVAC upgrades and installation of new carpet, theater seating, stage lighting, and other furnishings. Project funding includes \$897,000 of bond proceeds carried over from prior fiscal year.

Finally, in the absence of contracting procedures for the Oversight Board, the Successor Agency will continue to employ the policies, procedures and practices in place with the City of El Cajon with respect to execution and re-entering into contracts necessary for the continuation of activities outlined in the Budgets, as authorized under the Cooperation Agreement for Reimbursement of Costs and City/Successor Agency Operations Loan, approved by the Oversight Board on April 26, 2012.

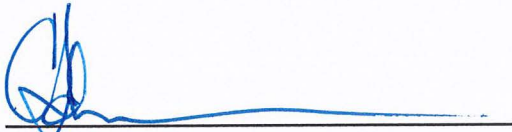
FISCAL IMPACT

This action will approve the Successor Agency Fiscal Year 2018-19 Budget with estimated funding of \$7,175,435, which includes the minimum \$250,000 Administrative Budget.

ATTACHMENTS

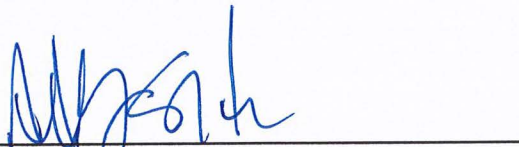
1. Proposed Resolution OB-01-18
2. Successor Agency - Fiscal Year 2018-19 Budget Summary
3. Budget Activity and Project Sheets

Prepared by:



Clay Schoen
Director of Finance

Reviewed by:



Anthony Shute
Secretary / Director of Community Development

Approved by:



Douglas Williford
Executive Director / City Manager

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RESOLUTION NO. OB-01-18

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY APPROVING THE FISCAL YEAR 2018-2019 SUCCESSOR AGENCY BUDGET, INCLUDING THE SUCCESSOR AGENCY ADMINISTRATION BUDGET

WHEREAS, the Oversight Board (the "Oversight Board") of the Successor Agency to the former El Cajon Redevelopment Agency (the "Successor Agency") held a regularly-scheduled meeting on January 17, 2018, at which time it considered a proposed Successor Agency Budget, including the Successor Agency Administration Budget for the period of July 1, 2018, to June 30, 2019; and

WHEREAS, the proposed Successor Agency Fiscal Year 2018-2019 Budget totals \$7,175,435 from all funding sources, including Bond Proceeds, Successor Agency Reserves, and Other Funds, of which \$250,000 is for Successor Agency Administration;

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER CITY OF EL CAJON REDEVELOPMENT AGENCY, AS FOLLOWS:

- A. The Oversight Board finds that:
 - 1. The recitals above are true and correct and are incorporated herein by this reference.
 - 2. Approval of the Successor Agency Budget and the Successor Agency Administrative Budget is exempt from the California Environmental Quality Act (CEQA) under section 15061(b)(3) (General Rule) of the CEQA Guidelines because approval of the proposed budgets is not a project that has the potential for causing a significant effect on the environment.
- B. The Oversight Board hereby APPROVES the Fiscal Year 2018-2019 Successor Agency Budget of \$7,175,435 from all funding sources, including Bond Proceeds, Successor Agency Reserves, and Other Funds, including the Successor Agency Administration Budget for Fiscal Year 2018-2019 of \$250,000 to be paid from proceeds from the Redevelopment Property Tax Trust Fund ("RPTTF").
- C. The Oversight Board hereby AUTHORIZES the Chair to submit the approved Successor Agency Budget for the period of July 1, 2018, to June 30, 2019 to the County Auditor Controller, the State Department of Finance, the County Administrative Officer, the State Controller's Office, and to post the budget on the Successor Agency's website.

- D. The Oversight Board hereby AUTHORIZES Successor Agency staff to carry out activities outlined in the Cooperation Agreement for Reimbursement of Costs and City/Successor Agency Operations Loan approved by the Oversight Board on April 26, 2012, which are necessary to meet obligations outlined in the ROPS, including re-entering into third party service agreements for continuation of projects pursuant to City of El Cajon adopted policies, procedures and practices.

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PASSED AND ADOPTED by the Oversight Board of the Successor Agency of the former El Cajon Redevelopment Agency at a regularly-scheduled meeting held this 17th day of January, 2018, by the following vote to wit:

AYES:
NOES :
ABSENT:

Debra Turner-Emerson, Chairperson

ATTEST:

Anthony Shute, Oversight Board Secretary

**SUCCESSOR AGENCY TO THE EL CAJON REDEVELOPMENT AGENCY
PROPOSED BUDGET
FISCAL YEAR 2018-19**

Activity/Project	July-Dec 2018	Jan-Jun 2019	Total Fiscal Year 2018-19
<u>Bond Proceeds</u>			
HA1501 Housing Authority Development & Revitalization Projects	\$ 705,000	\$ -	\$ 705,000
RD1504S El Cajon Performing Arts Center Improvements	897,000	-	897,000
	\$ 1,602,000	\$ -	\$ 1,602,000
<u>Other Funds</u>			
RD0704S Hazardous Materials Testing-Park & Ballantyne	\$ 50,000	\$ 50,000	\$ 100,000
RD0705S Hazardous Materials Testing-Prescott Promenade	\$ 5,000	\$ 5,000	\$ 10,000
0490000 Successor Agency Debt Service	-	4,000	4,000
	\$ 55,000	\$ 59,000	\$ 114,000
<u>Reserve Funds</u>			
0490000 Successor Agency Debt Service	\$ 519,395	\$ 7,000	\$ 526,395
<u>RPTTF - Non Administrative</u>			
0490000 Successor Agency Debt Service	\$ 3,232,218	\$ 1,450,822	\$ 4,683,040
<u>RPTTF - Administrative</u>			
0590110 Successor Agency Administration	\$ 125,000	\$ 125,000	\$ 250,000
Total Fiscal Year 2018-19 Budget	\$ 5,533,613	\$ 1,641,822	\$ 7,175,435

SUCCESSOR AGENCY FUNDS FISCAL YEAR 2018-19

ACTIVITY: Successor Agency Debt Service

ACTIVITY NO: 0490000

The Successor Agency is responsible for making the required principal and interest payments on the outstanding tax allocation bonds of the former redevelopment agency. The Successor Agency receives property taxes from the Redevelopment Property Tax Trust Fund to make debt service payments on the 2000, 2005, and 2007 tax allocation bonds. The Successor Agency also ensures compliance with the bond covenants by performing annual financial audits, filing continuing disclosure reports, and maintaining the reserve requirements with the fiscal agent.

The Fiscal Year 2018-19 budget for the Successor Agency Debt Service includes funding of the principal and interest payments on the bonds and costs of services related to the debt issues.

	ROPS Line No.	Prior Years Actual	2017-18 Estimated	2018-19 July- December Proposed	2018-19 January - June Proposed	2018-19 Total Proposed
Debt Service:						
2000 Bonds - Principal	1	210,000	55,000	55,000	-	55,000
2000 Bonds - Interest	1	6,702,623	1,206,965	602,438	600,348	1,202,785
2005 Bonds - Principal	2	5,435,000	1,225,000	1,285,000	-	1,285,000
2005 Bonds - Interest	2	7,853,615	1,272,693	622,565	596,865	1,219,430
2007 Bonds - Principal	3	1,720,000	390,000	405,000	-	405,000
2007 Bonds - Interest	3	3,200,210	532,719	262,216	253,610	515,825
2005 & 2007 Bonds Refinance	3	-	(571,000)	505,395		505,395
Professional/Technical Services:						
Trustee Fees & Administration	4	37,482	9,000	6,000	3,000	9,000
Other Professional/Technical	4	4,450	2,000	3,000	3,000	6,000
Accounting & Audit	5	40,290	8,000	5,000	5,000	10,000
TOTAL DEBT SERVICE		25,203,669	4,130,377	3,751,613	1,461,822	5,213,435
Sources of Funds:						
Reserve Balance		-	-	519,395	7,000	526,395
Other Funds		3,837	-	-	4,000	4,000
Redevelopment Property Tax Trust Funds (RPTTF)		25,199,832	4,130,377	3,232,218	1,450,822	4,683,040
TOTAL FUNDING		25,203,669	4,130,377	3,751,613	1,461,822	5,213,435

SUCCESSOR AGENCY FUNDS FISCAL YEAR 2018-19

ACTIVITY: Successor Agency Administration

ACTIVITY NO: 0590110

The City of El Cajon Successor Agency performs administrative activities to wind down the affairs of the former El Cajon Redevelopment Agency ("Agency"). These activities include monitoring and making payments on the enforceable obligations of the former Agency, disposing of the former Agency's properties and other assets, preparing and submitting financial reports to comply with the requirements of the State, County, and other agencies/parties, and providing administrative support to the Oversight Board.

