



May 17, 2013

Mr. Brad Raulston, Executive Director
City of National City
1243 National City Boulevard
National City, CA 91950

Dear Mr. Raulston:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 6, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of National City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to Finance on February 21, 2013 for the period of July through December 2013. Finance issued a ROPD determination letter on April 6, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on May 7, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

- Bond funded contracts totaling \$22.6 million include the following:
 - 8th St Smart Growth Revitalization
 - Item No. 22 – Phase II Construction Management & Inspections
 - Item No. 23 – Phase II Construction
 - Item No. 24 – Program Management
 - 8th St Safety Enhancements
 - Item No. 27 – Construction Management & Inspections
 - Item No. 28 – Construction
 - Item No. 29 – Program Management
 - Highland Ave Safety Enhancements
 - Item No. 31 – Design/Engineering
 - Item No. 33 – Construction
 - Item No. 34 – Program Management
 - D Ave Community Corridor/Round-about
 - Item No. 37 – Construction Management & Inspections
 - Item No. 38 – Construction

- Item No. 39 – Program Management
- Coolidge Ave Community Corridor
 - Item No. 41 – Design/Engineering
 - Item No. 42 – Construction Management & Inspections
 - Item No. 44 – Program Management
- 4th St Community Corridor
 - Item No. 47 – Construction Management & Inspections
 - Item No. 48 – Construction
- Las Palmas Park Improvements
 - Item No. 51 – Design/Engineering
 - Item No. 52 – Construction Management & Inspections
 - Item No. 53 – Construction
 - Item No. 54 – Program Management
- Kimball Park Improvements
 - Item No. 58 – Design/Engineering
 - Item No. 59 – Construction Management & Inspections
 - Item No. 60 – Construction
 - Item No. 61 – Program Management
- Aquatic Center
 - Item No. 63 – Architectural Services
 - Item No. 64 – Construction Management
 - Item No. 65 – Construction
 - Item No. 66 – Program Management
- Coolidge Ave
 - Item No. 165 – Construction

HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items were awarded after June 27, 2011, do not have current and valid contracts in place, or have not yet been awarded. In addition, it is our understanding these bonds were issued after December 31, 2010. The Agency claims it has a statutory requirement to expend these bond proceeds as outlined in the bond indenture documents.

We note that pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use excess proceeds from bonds issued prior to December 31, 2010 for the purposes for which the bonds were issued. However, Successor Agencies are required to defease or repurchase on the open market for cancellation any bonds that cannot be used for the purpose they were issued or if they were issued after December 31, 2010. The bond proceeds requested for use were issued after December 31, 2010. Therefore, these items are not enforceable obligations.

In addition, per Finance's ROPS letter dated April 6, 2013, the following items not contested by the Agency during the Meet and Confer continue to be denied:

- Item No. 164 – Interagency loan between the City of National City and the Agency totaling \$420,000 is not an enforceable obligation at this time. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. This loan was issued after the first two years of the former RDA's creation and not associated with the issuance of debt. Therefore, this item is not an enforceable obligation.

Upon receiving a Finding of Completion from Finance and after the oversight board makes a finding the loan was for legitimate redevelopment purposes, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Claimed administrative costs exceed the allowance by \$7,780. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Three percent of the approved \$8,172,936 is \$245,188. Although \$257,788 is claimed for administrative cost, only \$250,000 is available pursuant to the cap. Therefore, \$7,788 of excess administrative cost is not allowed.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$8,422,936 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 8,592,936
Minus: Six-month total for items denied or reclassified as administrative cost Item 164	420,000
Total approved RPTTF for enforceable obligations	\$ 8,172,936
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 8,422,936

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency and the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment. Please refer to the worksheet used by the CAC to determine the audited prior period adjustment for the Agency:

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

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

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

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

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Denise Davis, Executive Secretary, City of National City
Mr. Juan Perez, Senior Auditor and Controller Manager, County of San Diego
California State Controller's Office