



December 18, 2012

Ms. Diem Do, Senior Project Coordinator
City of Chula Vista
276 Fourth Avenue
Chula Vista, CA 91910

Dear Ms. Do:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 19, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Chula Vista Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 19, 2012. 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 30, 2012.

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. 28 and 29 – Affordable Housing agreements totaling \$40,500. Finance continues to deny the Items. We continue to maintain that the contracts are between the City of Chula Vista and the third parties. The former redevelopment agency is neither a party to the contract nor responsible for the payment of the contract. Therefore, these items are not enforceable obligations and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) money. Additionally, we note that management, maintenance and/or administrative costs associated with the former RDA's previous housing functions are not enforceable obligations. Upon the transfer of the former RDA's housing functions to the new housing entity, Health & Safety Code section 34176 requires that, "all rights, powers, duties, obligations and housing assets, shall be transferred" to the new housing entity. This transfer of "duties and obligations" necessarily includes the transfer of any on-going management, maintenance and/or administrative costs. To conclude that such costs should be on-going enforceable obligations of the successor agency would require a transfer of tax increment for life – directly contrary to the wind down directive in ABx1-26/AB1484.
- Item No. 41 – June 1, 2012 distribution shortfall in the amount of \$2.6 million. Finance is going to continue to deny the Item at this time. Based on clarification from the Agency, it is our understanding that this Item represents funding for approved enforceable obligation in the ROPS II period for which insufficient RPTTF was provided. Because

Finance approved a specific amount of funding during that period any difference between actual funding received and approved payments is eligible for placement on the subsequent ROPS. However, insufficient information has been provided to demonstrate which Items went unpaid during the prior ROPS period. Until the Agency is able to provide a detailed breakdown of the funding amount received and Items paid and not paid Finance cannot determine whether the adjustment is valid or the line Items that need adjustments. Therefore, the requested amount is denied for this ROPS period, but may be added to the subsequent ROPS period with the appropriate back-up information.

- Although enforceable, Item Nos. 31 through 36 and 39 continue to be reclassified as administrative costs by Finance. However, Item 37 related to the annual post cause audit mandated pursuant to 34177 (n) is no longer being reclassified.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$1,515,155 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 3,935,885
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 28	5,000
Item 29	4,250
Item 31*	1,406
Item 32*	3,020
Item 33*	1,282
Item 34*	125
Item 35*	750
Item 36*	289
Item 39*	15,000
Item 41	2,558,757
Total approved RPTTF for enforceable obligations	<u>\$ 1,346,006</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>169,149</u>
Total RPTTF approved:	\$ 1,515,155

* Reclassified as administrative costs

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.

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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

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

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Eric Crockett, Assistant Director of Development Services, City of Chula Vista
Ms. Tracy Sandoval, Assistant Chief Financial, County of San Diego
Mr. Juan Perez, Senior Auditor and Controller Manager, County of San Diego
Ms. Nenita DeJesus, Senior Auditor and Controller Accountant, County of San Diego
California State Controller's Office