The Successor Agency has arranged with the City of El Cajon to provide staff services and supplies/materials to administer the responsibilities of the Successor Agency. Outside legal, financial, and other professional/technical consultants will be utilized for special services and/or expertise necessary for the wind down of the former Agency.

The Fiscal Year 2018-19 budget for the Successor Agency administrative costs and the sources of payments for the administrative costs are identified in the table below. Actual costs for each administrative category may be higher or lower than the amounts shown, not to exceed the aggregate total administrative cost allowance for the fiscal year of \$250,000 or up to three percent of the property tax allocation, which ever is greater.

	ROPS Line No.	Prior Years Actual	2017-18 Estimated	2018-19 July- December Proposed	2018-19 January - June Proposed	2018-19 Total Proposed
Administration City Staff:						
Personnel	8	780,530	100,000	75,000	75,000	150,000
Professional/Technical Services:						
Legal	8	53,389	20,000	15,000	15,000	30,000
Finance, Accounting & Audit	8	12,025	50,000	5,500	5,500	11,000
Records Management	8	2,159	400	500	500	1,000
Other Professional/Technical	8	4,344	75,000	25,000	25,000	50,000
Supplies, Materials, Miscellaneous:						
Office Supplies	8	1,407	1,000	500	500	1,000
Postage & Shipping	8	100	100	-	-	-
Public Notices	8	575	1,000	500	500	1,000
Trainings/Meetings	8	740	500	500	500	1,000
Miscellaneous Supplies/Services	8	-	2,000	2,500	2,500	5,000
TOTAL ADMINISTRATION		855,269	250,000	125,000	125,000	250,000
Sources of Funds:						
Other Funds		25,537	-	-	-	-
Redevelopment Property Tax Trust Funds (RPTTF)		829,732	250,000	125,000	125,000	250,000
TOTAL FUNDING		855,269	250,000	125,000	125,000	250,000

**SUCCESSOR AGENCY
FISCAL YEAR 2018-19**

ACTIVITY: Successor Agency - Capital Projects
PROJECT: Hazardous Materials Testing - Prescott Promenade

ACTIVITY 0590900
PROJECT NO: RD0705S

This project provides for environmental remediation of a former Brownfields Site with a leaking underground storage tank from a former gasoline station. The former El Cajon Redevelopment Agency ("Agency") purchased and developed the property to a public park. The Agency entered into a Settlement Agreement with the former owners, Texaco, Shell Oil, and Unocal, for shared responsibility of the hazardous waste cleanup efforts. The Agency is responsible for 20% of all future cleanup costs. Ongoing monitoring will occur at the site until four consecutive quarters of testing result to minimal findings that comply with the San Diego County Department of Environmental Health's requirements for closure status.

Fiscal Year 2018-19 budget for this Successor Agency project provides funding for environmental remediation and legal costs associated with the Settlement Agreement.

	ROPS Line No.	Prior Years Actual	2017-18 Estimated	2018-19 July- December Proposed	2018-19 January - June Proposed	2018-19 Total Proposed
Project Management City Staff :						
Personnel	67	1,534	-	-	-	-
Remediation :						
Legal	12	31	-	-	-	-
Settlement Agreement (20%)	12	-	-	5,000	5,000	10,000
TOTAL PROJECT		1,565	-	5,000	5,000	10,000
Source(s) of Funds:						
Other Funds		-	-	5,000	5,000	10,000
Redevelopment Property Tax Trust Funds (RPTTF)		1,565	-	-	-	-
TOTAL FUNDING		1,565	-	5,000	5,000	10,000

**SUCCESSOR AGENCY
FISCAL YEAR 2018-19**

ACTIVITY: **Successor Agency- 2005 and 2007 Bond Projects** **ACTIVITY NO:** **0295900
0597900**

With the dissolution of redevelopment agencies on February 1, 2012, the Successor Agency has been tasked with managing the proceeds from the 2005 and 2007 Tax Allocation Bonds and identifying potential projects consistent with the bond covenants. The Fiscal Year 2018-19 budget for these activities include funding for the Cornerstone Place Housing Project and the East County Performing Arts Center (ECPAC) Capital Improvement Project as summarized in the table below.

	City Project No.	ROPS Line No.	2017-18 Estimated	2018-19 Proposed Budget
Project Contribution:				
Housing Authority Development & Revitalization Projects - Cornerstone Place at 230 S. Sunshine Ave	HA1501	92	-	705,000
East County Performing Arts Center (ECPAC) Improvements (RD1504S)	IFM3471	98	-	897,000
TOTAL PROJECT			-	705,000
Source of Funds:				
2005 Tax Allocation Bonds			-	705,000
2007 Tax Allocation Bonds			-	895,000
TOTAL FUNDING			-	705,000

AGENDA REPORT
CITY OF EL CAJON SUCCESSOR AGENCY OVERSIGHT BOARD
January 17, 2018 Meeting

SUBJECT: APPROVAL OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE (“ROPS 18-19”) FOR THE PERIOD JULY 1, 2018 TO JUNE 30, 2019

RECOMMENDED ACTION: That the Oversight Board adopts the proposed Resolution OB-02-18 to:

1. Approve the ROPS 18-19 for the period July 1, 2018 to June 30, 2019;
2. Authorize the Chair to execute the approved ROPS 18-19 for submission to the California Department of Finance (“DOF”), San Diego County Auditor Controller (“CAC”) and to post the ROPS 18-19 on the Successor Agency website no later than February 1, 2018; and
3. Authorize the Successor Agency staff to carry out activities outlined in the Cooperation Agreement for Reimbursement of Costs and City/Successor Agency Loan (Cooperation Agreement), approved by the Oversight Board on April 26, 2012, which are necessary to meet approved obligations outlined in the ROPS 18-19, including re-entering into third party service agreements pursuant to City of El Cajon adopted policies, procedures and practices, for continuation of projects.

BACKGROUND

Pursuant to Health and Safety Code section 34177, subdivision (o)(1), commencing with the Recognized Obligation Payment Schedule (“ROPS”), the Successor Agency is required to submit an Oversight Board approved ROPS to the DOF and CAC by February 1st of each year.

The proposed ROPS 18-19 for the period of July 1, 2018 through June 30, 2019 (“ROPS 18-19”) is attached and must be approved by the Oversight Board for submission to the DOF and CAC. The DOF will complete its review no later than April 13, 2018 and make a determination as to whether the items are allowable. Any modifications by the DOF following its review and initial determination will be subject to a meet and confer process.

The ROPS 18-19 was prepared using the format provided by the DOF and includes the following four (4) schedules:

- **Summary Form** - provides a summary of the current ROPS period funding request totals by funding source. The funding sources include Bond Proceeds, Reserve Balances, Other Funds (include rents, grants, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency), and Redevelopment Property Tax Trust Fund (“RPTTF”).
- **ROPS Detail** - lists the Agency’s outstanding obligations, debts, and payments scheduled by funding source.
- **Report of Cash Balances** - presents the changes in cash balances of the funding sources available to the Successor Agency.

