



November 8, 2013

Ms. Diem Do, Senior Project Coordinator  
City of Chula Vista  
276 Fourth Avenue  
Chula Vista, CA 91910

Dear Ms. Do:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Chula Vista Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 27, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item Nos. 10 through 14 – Supplemental Educational Revenue Augmentation Fund (SERAF) totaling \$1,868,954 is not allowed at this time. The Agency received a Finding of Completion on May 7, 2013. As such, the Agency may place SERAF loan repayments as an enforceable obligation on the ROPS. However, HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the Low and Moderate Income Housing Fund shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14B falls within fiscal year 2013-14, the repayment of these City loans are subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A).

HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for these obligations. Therefore, these items are not eligible for funding at this time.

- Item No. 30 – Project Administration in the amount of \$1,079,988. Project management costs are enforceable obligations to the extent they are associated with an enforceable obligation and attributable to specific project implementation activities. The Agency was unable to provide documentation to display the enforceable obligation or to substantiate

the estimated project management costs. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Claimed Administrative Costs exceed the allowance by \$25,871. HSC section 34171 (b) limits the fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses for the fiscal year 2013-14. The San Diego County Auditor-Controller (CAC) distributed \$143,371 for administrative costs for the July through December 2013 period, thus leaving a balance of \$106,629 available for the January through June 2013 period. The Agency requested \$125,000 for administrative costs; however, Item No. 37 for Financial Audit Costs in the amount of \$7,500 is also considered an administrative expense. Therefore, the total requested administrative costs is increased to \$132,500, leaving \$25,871 of excess administrative costs which are not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (I) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. During the period July 1, 2012 through June 30, 2013, the Agency received a total of \$507,053 from Scripps Memorial Hospital In-Lieu payments. Of this amount, the Agency expects to spend \$72,930 during the ROPS period of July through December 2013 (ROPS 13-14A). However, no Other Funding was requested nor approved for ROPS 13-14A, making this \$72,930 an unauthorized expenditure. In addition, no shortfall occurred between the RPTTF amount requested and the amount distributed for ROPS 13-14A. Therefore, the remaining Other balances expected to be available is \$507,053 ending December 31, 2013.

Therefore, the funding source for the following items are being reclassified to the Other funds totaling \$507,053 as specified below:

- Item No. 3 – 2008 Tax Allocation Refunding Bonds in the amount of \$250,828. The Agency requests \$481,818 of RPTTF; however, Finance is reclassifying \$250,828 to other funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. Therefore, Finance is approving RPTTF in the amount of \$230,990 and the use of Other funds in the amount of \$250,828, totaling \$481,818 for Item No. 1.
- Item No. 4 – 2005 Tax Revenue Bonds in the amount of \$50,178. The Agency requests \$50,178 of RPTTF; however, Finance is reclassifying \$50,178 to other funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. Therefore, Finance is approving the use of other funds in the amount of \$50,178 for Item No. 4.
- Item No. 5 – 2006 Tax Revenue Bonds in the amount of \$62,594. The Agency requests \$62,594 of RPTTF; however, Finance is reclassifying \$62,594 to other funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. Therefore, Finance is approving the use of other funds in the amount of \$62,594 for Item No. 4.
- Item No. 24 – BF Goodrich Relocation Agreement in the amount of \$18,824. The Agency requests \$18,824 of RPTTF; however, Finance is reclassifying \$18,824 to other funds. This item was determined to be an enforceable obligation for the ROPS 13-14B

period. Therefore, Finance is approving the use of other funds in the amount of \$18,824 for Item No. 24.

- Item No. 26 – Bayfront Master Plan in the amount of \$18,000. The Agency requests \$18,000 of RPTTF; however, Finance is reclassifying \$18,000 to other funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. Therefore, Finance is approving the use of other funds in the amount of \$18,000 for Item No. 26.
- Successor Agency Administrative in the amount of \$106,629. The Agency is approved for \$106,629 of non-administrative RPTTF; however, Finance is reclassifying \$106,629 in administrative costs to other funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. Therefore, Finance is approving the use of other funds in the amount of \$106,629 for Item No. 46.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet\\_and\\_confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$661,570 as summarized on the next page:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	3,099,793
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 3,224,793</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>3,099,793</b>
<u>Denied Items</u>	
Item No. 10	(601,901)
Item No. 11	(207,298)
Item No. 12	(313,472)
Item No. 13	(468,806)
Item No. 14	(277,477)
Item No. 30	(134,998)
<u>Reclassified Item to Administrative Cost</u>	
Item No. 37	(7,500)
<b>Total RPTTF approved for non-administrative obligations (before reclass to Other Funds)</b>	<b>1,088,341</b>
<u>Reclassified Items to Other Funds</u>	
Item No. 1	(250,828)
Item No. 4	(50,178)
Item No. 5	(62,594)
Item No. 24	(18,824)
Item No. 26	(18,000)
<b>Total RPTTF approved for non-administrative obligations</b>	<b>687,917</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)</b>	<b>106,629</b>
Reclassified Admin to Other Funds	(106,629)
<b>Total RPTTF for administrative obligations</b>	<b>0</b>
<b>Total RPTTF approved for obligations</b>	<b>687,917</b>
ROPS III prior period adjustment	(26,347)
<b>Total RPTTF approved for distribution</b>	<b>\$ 661,570</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 13-14A (July through December 2013)	2,682,122
Total RPTTF for 13-14B (January through June 2014)	1,088,341
<b>Total RPTTF for fiscal year 2013-14</b>	<b>\$ 3,770,463</b>
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	143,371
<b>Allowable administrative cost for ROPS 13-14B</b>	<b>\$ 106,629</b>

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to 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 HSC section 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Mr. Eric Crockett, Assistant Director of Development Services, City of Chula Vista  
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County  
California State Controller's Office