



December 17, 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 November 13, 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 14-15B) to Finance on September 30, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 13, 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 November 26, 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 items being disputed.

- Item No. 65 – Project costs totaling \$3,300,000 using 2011 bond proceeds. Finance continues to deny this item. Finance previously denied this item because contracts for this item were not entered into prior to June 27, 2011. During the meet and confer, the Agency claimed these are costs associated with a lease agreement between the San Diego Unified Port District (District) and the former redevelopment agency entered into on June 8, 2010. Our review of the lease agreement indicates that the Agency shall make an investment in project improvements including construction. In addition, this project was identified in the Certificate Regarding Use of Proceeds of the 2011 bonds. However, the Agency also provided a Memorandum of Understanding (MOU) dated September 13, 2011 indicating that the lease was transferred to the City of National City (City) sometime prior to September 13, 2011. Pursuant to section 2 of the MOU, the City agreed to provide the remaining funding for the project and complete the construction. Therefore, this item is not an enforceable obligation of the Agency and is not eligible for funding from the 2011 bond proceeds.

In addition, per Finance's letter dated November 13, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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 – Project costs using bond proceeds totaling \$1,800,000, 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 Oversight Board 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$4,802,887 as summarized in the Approved RPTTF Distribution Table below:

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>

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

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funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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

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