- **Notes** - provides additional information for the current ROPS period's items.

Enforceable obligations, activities, and projects identified in the ROPS 18-19 are further detailed in the Successor Agency Fiscal Year 2018-19 Budget, which is a companion item on today's Oversight Board agenda.

Finally, in conducting its ongoing business in winding down the affairs of the former El Cajon Redevelopment Agency, the Successor Agency will utilize the policies, procedures and practices of the City of El Cajon unless or until the Oversight Board establishes different procedures in the future.

FISCAL IMPACT

This action will approve the Recognized Obligation Payment Schedule for the period of July 1, 2018, through June 30, 2019. The total funding requested by the Successor Agency for these enforceable obligations is \$7,175,435.

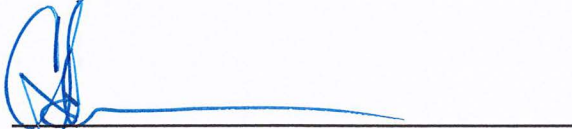
ATTACHMENTS

1. Proposed Resolution OB-02-18
2. Proposed Recognized Obligation Payment Schedule for the period July 1, 2018 to June 30, 2019 (ROPS 18-19)

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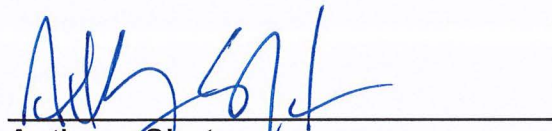
Oversight Board Agenda Report
Approval of Recognized Obligation Payment Schedule
("ROPS 18-19") for the period of July 1, 2018 to June 30, 2019
January 18, 2017 Agenda

Prepared by:



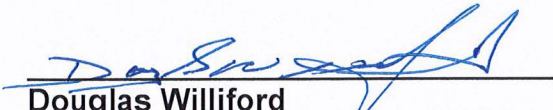
Clay Schoen
Director of Finance

Reviewed by:



Anthony Shute
Secretary / Director of Community Development

Approved by:



Douglas Williford
Executive Director/City Manager

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RESOLUTION NO. OB-02-18

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD JULY 1, 2018, TO JUNE 30, 2019

WHEREAS, the Oversight Board (the "Oversight Board") of the Successor Agency to the former El Cajon Redevelopment Agency (the "Successor Agency") held a regularly-scheduled meeting on January 17, 2018, at which time it considered a proposed Recognized Obligation Payment Schedule for the period of July 1, 2018, to June 30, 2019 ("ROPS 18-19"); and

WHEREAS, the Successor Agency requested funding under ROPS 18-19 totaling \$7,175,435 for fiscal year 2018-19 from all sources, including \$1,602,000 from Bond Proceeds, \$526,395 from Reserve Balance, \$114,000 from Other Funds, and \$4,933,040 from the Redevelopment Property Tax Trust Fund ("RPTTF").

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER CITY OF EL CAJON REDEVELOPMENT AGENCY, AS FOLLOWS:

- A. The Oversight Board finds that:
 - 1. The recitals above are true and correct and are incorporated herein by this reference.
 - 2. Approval of the ROPS 17-18 is exempt from the California Environmental Quality Act (CEQA) under section 15061(b)(3) (General Rule) of the CEQA Guidelines because approval of the proposed ROPS is not a project that has the potential for causing a significant effect on the environment.
- B. The Oversight Board hereby APPROVES the Recognized Obligation Payment Schedule for the period of July 1, 2018, to June 30, 2019, in the form and content attached hereto as **Exhibit "A"** and incorporated herein by this reference, with a total due during Fiscal Year 2018-2019 of \$7,175,435, including \$1,602,000 from Bond Proceeds, \$526,395 from Reserve Balance, \$114,000 from Other Funds, and \$4,933,040 from RPTTF, subject to any minor conforming, technical, or clarifying changes approved by the City Manager, acting in his capacity as the Chief Executive Officer for the Successor Agency, or such person designated by the City Manager.

- C. The Oversight Board hereby AUTHORIZES the Chair to execute the approved Recognized Obligation Payment Schedule for the period of July 1, 2018 to June 30, 2019, for submission to the County Auditor Controller, State Department of Finance, and to post the ROPS 18-19 on the Successor Agency's website not later than February 1, 2018.

- D. The Oversight Board hereby AUTHORIZES Successor Agency staff to carry out activities outlined in the Cooperation Agreement for Reimbursement of Costs and City/Successor Agency Operations Loan, approved by the Oversight Board on April 26, 2012, which are necessary to meet obligations outlined in the ROPS 18-19 including re-entering into third party service agreements pursuant to City of El Cajon adopted policies, procedures, and practices, for continuation of projects.

[The remainder of this page intentionally left blank.]

PASSED AND ADOPTED by the Oversight Board of the Successor Agency to the former El Cajon Redevelopment Agency at a regularly-scheduled meeting held this 17th day of January, 2018, by the following vote to wit:

AYES:
NOES:
ABSENT:

Debra Turner-Emerson, Chairperson

ATTEST:

Anthony Shute, Oversight Board Secretary

Recognized Obligation Payment Schedule (ROPS 18-19) - Summary

Filed for the July 1, 2018 through June 30, 2019 Period

Successor Agency: El Cajon
 County: San Diego

Current Period Requested Funding for Enforceable Obligations (ROPS Detail)	18-19A Total (July - December)	18-19B Total (January - June)	ROPS 18-19 Total
A Enforceable Obligations Funded as Follows (B+C+D):	\$ 2,176,395	\$ 66,000	\$ 2,242,395
B Bond Proceeds	1,602,000	-	1,602,000
C Reserve Balance	519,395	7,000	526,395
D Other Funds	55,000	59,000	114,000
E Redevelopment Property Tax Trust Fund (RPTTF) (F+G):	\$ 3,357,218	\$ 1,575,822	\$ 4,933,040
F RPTTF	3,232,218	1,450,822	4,683,040
G Administrative RPTTF	125,000	125,000	250,000
H Current Period Enforceable Obligations (A+E):	\$ 5,533,613	\$ 1,641,822	\$ 7,175,435

Certification of Oversight Board Chairman:
 Pursuant to Section 34177 (o) of the Health and Safety code, I hereby
 certify that the above is a true and accurate Recognized Obligation
 Payment Schedule for the above named successor agency.

 Name Title
 /s/ _____
 Signature Date

EI Cajon Recognized Obligation Payment Schedule (ROPS 18-19) - ROPS Detail

July 1, 2018 through June 30, 2019

(Report Amounts in Whole Dollars)

