



April 3, 2014

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

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 14-15A) to the California Department of Finance (Finance) on February 25, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 No. 85 – Loan Agreement with the National City Joint Powers Financing Authority in the amount of \$320,000. The Agency provided Resolution No. 91-122 (Resolution) which approves the Community Development Commission (CDC) of the City of National City (City) to make payment of the greater of \$320,000 or 10% of the amount of CDC funds allocated to improvements. The Resolution further states the City intends to enter into agreements with the CDC where these agreements would create an indebtedness of the CDC. As the Agency could not provide contractual agreements where an indebtedness was created, coupled with the fact this Resolution is between the Agency and the City, pursuant to HSC section 34171 (d) (2), this item does not meet the definition of an enforceable obligation and not eligible for funding.
- Item No. 91 – Unfunded Carryover in the amount of \$329,856. The total amount of Redevelopment Property Tax Trust Fund (RPTTF) approved for distribution by Finance for the ROPS 13-14B period was \$7,155,513. The actual amount available for distribution by the County Auditor Controller was \$5,622,212, thus resulted in a funding shortfall of \$1,533,301. However, when calculating the shortfall amount from distribution, the Agency used the total approved RPTTF for obligations in the amount of \$7,485,369, prior to the adjustment for the ROPS III PPA of \$329,856. Therefore, the requested amount of \$1,863,157 will be reduced by \$329,856 leaving \$1,533,301 to be the approved non-admin RPTTF funding for this item.

- Item No. 167 – Legal Services with Meyers Nave Hoffman Riback Silver & Wilson in the amount of \$50,000. This item has been reclassified to admin RPTTF. The contract is for general services for the Agency and not connected to active litigation, but rather anticipated litigation pursuant to HSC section 34171 (b).
- Item No. 170 – Housing Entity Administrative Cost Allowance in the amount of \$150,000. Pursuant to HSC section 34177 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions and that the housing functions were transferred to a local housing authority in the territorial jurisdiction of the RDA. Pursuant to HSC section 34176 (a) (1), the City elected to be the housing entity to the RDA and retained the housing assets by submitting the housing asset transfer form to Finance on July 31, 2012.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of Redevelopment Property Tax Trust Fund (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 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$7,986,156 as summarized on the next page:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	10,863,479
Total RPTTF requested for administrative obligations	155,407
Total RPTTF requested for obligations	\$ 11,018,886
Total RPTTF requested for non-administrative obligations	10,863,479
<u>Denied Items</u>	
Item No. 85	(320,000)
Item No. 91	(329,856)
Item No. 170	(150,000)
	(799,856)
<u>Reclassified Item</u>	
Item No. 167	(50,000)
	(50,000)
Total RPTTF authorized for non-administrative obligations	\$ 10,013,623
Total RPTTF requested for administrative obligations	155,407
<u>Reclassified Item</u>	
Item No. 167	50,000
	50,000
Total RPTTF authorized for administrative obligations	\$ 205,407
Total RPTTF authorized for obligations	\$ 10,219,030
ROPS 13-14A prior period adjustment	(2,232,874)
Total RPTTF approved for distribution	\$ 7,986,156

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to 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),

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