



May 16, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 3, 2014. 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 Finance on February 25, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 3, 2014. 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 April 17, 2014.

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

- Item No. 85 – Loan Agreement with the National City Joint Powers Financing Authority in the amount of \$320,000. Finance continues to deny this item. During the meet and confer, the Agency provided several documents including 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. We note that the Agency also provided Resolution No. 91-26 and Ordinance No. 91-2013; however, neither of these documents demonstrated this item is an enforceable obligation of the Agency.
- Item No. 167 – Legal Services with Meyers Nave Hoffman Riback Silver & Wilson in the amount of \$50,000. Finance no longer classifies this as an administrative expense. During the meet and confer, the agency provided support that this item is for litigation expenses. Therefore, this item is eligible for Redevelopment Property Tax Trust Fund (RPTTF) on this ROPS.

- Item No. 170 – Housing Entity Administrative Cost Allowance in the amount of \$150,000. Finance continues to deny this item. Finance denied this item because pursuant to HSC section 34171 (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. Because the housing entity to the former RDA of the City of National City (City) is the City-formed Housing Authority (Authority), and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law (ABx1 26 and AB 1484).

The Agency contends that the City elected not to retain the housing functions, but the Authority, as a separate legal entity from the City, did retain the housing functions pursuant to HSC section 34176 (b) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of “city” includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. HSC section 34167.10 (a) defines “city” for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is controlled by the City because the City was involved in the formation of the Authority, which is a factor to be considered when determining if an entity is controlled by the city pursuant to HSC section 34167.10 (b).

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that “the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts.” Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$150,000 of housing entity administrative allowance.

In addition, per Finance’s letter dated April 3, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- 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.

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.

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

<b>Approved RPTTF Distribution For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	10,863,479
Total RPTTF requested for administrative obligations	155,407
<b>Total RPTTF requested for obligations</b>	<b>\$ 11,018,886</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>10,863,479</b>
<u>Denied Items</u>	
Item No. 85	(320,000)
Item No. 91	(329,856)
Item No. 170	(150,000)
	(799,856)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 10,063,623</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>155,407</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 155,407</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 10,219,030</b>
ROPS 13-14A prior period adjustment	(2,232,874)
<b>Total RPTTF approved for distribution</b>	<b>\$ 7,986,156</b>

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

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

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), 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,



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