A	B	C	D	E	F	G	H	I	J	K	18-19A (July - December)					18-19B (January - June)					W	
											Fund Sources					Fund Sources						
											L	M	N	O	P	Q	R	S	T	U		V
Item #	Project Name/Debt Obligation	Obligation Type	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Retired	ROPS 18-19 Total	Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	18-19A Total	Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	18-19B Total
1	EI Cajon Redevelopment Agency	Bonds Issued On or Before	8/25/2000	10/1/2030	Bank of New York	2000 Bonds - Refunding of bank notes	Central Business	\$ 95,917,248	N	\$ 7,175,435	\$ 1,602,000	\$ 519,395	\$ 55,000	\$ 3,232,218	\$ 125,000	\$ 5,533,613	\$ -	\$ 7,000	\$ 59,000	\$ 1,450,822	\$ 125,000	\$ 1,641,822
2	EI Cajon Redevelopment Agency Tax Allocation Refunding Bonds, Issue of 2005	Bonds Issued On or Before	8/17/2005	10/1/2036	Bank of New York	2005 Bonds - Refunding of 1997 issue & use of proceeds for housing and non-housing projects	Central Business District/Amended Area	28,053,208	N	\$ 1,257,785				657,438		\$ 657,438				600,347		\$ 600,347
3	EI Cajon Redevelopment Agency Tax Allocation Bonds, Issue of 2007	Bonds Issued On or Before	3/14/2007	10/1/2037	Bank of New York	2007 Bonds - Use of bond proceeds for non-housing projects	Central Business District/Amended Area	19,670,052	N	\$ 1,426,220		505,395		667,215		\$ 1,172,610				253,610		\$ 253,610
4	EI Cajon Redevelopment Agency Tax Allocation Bonds - Issues 2000, 2005, and 2007 (Parity Bonds)	Fees	8/25/2000	10/1/2037	Bank of New York, Bond Logistix, Bond Counsels, County of San Diego	Fiscal agent and trustee administration, arbitrage calculation, and bond counsel services	Central Business District/Amended Area	15,000	N	\$ 15,000		9,000				\$ 9,000		6,000				\$ 6,000
5	EI Cajon Redevelopment Agency Tax Allocation Bonds - Issues 2000, 2005, and 2007 (Parity Bonds)	Professional Services	8/25/2000	10/1/2037	RAMS,LLP CPA (current auditors)	Financial auditing services to file an annual audited financial statements with the format required by the bond indentures continuing disclosure.	Central Business District/Amended Area	10,000	N	\$ 10,000		5,000				\$ 5,000		1,000	4,000			\$ 5,000
8	Successor Agency Administration	Admin Costs	6/29/2011	10/1/2037	City of EI Cajon - Successor Agency Various vendors	Staff costs, legal services, supplies/equipment, records services, and meetings. Contingency costs related to disposition of properties.	Central Business District/Amended Area	250,000	N	\$ 250,000					125,000	\$ 125,000					125,000	\$ 125,000
11	RD0704S - Hazmat Testing Park/Ballantyne	Remediation	9/21/2012	10/1/2037	Priest Development (RPTTF) SCS Engineers (Grant) County of San Diego DEH, Legal services (McDougal Love Eckis Boehmer & Foley)	Professional/technical services and County reimbursement/fees for ongoing environmental testing at Park Magnolia Villas, former Brownfields site, required by the County DEH, pursuant to the Reimbursement & Indemnity Agreement between the developer and former RDA	Central Business District/Amended Area	100,000	N	\$ 100,000			50,000			\$ 50,000			50,000			\$ 50,000
12	RD0705S - Hazmat Testing Prescott Promenade	Remediation	10/4/1995	10/1/2037	Phyllis Chrisman Trust Fund c/o Mark Feinberg, Attorney, Legal services (McDougal Love Eckis Boehmer & Foley)	Professional/technical services for ongoing environmental testing at the Prescott Promenade, former Brownfields site, required under the Settlement Agreement between Chrisman, Texaco, Shell, Unocal and the former RDA	Central Business District/Amended Area	10,000	N	\$ 10,000			5,000			\$ 5,000			5,000			\$ 5,000
13	RD0706S - Southwest Corner Environmental Testing	Remediation	8/6/2012	10/1/2037	County of San Diego - DEH Legal services (McDougal Love Eckis Boehmer & Foley)	Professional/technical services and County reimbursement/fees for ongoing environmental testing at the SW Corner, a former Brownfields site, as required by the County DEH, pursuant to the Reimbursement & Indemnity Agreement between the developer and former RDA.	Central Business District/Amended Area		N	\$ -						\$ -						\$ -
15	RD0801S - 100 Fletcher Parkway (Former Police Station)	Property Maintenance	6/16/2011	10/1/2037	SDGE, Helix Water, Ahlee, National Construction Rentals, City of EI Cajon, County of San Diego, various vendors	100 Fletcher Parkway - Landscaping, utilities, repairs/maintenance, property insurance & taxes, fencing costs for ongoing property maintenance to prevent blight conditions in the property and surrounding areas.	Central Business District/Amended Area		Y	\$ -						\$ -						\$ -
21	RDR0703S - Civic Center Complex Revitalization Project	Property Maintenance	6/23/2009	10/1/2037	SDGE, Helix Water, Ahlee, National Construction Rentals, City of EI Cajon, County of San Diego, Downtown EI Cajon Business Partners, various vendors	Civic Center Complex - Landscaping, utilities, repairs/maintenance, property insurance & taxes, fencing costs for ongoing maintenance to prevent blight conditions in the properties and surrounding areas.	Central Business District/Amended Area		Y	\$ -						\$ -						\$ -
64	RD0704S - Hazmat Testing Park/Ballantyne	Remediation	12/16/2003	10/1/2037	Property Owners at Park Magnolia Villas	Settlement/reimbursement due to property owners at Park Magnolia Villas, former Brownfields site, pursuant to the Reimbursement & Indemnity Agreement between the developer and former RDA.	Central Business District/Amended Area		N	\$ -						\$ -						\$ -
67	RD0705S - Hazmat Testing Prescott Promenade	Project Management Costs	10/4/1995	10/1/2037	City of EI Cajon	Project staff costs for ongoing environmental testing at the Prescott Promenade, former Brownfields site, required under the Settlement Agreement between Chrisman, Texaco, Shell, Unocal and the former RDA	Central Business District/Amended Area		Y	\$ -						\$ -						\$ -
70	RD0801S - 100 Fletcher Parkway (Former Police Station)	Legal	6/16/2011	10/1/2037	McDougal Love Eckis Boehmer & Foley	100 Fletcher Parkway - Legal services for property maintenance, hazardous materials testing/abatement and preparation of the real property for disposition.	Central Business District/Amended Area		Y	\$ -						\$ -						\$ -
71	RD0801S - 100 Fletcher Parkway (Former Police Station)	Project Management Costs	6/16/2011	10/1/2037	City of EI Cajon	100 Fletcher Parkway - Project staff costs for ongoing property maintenance, landscaping, hazardous materials testing, abatement, and preparation of the real property for disposition.	Central Business District/Amended Area		Y	\$ -						\$ -						\$ -
72	RD0801S - 100 Fletcher Parkway (Former Police Station)	Property Dispositions	7/1/2013	10/1/2037	Andrew A. Smith, Commercial Properties Group, Retail Insite, Legal services (McDougal Love Eckis Boehmer & Foley) various vendors.	100 Fletcher Parkway - Appraisal fees, broker fees, legal costs, public notices, and other costs associated with the disposition of the real property.	Central Business District/Amended Area		Y	\$ -						\$ -						\$ -

El Cajon Recognized Obligation Payment Schedule (ROPS 18-19) - ROPS Detail

July 1, 2018 through June 30, 2019

(Report Amounts in Whole Dollars)

A	B	C	D	E	F	G	H	I	J	K	18-19A (July - December)					Q	18-19B (January - June)					W	
											Fund Sources						Fund Sources						
											L	M	N	O	P		R	S	T	U	V		
											Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF		Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF		
Item #	Project Name/Debt Obligation	Obligation Type	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Retired	ROPS 18-19 Total						18-19A Total						18-19B Total	
86	RDR0703S - Civic Center Complex Revitalization Project	Legal	6/23/2009	10/1/2037	McDougal Love Eckis Boehmer & Foley	Civic Center Complex - Legal services for maintenance issues, hazardous materials testing/abatement, and preparation of the properties for disposition.	Central Business District/Amended Area		Y	\$ -						\$ -							\$ -
87	RDR0703S - Civic Center Complex Revitalization Project	Project Management Costs	6/23/2009	10/1/2037	City of El Cajon	Civic Center Plaza - Project staff costs for ongoing property maintenance, landscaping, hazardous materials testing, abatement, and preparation of the real properties for disposition.	Central Business District/Amended Area		Y	\$ -						\$ -							\$ -
89	RDR0703S - Civic Center Complex Revitalization Project	Property Dispositions	7/1/2013	10/1/2037	Andrew A. Smith, Commercial Properties Group, Retail Insite, Legal services (McDougal Love Eckis Boehmer & Foley) and various vendors.	Civic Center Plaza - Appraisal fees, broker fees, legal, closing costs, public notices, and other costs associated with the disposition of the real property.	Central Business District/Amended Area		Y	\$ -						\$ -							\$ -
92	HA1501 - Housing Authority Development and Revitalization Activities	Improvement/Infrastructure	7/1/2014	10/1/2037	City of El Cajon	Production, replacement, and/or preservation of affordable housing units	Central Business District/Amended Area	705,000	N	\$ 705,000	705,000					\$ 705,000							\$ -
95	RD1503S - Ronald Reagan Community Center Renovation	Improvement/Infrastructure	7/1/2014	10/1/2037	City of El Cajon	Ronald Reagan Community Center Renovation	Central Business District/Amended Area		Y	\$ -						\$ -							\$ -
98	RD1504S - East Count Performing Arts Center Improvements	Improvement/Infrastructure	7/1/2015	10/1/2037	City of El Cajon	East County Performing Arts Center Improvements	Central Business District/Amended Area	897,000	N	\$ 897,000	897,000					\$ 897,000							\$ -
99									N	\$ -						\$ -							\$ -
100									N	\$ -						\$ -							\$ -

