



November 13, 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 14-15B) to the California Department of Finance (Finance) on September 30, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 8 – Westside Infill Transit Oriented Development Project - the Agency requests \$2,000,000 from Redevelopment Property Tax Trust Fund (RPTTF) and \$5,000,000 from Bond Proceeds. This item is an enforceable obligation for the ROPS 14-15B period. However, it is our understanding, the use of 2011 bond proceeds is an allowable funding source for this project, and this project does not require the use of RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available. Therefore, Finance is reclassifying \$2,000,000 from RPTTF to Bond Proceeds, totaling \$7,000,000 in Bond Proceeds for this item.
- Item No. 23 and 65 – Project costs using bond proceeds totaling \$5,100,000, is denied. These items have previously been denied as contracts for these items were either not entered into or entered into after June 27, 2011. In addition, it is our understanding these bonds were issued after December 31, 2010, which are not eligible to be used. The Agency referenced Assembly Bill 2493, which was vetoed by the Governor on September 29, 2014; therefore, the OB does not have authority to take action contrary to existing law.

Pursuant to HSC section 34191.4 (c), the Agency is allowed to use bond proceeds derived from bonds issued on or before December 31, 2010. The 2011 tax-exempt bonds were issued on March 1, 2011. 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. Therefore, the bond proceeds are not eligible for expenditure except to defease the 2011 bonds.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (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. The Agency provided financial records that displayed available Other Funds totaling \$47,611.

Therefore, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

Item No. 111 – Environmental Monitoring for Community Development Corporation Properties in the amount of \$47,661. The Agency requests \$50,000 of RPTTF; however, Finance is reclassifying \$47,661 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$47,661 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$2,339 and the use of Other Funds in the amount of \$47,661, totaling \$50,000.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 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 RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 \$4,802,887 as summarized in the Approved RPTTF Distribution Table on the next page:

Approved RPTTF Distribution For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	6,958,104
Total RPTTF requested for administrative obligations	208,743
Total RPTTF requested for obligations on ROPS	\$ 7,166,847
Total RPTTF requested for non-administrative obligations	6,958,104
<u>Reclassified Item</u>	
Item No. 8	(2,000,000)
Total RPTTF for non-administrative obligations	4,958,104
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 111	(47,661)
Total RPTTF authorized for non-administrative obligations	\$ 4,910,443
Total RPTTF requested for administrative obligations	208,743
Total RPTTF authorized for administrative obligations	\$ 208,743
Total RPTTF authorized for obligations	\$ 5,119,186
ROPS 13-14B prior period adjustment	(316,299)
Total RPTTF approved for distribution	\$ 4,802,887

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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

Mr. Brad Raulston
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Sincerely,



JUSTYN HOWARD
Acting 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