



October 13, 2012

Mr. Chuck McBride, Finance Director  
City of Carlsbad  
1635 Faraday  
Carlsbad, CA 92009

Dear Mr. McBride:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Carlsbad Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, 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:

- Item No. 2 – City of Carlsbad loan in the amount of \$18.8 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the RDA's creation. The Agency provided agreements and resolutions that indicate the City would provide loans to the RDA. However, the Agency could not provide support for the amount loaned during the first two years of the RDA's existence. Therefore the loan amounts claimed cannot be validated. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.
- Item No. 3 – New Village Arts building improvements in the amount of \$1.5 million. The lease agreement provides for \$1.5 million in exterior building improvements. However, there are no expenditure contracts to make the improvements. HSC section 34163 (b) prohibits an Agency from entering into a contract with any entity after June 27, 2011. Further, the provision for exterior improvements is not binding. The Agency may terminate the lease with two years notice or allow it to expire without penalty or recourse by the lessee. Without a valid expenditure contract, the item is not an enforceable obligation and not eligible for RPTTF funding.

- Item No. 4 – Parking leases in the amount of \$49,587. The agreements were signed by the City and not by the former RDA. Therefore, as the Agency is not a party to the agreement, this item is not an enforceable obligation eligible for RPTTF funding.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is: \$352,333 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 1,893,381
Less: Six-month total for items denied	
Item 2	641,255
Item 3	1,000,000
Item 4	24,793
Total approved RPTTF for enforceable obligations	\$ 227,333
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
<b>Total RPTTF approved:</b>	<b>\$ 352,333</b>

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the 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.

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

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Debbie Fountain, Housing and Neighborhood Services Director, City of Carlsbad  
Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego County  
Ms. Nenita DeJesus, Senior Auditor and Controller Accountant, San Diego County