El Cajon Recognized Obligation Payment Schedule (ROPS 18-19) - Report of Cash Balances
July 1, 2015 through June 30, 2016
(Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. For tips on how to complete the Report of Cash Balances Form, see [Cash Balance Tips Sheet](#)

A	B	C	D	E	F	G	H	I
		Fund Sources						
		Bond Proceeds		Reserve Balance		Other	RPTTF	
	Cash Balance Information for ROPS 15-16 Actuals (07/01/15 - 06/30/16)	Bonds issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS period balances and DDR RPTTF balances retained	Prior ROPS RPTTF distributed as reserve for future period(s)	Rent, grants, interest, etc.	Non-Admin and Admin	Comments
1	Beginning Available Cash Balance (Actual 07/01/15)	6,373,740		24,043	765,000	124,586	312,470	
2	Revenue/Income (Actual 06/30/16) RPTTF amounts should tie to the ROPS 15-16 total distribution from the County Auditor-Controller during June 2015 and January 2016.	3,474,952				27,045	6,545,859	
3	Expenditures for ROPS 15-16 Enforceable Obligations (Actual 06/30/16)	2,269,487		2,955	765,000	40,066	6,568,032	
4	Retention of Available Cash Balance (Actual 06/30/16) RPTTF amount retained should only include the amounts distributed as reserve for future period(s)							
5	ROPS 15-16 RPTTF Balances Remaining	No entry required						
6	Ending Actual Available Cash Balance (06/30/16) C to G = (1 + 2 - 3 - 4), H = (1 + 2 - 3 - 4 + 5)	\$ 7,579,205	\$ -	\$ 21,088	\$ -	\$ 111,565	\$ 290,297	



CITY OF EL CAJON SUCCESSOR AGENCY

MEMORANDUM

DATE: January 17, 2018

TO: Oversight Board Members

FROM: Clay Schoen, Director of Finance

SUBJECT: Basic Financial Statements and Independent Auditor's Report for the Fiscal Year Ended June 30, 2017 and Written Communication Between Auditor and Client

The Basic Financial Statements are prepared annually to present the Successor Agency's financial condition and fiscal year end results of the Agency's activities and to comply with the bonds' continuing disclosure requirement to file an Annual Report that included audited financial statements. The financial statements have been audited by the firm of Rogers, Anderson, Malody & Scott, LLP, whose Independent Auditor's Report states that, in their opinion, the financial statements are presented fairly in all material respects and are in conformance with GAAP.

The Statement on Auditing Standards 114 (SAS114) require communication between the auditor and client in relation to the audit of financial statements. SAS 114 identifies certain information that must be provided such as qualitative aspects of accounting practices, management representation, and other audit findings or issues, among others. This information is communicated to the Oversight Board in the attached auditor's letter dated December 19, 2017.

A handwritten signature in blue ink, appearing to be "Clay Schoen", is written over a horizontal line.

Clay Schoen
Director of Finance

Successor Agency to the El Cajon Redevelopment Agency

**Basic Financial Statements and
Independent Auditor's Report**

For the year ended June 30, 2017



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

**Successor Agency to the
El Cajon Redevelopment Agency
Basic Financial Statements
Table of Contents**

Independent Auditor's Report	1
Statement of Fiduciary Net Position	3
Statement of Changes in Fiduciary Net Position	4
Notes to the Basic Financial Statements	5



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To the Oversight Board
Successor Agency to the El Cajon Redevelopment Agency
El Cajon, California

INDEPENDENT AUDITOR'S REPORT

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Nathan Statham, CPA, MBA
Gardenya Duran, CPA
Brianna Schultz, CPA
Lisa Dongxue Guo, CPA, MSA

We have audited the accompanying financial statements of the Successor Agency to the El Cajon Redevelopment Agency (the Successor Agency), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Successor Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Successor Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MEMBERS

American Institute of
Certified Public Accountants

PCPS The AICPA Alliance
for CPA Firms

Governmental Audit
Quality Center

California Society of
Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Successor Agency to the El Cajon Redevelopment Agency, as of June 30, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior year Comparative Information

We have previously audited the Successor Agency's 2016 financial statements, and we expressed an unmodified opinion in our report dated December 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required supplementary information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
December 19, 2017

**Successor Agency to the
El Cajon Redevelopment Agency
Statement of Fiduciary Net Position
June 30, 2017
(with comparative data for prior year)**

	2017	2016
ASSETS		
Cash and investments	\$ 4,259,732	\$ 2,075,654
Cash and investments with fiscal agent	2,992,499	6,055,273
Receivables:		
Interest	9,696	7,085
Loans	2,145,462	2,550,000
Prepaid bond insurance	122,478	128,602
Assets held for resale	5,503,599	5,503,599
Total assets	15,033,466	16,320,213
LIABILITIES		
Accounts payable and accrued liabilities	55,201	24,359
Interest payable	750,078	767,544
Current portion of long-term debt	1,670,000	1,827,853
Long-term debt	55,133,999	56,759,472
Total liabilities	57,609,278	59,379,228
NET DEFICIT		
Held in trust for other purposes	\$ (42,575,812)	\$ (43,059,015)

The accompanying notes are an integral part of these financial statements.

**Successor Agency to the
El Cajon Redevelopment Agency
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2017
(with comparative data for prior year)**

	<u>2017</u>	<u>2016</u>
ADDITIONS		
Property taxes	\$ 5,081,316	\$ 5,450,780
Intergovernmental	266,185	22,689
Investment earnings	25,350	29,047
Loss from assets held for resale	-	(1,248,672)
	<u>5,372,851</u>	<u>4,253,844</u>
DEDUCTIONS		
Administrative expenses	56,790	75,089
Program/project expenses	1,714,143	2,342,166
Payments to affected taxing entities	-	1,639,947
Interest and fiscal agency expenses	<u>3,118,715</u>	<u>3,196,391</u>
	<u>4,889,648</u>	<u>7,253,593</u>
Change in net position	483,203	(2,999,749)
Net deficit, beginning of the fiscal year	<u>(43,059,015)</u>	<u>(40,059,266)</u>
Net deficit, ending of the fiscal year	<u>\$ (42,575,812)</u>	<u>\$ (43,059,015)</u>

The accompanying notes are an integral part of these financial statements.

**Successor Agency to the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2017**

Note A: Organization and Summary of Significant Accounting Policies

The basic financial statements of the Successor Agency to the El Cajon Redevelopment Agency (the Successor Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Successor Agency's accounting policies are described below.

