DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 13, 2013

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

Dear Ms. Do:

Subject: Recognized Obligation Payment Schedule

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 13-14A) to the California Department of Finance (Finance) on February 27, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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:

- Low and Moderate Income Housing Fund (LMIHF) Loans totaling $1,153,871 included the following:
    - Item No. 11 – LMIHF Loan to Town Centre II for Supplemental Educational Revenue Augmentation Fund payment (SERAF) in the amount of $237,987
    - Item No. 12 – LMIHF Loan to Otay Valley for SERAF in the amount of $359,879
    - Item No. 13 – LMIHF Loan to Southwest for SERAF in the amount of $237,450
    - Item No.14 – LMIHF Loan to Merged Added Areas for SERAF in the amount of $318,555

  HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the LMIHF shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these loaned amounts is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B). HSC section 34176 (e) (6) (B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of LMIHF loans beginning with ROPS 14-15A.

- Item No. 24 – Bayfront Relocation Agreement in the amount of $18,824. This payment amount is due January 15, 2014 and is thus outside the scope of the July through December 2013 ROPS 13-14A period. Therefore, this line item is not an enforceable obligation and not eligible for funding on this current ROPS period, but may be placed on ROPS 13-14B and may be subject to Finance review.

- Item No. 26 – Bayfront Master Plan in the amount of $18,000. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Also, this contract is between the City of Chula Vista (City) and Opper and Varco LLP. The former redevelopment agency is neither a party to the contract nor responsible for payment of the contract. Because the contract with the Opper and Varco LLP was signed on July 1, 2012, after June 27, 2011, and the Agency is not a party of the contract, this line item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 27 – Parking Plaza Structure in the amount of $13,000. According to the agreement regarding the possessory interest ad valorem property taxes on the parking structure, once the Agency is deactivated, the City shall reimburse Centre City Associates Limited-Commercial, a California Limited Partnership or their successors, Smiser Family Properties, Inc., in the amount of agreed payment. There does not appear to be an obligation for the Agency to make any payment according to this agreement. Therefore, this line item is not an enforceable obligation and not eligible for funding on the ROPS.

- Item No. 22 for auditing services totaling $4,000 for the six month period is considered an administrative cost and has been reclassified.

Except for items denied in whole or in part as enforceable obligation(s), Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 $2,664,122 as summarized below:

Approved RPTTF Distribution Amount		
For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	3,851,376
Minus: Six-month total for items denied or reclassified as administrative cost		
Item 11		237,987
Item 12		359,879
Item 13		237,450
Item 14		318,555
Item 22*		4,000
Item 24		18,824
Item 26		18,000
Item 27		13,000
Total approved RPTTF for enforceable obligations	$	2,643,681
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		143,371
Minus: ROPS II prior period adjustment		(122,930)
Total RPTTF approved for distribution:	**$**	**2,664,122**

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the 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 above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 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 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), 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.

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Eric Crockett, Assistant Director of Development Services, City of Chula Vista
Mr. Juan Perez, Senior Auditor and Controller Manager, County of San Diego
California State Controller's Office