



May 17, 2016

Mr. Brad Raulston, Executive Director
National City
1243 National City Boulevard
National City, CA 91950

Dear Mr. Raulston:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 29, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of National City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 28, 2016. Finance issued a ROPS determination letter on March 29, 2016. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 11, 2016.

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 determinations being disputed.

- Item No. 178 – Reserve for early redemption of the 1999 Tax Allocation Bonds in the total amount of \$2,000,000. Finance continues to deny this item. During the Meet and Confer, the Agency contended that early repayment of the bond could result in more than \$1 million in savings. However, this item does not meet the definition of an enforceable obligation as defined by HSC section 34171. Additionally, HSC section 34171 (d) (1) (A) only allows the Agency to build a reserve if required by the bond indenture or when the next property tax allocation will be insufficient to make debt service payments. The Agency did not claim, nor did they provide documentation to support that the requested reserve is required by the bond indenture or that the anticipated property tax allocation will be insufficient to make the required debt service payments due during the ROPS 16-17 period. Therefore, the Agency's request to make early principal payments to reduce the total interest cost associated with these bonds is not allowed and the \$2,000,000 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

In addition, per Finance's letter dated March 29, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item Nos. 101, 104, 106, 108, and 109 – Property Maintenance in the amount of \$80,000, \$10,000, \$6,000, \$8,000 and \$2,000, respectively, totaling \$106,000 in RPTTF,

is not approved. Finance approved the Agency's Long-Range Property Management Plan (LRPMP) on December 30, 2015, at which time all property with a disposition of government use or future development should have transferred to the City of National City (City). The Agency should not need funds to maintain these properties. Therefore, these items are not eligible for funding from RPTTF.

- Item Nos. 146 – Contract for Legal Services in the amount of \$75,000 is partially approved in the amount of \$53,091. The Agency has a contract with Opper & Varco, LLP for legal services in an amount not to exceed \$130,000. However, the Agency has already spent \$76,909 of the available contract in prior periods, which leaves \$53,091 available for expenditures. The amount requested of \$75,000 for the ROPS 16-17 in addition to the amount paid of \$76,909 equals \$151,909, which exceeds the contract maximum amount. The difference of \$21,909 (\$151,909 - \$130,000) is not allowed.
- Item No. 172 – Property Appraisals in the amount of \$100,000 is partially approved in the amount of \$600. Agency is requesting RPTTF for appraisal costs for properties listed on their approved LRPMP. However, Finance approved the Agency's LRPMP on December 30, 2015, at which time all property with a disposition of government use or future development should have transferred to the City. The Agency is approved to sell one property on their LRPMP and was able to provide an estimate of \$600 for that appraisal. Therefore, the \$600 is approved and the difference \$99,400 (\$100,000 - \$600) is not allowed.
- Item Nos. 175 and 176 – Unforeseen remediation costs totaling \$4,500,000, is partially approved. The Agency noted on the ROPS that \$600,000 is requested in the A period, and then again in the B period in case there is a project delay. Since, Finance's approval is for the entire ROPS 16-17 period and the Agency is authorized to receive up to the maximum approved RPTTF, additional RPTTF funding in the amount of \$600,000 is not necessary.

Except for the items denied in whole and in part, Finance is not objecting to the remaining items listed on your ROPS 16-17.

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. Be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$10,137,517 as summarized in the Approved RPTTF Distribution table on page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through

December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF for ROPS 15-16A and ROPS 15-16B.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

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

This is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Denise Davis, Executive Secretary, National City
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 7,041,034	\$ 5,543,844	\$ 12,584,878
Requested Administrative RPTTF	189,974	189,974	\$ 379,948
Total RPTTF requested for obligations on ROPS 16-17	\$ 7,231,008	\$ 5,733,818	\$ 12,964,826
Total RPTTF requested	7,041,034	5,543,844	12,584,878
<u>Denied Items</u>			
Item No. 101	(40,000)	(40,000)	(80,000)
Item No. 104	(5,000)	(5,000)	(10,000)
Item No. 106	(3,000)	(3,000)	(6,000)
Item No. 108	(4,000)	(4,000)	(8,000)
Item No. 109	(1,000)	(1,000)	(2,000)
Item No. 146	0	(21,909)	(21,909)
Item No. 172	(50,000)	(49,400)	(99,400)
Item No. 175	0	(100,000)	(100,000)
Item No. 176	0	(500,000)	(500,000)
Item No. 178	(1,000,000)	(1,000,000)	(2,000,000)
	(1,103,000)	(1,724,309)	(2,827,309)
Total RPTTF authorized	5,938,034	3,819,535	\$ 9,757,569
Total Administrative RPTTF requested	189,974	189,974	379,948
Total Administrative RPTTF authorized	189,974	189,974	\$ 379,948
Total RPTTF approved for distribution	6,128,008	4,009,509	\$ 10,137,517