1. Reporting entity

On January 10, 2012, the City of El Cajon elected to be the successor agency to the former El Cajon Redevelopment Agency (the Agency.) Upon the dissolution of California redevelopment agencies on February 1, 2012, the Successor Agency is tasked with the responsibility of winding down the dissolved redevelopment agency's affairs, continuing to meet the former agency's enforceable obligations, overseeing completion of redevelopment projects, and disposing of the assets and properties of the former redevelopment agency; all as directed and approved by the Oversight Board. Oversight Board members have a fiduciary responsibility to holders of enforceable obligations, as well as to the local agencies that would benefit from property tax distributions from the former redevelopment project area. The Oversight Board of the Successor Agency is comprised of seven members appointed by the:

- County Board of Supervisors (two members)
- Mayor of the City of El Cajon (one member)
- County Superintendent of Education (one member)
- Chancellor of California Community Colleges (one member)
- Largest special district taxing entity (one member); and
- Mayor of City of El Cajon representing the employees of the former redevelopment agency (one member).

City of El Cajon employees perform the necessary day-to-day activities of the Successor Agency to bring existing projects to completion, collect information and perform analysis regarding disposal of agency assets, and provide administrative support to the Oversight Board.

The Successor Agency's assets and activities are accounted for in a fiduciary fund (private-purpose trust fund), since the Successor Agency is not a component unit of the City of El Cajon's financial reporting entity.

**Successor Agency to the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2017**

Note A: Organization and Summary of Significant Accounting (continued)

2. Basis of accounting and measurement focus

The Successor Agency serves as the custodian of the assets for the dissolved redevelopment agency. Based on the nature of this custodial role, the assets and liabilities of the dissolved redevelopment agency are reported as fiduciary fund (private-purpose trust fund.) The private-purpose trust fund financial statements consist of a Statement of Fiduciary Net Position ("balance sheet") and a Statement of Changes in Fiduciary Net Position ("income statement").

Private-purpose trust funds are accounted for using the "economic resources" measurement focus and accrual basis of accounting. Accordingly, all of the Successor Agency's assets and liabilities (both current and noncurrent) are included in the Statement of Fiduciary Net Position. The Statement of Changes in Fiduciary Net Position presents additions to (revenues) and deductions from (expenses) the total net position. Expenses are recorded in the period in which the liability is incurred while revenues are recognized in the period in which they are earned. Property tax revenues are recognized in the fiscal year for which they are levied.

3. Property Tax

The Successor Agency's primary source of funding is property taxes allocated by the San Diego County-Auditor's Office (CAC) from the Redevelopment Property Tax Trust Fund (RPTTF). The allocation of property taxes is related to the repayment of the former redevelopment agency's enforceable obligations. The Successor Agency prepares a Recognized Obligations Payment Schedule (ROPS) estimating the RPTTF funds required to pay its obligations for each six-month period (January-June and July-December.) The ROPS is subject to review and approval of the Oversight Board, CAC, and State Department of Finance (DOF).

The Successor Agency receives allocation of property taxes for its approved ROPS items after payments of the County's administrative costs and pass-through payments to affected taxing entities. In addition to the ROPS payments, the Successor Agency is allocated annually an administrative allowance equal to 3% of the approved RPTTF funding or the minimum amount of \$250,000, whichever is greater.

The County of San Diego (County) assesses, bills, and collects property taxes on behalf of numerous special districts and incorporated cities. The County distributes property taxes collected and deposited in the RPTTF to the successor agencies and the residual balances to other taxing entities in January and June of each year.

The Successor Agency has no power to levy and collect taxes, and any legislative property tax reduction might decrease the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds and other obligations. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions, would increase the amount of tax revenues that would be available to pay enforceable obligations.

**Successor Agency to the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2017**

Note A: Organization and Summary of Significant Accounting Policies (continued)

4. Annual Budget

Prior to the beginning of the fiscal year, the Oversight Board of the Successor Agency adopts an annual budget for the conduct of necessary activities, including administration, of the former redevelopment agency. Supplemental appropriations required during the period may also be approved by the Board.

5. Cash and investments

The cash and investments held by the Successor Agency are pooled in the City's cash and investments, except for cash held by the fiscal agents and funds invested in a Successor Agency Local Agency Investment Fund (LAIF) account. The Successor Agency's share in this pool is displayed in the accompanying basic financial statements as *cash and investments*. Based on monthly average cash and investment balances, investment income earned by the pooled investments is allocated quarterly to the various City funds, City component units and for certain agencies, including the Successor Agency.

The Successor Agency participates in LAIF, an investment pool managed by the State of California. Investments are reported at fair value and changes in fair value that occur during a fiscal year are reported as *investment earnings* for that fiscal year. *Investment earnings* include interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

6. Assets held for resale

Assets held for resale, consisting of real property and equipment, are recorded at the lower of acquisition cost or estimated resale value.

7. Liabilities

Liabilities reflect the Successor Agency's financial obligations as of June 30, including the repayment of tax allocation bonds issued by the former redevelopment agency. Bond issuance and discount costs are deferred and amortized over the life of the bonds using the straight-line method. Long-term debt is reported net of bond discount.

**Successor Agency to the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2017**

Note A: Organization and Summary of Significant Accounting Policies (continued)

8. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the related reported amounts of revenue and expenses during the reporting period. Actual results could differ from estimates. Management believes that the estimates are reasonable.

9. Governmental Accounting Standards Board (GASB) Pronouncements

During the fiscal year ended June 30, 2017, the Successor Agency implemented GASB Statement No. 77 – *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose essential information about the agreements. The statement also requires governments that obligate funding to tax-abated economic development projects to disclose such financial obligations and commitments.

Note B: Cash and Investments

Cash and investments, as of June 30, 2017, are classified in the accompanying financial statements as follows:

Statement of Fiduciary Net Position:	
Cash and investments	\$ 4,259,732
Restricted cash and investments with fiscal agent	<u>2,992,499</u>
Total cash and investments	<u><u>\$ 7,252,231</u></u>

Cash and investments, as of June 30, 2017, consist of the following:

Cash on hand and deposits in City pool	\$ 3,368,545
Investments	<u>3,883,686</u>
Total cash and investments	<u><u>\$ 7,252,231</u></u>

**Successor Agency to the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2017**

Note B: Cash and Investments (continued)

Equity in the cash and investment pool of the City of El Cajon

The Successor Agency participates in the cash and investment pool managed by the City of El Cajon. The pool is governed by and under the regulatory oversight of the investment policy adopted by the City Council. The Successor Agency did not adopt an investment policy separate from that of the City of El Cajon. The cash and investment pool, other than debt proceeds held in restricted accounts, may be invested in any instrument authorized by the California Government Code Section 53601 and by the City's investment policy. The list of investment types authorized for the City is provided in the cash and investment notes to the basic financial statements of the City.

The Successor Agency's cash and investment pooled in the City's cash and investment is reported in the accompanying financial statements at fair value amounts based upon the Successor Agency's pro-rata share of the fair value calculated for the entire City portfolio.

Investments authorized by debt agreements

Investment of debt proceeds with fiscal agents is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The following table identifies the investment types that are authorized for investments with fiscal agents. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
General Obligations of States	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Pre-Refunded Municipal Obligations	None	None	None
Local Agency Investment Fund (LAIF)*	N/A	None	\$65,000,000

*LAIF policy permits up to \$65,000,000 per entity.

**Successor Agency to the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2017**

Note B: Cash and Investments (continued)

Investment in State investment pool

The Successor Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the investment in this pool is stated at amounts based upon the Successor Agency's pro-rata share of fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio.) The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The maximum investment in LAIF is \$65,000,000.

Risk Disclosures

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. Exposure to interest rate risk is minimized by purchasing a combination of shorter term and longer term investments and by timing the cash flows from maturities so that a portion of the portfolio is maturing and or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

The Successor Agency's exposure to interest rate risk as a result of its equity in the cash and investment pool of the City is provided by disclosures in the notes to the basic financial statements of the City that show the distribution of the City's investments by maturity.

The sensitivity of the Successor Agency's investments to market interest rate fluctuations is minimized with the following investments maturing at 12 months or less:

Investment Type	Maturity at 12 Months Or Less
State Investment Pool	\$ 891,187
Held by fiscal agent:	
Invesco Treasury	2,156,135
State Investment Pool	836,364
Total	\$ 3,883,686

**Successor Agency to the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2017**

Note B: Cash and Investments (continued)

Risk Disclosures (continued)

Credit Risk – This is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table is the minimum rating required by (where applicable) the California Government Code, the Successor Agency’s investment policy or debt agreements, and the actual rating as of June 30, 2017, for each investment type.

Investment Type	Amount	Minimum Legal Rating	Ratings at June 30, 2017	
			AAA	Not Rated
State Investment Pool	\$ 891,187	N/A	\$ -	\$ 891,187
Held by fiscal agent:				
Invesco Treasury	2,156,135	AAA	2,156,135	-
State Investment Pool	836,364	N/A	-	836,364
Total	\$ 3,883,686		\$ 2,156,135	\$ 1,727,551

Custodial Credit Risk – The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or collateral securities that are held by an outside party. As of June 30, 2017, none of the Successor Agency’s deposits pooled with the City’s deposits was held in uncollateralized accounts. The Successor Agency does not have significant separate certificates of deposit or demand accounts held by the fiscal agent that are subject to custodial credit risk disclosure.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Successor Agency does not have direct investments in securities subject to custodial credit disclosure. For the investments held by the fiscal agent, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Fair value of measurement under GASB 72 – The Agency’s investments are classified as follows:

- Local Agency Investment Fund in the amount of \$1,727,551 is not subject to GASB 72 hierarchy. In addition, the Successor Agency’s share of the pooled investments held by the City are not subject to the disclosure requirements of GASB 72 within these financial statements.
- The Invesco Treasury investments are valued using net asset value (NAV).

**Successor Agency to the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2017**

Note B: Cash and Investments (continued)

Risk Disclosures (continued)

Concentration of Credit Risk – The investment policy contains any limitations on the amounts that can be invested in any one issuer beyond that stipulated by the California Government Code. The Successor Agency did not have any investments in any one issuer (other than US treasury securities, mutual funds and external investment pools) that represent 5% or more of total Agency investments.

Note C: Loans Receivable

The Successor Agency is tasked with monitoring the loan agreements entered into by the former El Cajon Redevelopment Agency for financing construction and tenant improvements of businesses in the project area. As of June 30, 2017, the Successor Agency had the following loans receivables:

	Balance at June 30, 2017
<i>JKC Palm Springs Automotive, Inc.</i>	
In March 2011, the former Agency entered into an Owner Participation Agreement with JKC Palm Springs Automotive, Inc. (Developer) to rehabilitate the real property, buildings, and facilities operated as the Team KIA El Cajon motorcar dealership (Site). The Successor Agency loaned the Developer \$650,000 for the Site improvements. The loan was secured by a Deed of Trust with interest accruing annually at 3% starting November 2015. The Successor Agency shall forgive accrued interest first, then principal, in an amount equal to the Site taxes generated each year. The Developer must pay any balance of outstanding principal and accrued interest to the Successor Agency by November 2022. During the fiscal year, the Successor Agency forgave \$19,500 of accrued interest and \$409,228 of principal. The balance outstanding includes principal and accrued interest of \$240,772 and \$4,690 respectively, at June 30, 2017.	\$ 245,462
<i>Inland Properties (US) Inc.</i>	
In April 2011, the former Agency authorized the sale of the 440 and 542 N. Johnson Avenue property (Site) to Inland Properties (US) Inc. (Developer) for \$2,500,000. The Developer made a down payment of \$600,000 and a promissory note was executed for the remaining \$1,900,000. The note was secured by a Deed of Trust. Repayment begins on July 2019 for a period of ten years, with interest accruing annually at a rate of 3.25% on the outstanding principal loan balance. The Agency shall forgive accrued interest first, then principal, in an amount equal to the Site taxes generated each year. As of June 30, 2017, the outstanding principal was \$1,900,000.	\$ 1,900,000
Total	\$ 2,145,462

**Successor Agency to the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2017**

Note E: Long-Term Liabilities

The Successor Agency is required to make scheduled payments and perform obligations with respect to the long-term liabilities of the former El Cajon Redevelopment Agency. The following is a schedule of changes in long-term liabilities for the fiscal year ended June 30, 2017:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Bonds:					
2000 Tax allocation refunding bonds	\$ 15,760,000	\$ -	\$ 55,000	\$ 15,705,000	\$ 55,000
2005 Tax allocation refunding bonds	30,505,000	-	1,170,000	29,335,000	1,225,000
2007 Tax allocation bonds	<u>12,985,000</u>	<u>-</u>	<u>375,000</u>	<u>12,610,000</u>	<u>390,000</u>
Subtotal bonds	59,250,000	-	1,600,000	57,650,000	1,670,000
Less Unamortized discount	<u>(890,528)</u>	<u>-</u>	<u>(44,527)</u>	<u>(846,001)</u>	<u>-</u>
Total bonds	<u>58,359,472</u>	<u>-</u>	<u>1,555,473</u>	<u>56,803,999</u>	<u>1,670,000</u>
Due to the City of El Cajon	<u>227,853</u>	<u>-</u>	<u>227,853</u>	<u>-</u>	<u>-</u>
Total long-term debt	<u>\$ 58,587,325</u>	<u>\$ -</u>	<u>\$ 1,783,326</u>	<u>\$ 56,803,999</u>	<u>\$ 1,670,000</u>

**Successor Agency to the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2017**

Note E: Long-Term Liabilities (continued)

2000 Tax allocation refunding bonds

On August 15, 2000, the former Agency issued \$16,000,000 Taxable Tax Allocation Refunding Bonds, Issue of 2000, and (the Bonds) to refund the bank notes payable. The Bonds are being issued on a parity basis with the Successor Agency's Tax Allocation Refunding Bonds, Issue of 1997. The Bonds are term bonds maturing on October 1, 2020, and October 1, 2030, and are subject to mandatory redemption from minimum sinking account payments, in part by lot, by October 1, 2006, and October 1, 2021, respectively, and on each October 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. The Bonds are subject to optional redemption prior to maturity, in whole or in part, on any date. Interest is payable semi-annually on April 1 and October 1 at interest rates ranging from 7.6% to 7.7%. The Successor Agency pledged 100% of property tax from the RPTTF as security for the bonds.

The debt service requirements for the 2000 Bonds at June 30, 2017 were as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 55,000	\$ 1,206,965	\$ 1,261,965
2019	55,000	1,202,785	1,257,785
2020	55,000	1,198,605	1,253,605
2021	65,000	1,194,045	1,259,045
2022	70,000	1,188,880	1,258,880
2023 – 2027	6,620,000	4,941,860	11,561,860
2028 – 2032	8,785,000	1,415,068	10,200,068
Totals	<u>\$ 15,705,000</u>	<u>\$ 12,348,208</u>	<u>\$ 28,053,208</u>

**Successor Agency to the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2017**

Note E: Long-Term Liabilities (continued)

2005 Tax allocation refunding bonds

On October 1, 2005, the former Agency issued \$40,000,000 Tax Allocation Refunding Bonds, Issue of 2005, (the Bonds) to advance refund the 1997 Tax Allocation Refunding Bonds, of which \$29,440,000 were outstanding as of October 1, 2005. As of June 30, 2006, the 1997 bonds had been paid in full. This resulted in a present value cash flow savings of \$1,070,000 and a deferred amount on refunding (difference between the present value of the new debt service payments and the old debt service payments) of \$10,176,549. The Bonds are term bonds maturing on October 1, 2030 and October 1, 2036, and are subject to mandatory redemption from minimum sinking account payments, in part by lot, on October 1, 2023, and October 1, 2031, respectively, and on each October 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. Interest is payable semi-annually on April 1 and October 1 at interest rates ranging from 3% to 4.5%. The Successor Agency pledged 100% of property revenues from the RPTTF as security for the bonds. The bonds are presented net of unamortized discount of \$846,001.

The debt service requirements for the 2005 Bonds at June 30, 2017 were as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,225,000	\$ 1,272,693	\$ 2,497,693
2019	1,285,000	1,219,430	2,504,430
2020	1,340,000	1,165,590	2,505,590
2021	1,390,000	1,107,913	2,497,913
2022	1,450,000	1,047,200	2,497,200
2023 – 2027	2,300,000	4,717,875	7,017,875
2028 – 2032	3,710,000	4,404,150	8,114,150
2033 – 2037	16,635,000	1,937,138	18,572,138
	<u>29,335,000</u>	<u>16,871,989</u>	<u>46,206,989</u>
Less Unamortized Discount	(846,001)	-	(846,001)
Totals	<u>\$ 28,488,999</u>	<u>\$ 16,871,989</u>	<u>\$ 45,360,988</u>

**Successor Agency to the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2017**

Note E: Long-Term Liabilities (continued)

2007 Tax allocation bonds

On October 1, 2006, the former Agency issued \$15,750,000 Tax Allocation Bonds, Issue of 2007, (the Bonds) to finance redevelopment project activities within or for the benefit of the City of El Cajon Redevelopment Project Area of the Agency. The Bonds are being issued on a parity basis with the Successor Agency's Taxable Tax Allocation Refunding Bonds, Issue of 2000, and Tax Allocation Refunding Bonds, Issue of 2005. The Bonds are term bonds maturing October 1, 2030, and October 1, 2037, and are subject to mandatory redemption from mandatory sinking account payments, in part by lot, on October 1, 2023, and October 1, 2031, respectively, and on each October 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. The Bonds are subject to optional redemption prior to maturity, in whole or in part, on any date. Interest is payable semi-annually on April 1 and October 1 at interest rates ranging from 3.45% to 4.25%. The Agency pledged 100% of property tax revenues from the RPTTF as security for the bonds.

The debt service requirements for the 2007 Bonds at June 30, 2017 were as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 390,000	\$ 532,719	\$ 922,719
2019	405,000	515,825	920,825
2020	425,000	498,188	923,188
2021	440,000	480,356	920,356
2022	460,000	462,356	922,356
2023 – 2027	1,885,000	2,064,524	3,949,524
2028 – 2032	2,575,000	1,632,616	4,207,616
2033 – 2037	4,530,000	840,657	5,370,657
2038	1,500,000	32,813	1,532,813
Totals	<u>\$ 12,610,000</u>	<u>\$ 7,060,054</u>	<u>\$ 19,670,054</u>

**Successor Agency to the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2017**

Note E: Long-Term Liabilities (continued)

The annual requirements to amortize all bonds outstanding at June 30, 2017, including interest payments to maturity, are as follows:

Year Ending at June 30,	Principal	Interest	Total
2018	\$ 1,670,000	\$ 3,012,377	\$ 4,682,377
2019	1,745,000	2,938,040	4,683,040
2020	1,820,000	2,862,383	4,682,383
2021	1,895,000	2,782,314	4,677,314
2022	1,980,000	2,698,436	4,678,436
2023 – 2027	10,805,000	11,724,259	22,529,259
2028 – 2032	15,070,000	7,451,834	22,521,834
2033 – 2037	21,165,000	2,777,795	23,942,795
2038	1,500,000	32,813	1,532,813
	<u>57,650,000</u>	<u>36,280,251</u>	<u>93,930,251</u>
Less Unamortized Discount	<u>(846,001)</u>	<u>-</u>	<u>(846,001)</u>
Totals	<u>\$ 56,803,999</u>	<u>\$ 36,280,251</u>	<u>\$ 93,084,250</u>

Due to the City of El Cajon, Land Purchase

The former El Cajon Redevelopment Agency entered into an agreement with the City of El Cajon to purchase the property at 100 Fletcher Parkway on June 15, 2011. The property was the site of the former police facility, and was a key parcel within the Project Area for future commercial development. At June 30, 2017, there was no outstanding balance due to the City.

Note F: Commitments and Contingencies

Some enforceable obligations of the Successor Agency represent agreements, contracts or other commitments for the expenditure of monies. They do not constitute as expense or liability for financial statement purposes because these commitments will be honored in subsequent years.

**Successor Agency to the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2017**

Note G: Tax Abatement

Prior to its dissolution in 2012, the former El Cajon Redevelopment Agency (RDA) entered into participation agreements with local businesses for economic development purposes including business relocation, retention, and expansion. The RDA entered into the agreements under the authority of the Community Redevelopment Law (Health and Safety Code Sections 3300, et seq.) The abatements were granted any businesses located within or promising to relocate to the RDA's geographic area. Under the agreements, the former agency provided financing to businesses located within or planning to relocate to the redevelopment project area. The agreements were negotiated on an individual basis.

The participation agreements provided abatement to the businesses in the form of a credit towards the repayment of the loans for a period of up to ten (10) years. The amount of abatement each year is based on the amount of taxes generated from the site, as specified in the agreement. Note C- Loans Receivables provide detailed information about the businesses, agreements and abatement amounts.



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To the Oversight Board
Successor Agency to the El Cajon Redevelopment Agency

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We have audited the financial statements of the Successor Agency to the El Cajon Redevelopment Agency (Agency) for the year ended June 30, 2017. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 4, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Agency solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, have complied with all relevant ethical requirements regarding independence.

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Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note A to the financial statements. The Agency adopted Governmental Accounting Standards Board Statement No. 77, *Tax Abatement*. The standard did not have a material effect on the Agencies financial statements. No new other accounting policies were adopted and the application of existing policies was not changed during the year to June 30, 2017. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from managements current judgements. The most sensitive estimates affecting the Agency's financial statements were:

Prepaid bond insurance and amortization is based on the allocation of the asset over the life of the bond issue.

Accrued interest payable and interest expense are based on the allocation of actual debt service payments to the proper reporting period in accordance with full accrual accounting.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgement and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the dissolution of the former Redevelopment Agency of the City of El Cajon in Note A to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected and corrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with management

For purposes of this letter, professional standards define a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Agency's financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated December 19, 2017.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, to our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Agency, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Agency's auditors.

This report is intended solely for the information and use of Oversight Board and management of the Agency and is not intended to be and should not be, used by anyone other than these specified parties.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
December 19, 2017



Rogers, Anderson, Malody & Scott, LLP
735 E. Carnegie Drive, Suite 100
San Bernardino, CA 92408

This representation letter is provided in connection with your audit of the basic financial statements of the Successor Agency to the El Cajon Redevelopment Agency (the Agency) as of June 30, 2017 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the basic financial statements present fairly, in all material respects, the financial position and the results of operations of the Agency accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of December 19, 2017:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated May 4, 2017, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus as amended*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available is appropriately disclosed and net position is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified.
- All expenses have been properly classified in the statement of activities.
- Deposit and investment risks have been properly and fully disclosed.
- With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The Agency has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- If applicable, we have disclosed to you all guarantees, whether written or oral, under which the Agency is contingently liable.
- All electronic copies of documents provided to you were copies of the true, unaltered originals.
- If applicable, we have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
 - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of various agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- There have been no communications with government agencies regarding the qualification or dismissal of expenses incurred for administrative costs by the Agency or any other payments for obligations of the Agency.
- We have appropriately recorded the Agency's Redevelopment Property Tax Trust Fund allocations and used such funds in accordance with the Health and Safety Code (Code) and the Agency's recognized obligation payments schedule for the year under audit, including appropriately using the funds for administrative costs as allowed by the Code.

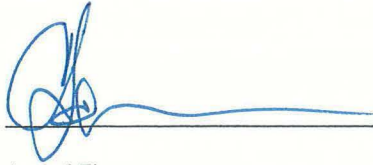
- We have disclosed to you all disputes and resolutions, if applicable, with the California Department of Finance and the California State Controller's Office regarding the Agency's recognized obligation payments schedules, the long range property management plan and/or any disputes related to disallowed administrative costs or spent monies.

Signature: _____



Title: City Manager / Executive Director

Signature: _____



Title: Director of Finance