



April 6, 2013

Brad Raulston, Executive Director
City of National City
1243 National City Boulevard
National City, CA 91950

Dear Mr. Raulston:

Subject: Recognized Obligation Payment Schedule

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 13-14A) to the California Department of Finance (Finance) on February 21, 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 obligation(s):

- Bond funded contracts totaling \$22.6 million include the following:
 - 8th St Smart Growth Revitalization
 - Item No. 22 – Phase II Construction Management & Inspections
 - Item No. 23 – Phase II Construction
 - Item No. 24 – Program Management
 - 8th St Safety Enhancements
 - Item No. 27 – Construction Management & Inspections
 - Item No. 28 – Construction
 - Item No. 29 – Program Management
 - Highland Ave Safety Enhancements
 - Item No. 31 – Design/Engineering
 - Item No. 33 – Construction
 - Item No. 34 – Program Management
 - D Ave Community Corridor/Round-about
 - Item No. 37 – Construction Management & Inspections
 - Item No. 38 – Construction
 - Item No. 39 – Program Management

- Coolidge Ave Community Corridor
 - Item No. 41 – Design/Engineering
 - Item No. 42 – Construction Management & Inspections
 - Item No. 44 – Program Management
- 4th St Community Corridor
 - Item No. 47 – Construction Management & Inspections
 - Item No. 48 – Construction
- Las Palmas Park Improvements
 - Item No. 51 – Design/Engineering
 - Item No. 52 – Construction Management & Inspections
 - Item No. 53 – Construction
 - Item No. 54 – Program Management
- Kimball Park Improvements
 - Item No. 58 – Design/Engineering
 - Item No. 59 – Construction Management & Inspections
 - Item No. 60 – Construction
 - Item No. 61 – Program Management
- Aquatic Center
 - Item No. 63 – Architectural Services
 - Item No. 64 – Construction Management
 - Item No. 65 – Construction
 - Item No. 66 – Program Management
- Coolidge Ave
 - Item No. 165 – Construction

HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items were awarded after June 27, 2011, do not have current and valid contracts in place, or have not yet been awarded.

It is also our understanding these bonds were issued after December 31, 2010. Therefore, the benefits provided in HSC section 34191.4 (c) (1) do not apply. 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.

- Item No. 164 – Interagency loan between the City of National City and the Agency totaling \$420,000 is not an enforceable obligation at this time. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. This loan was issued after the first two years of the former RDA's creation and not associated with the issuance of debt. Therefore, this item is not an enforceable obligation.

Upon receiving a Finding of Completion from Finance and after the oversight board makes a finding the loan was for legitimate redevelopment purposes, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Claimed administrative costs exceed the allowance by \$7,780. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Three percent of the approved \$8,172,936 is \$245,188. Although \$257,788 is claimed for administrative cost, only \$250,000 is available pursuant to the cap. Therefore, \$7,788 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations, 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: \$8,422,936 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 8,592,936
Minus: Six-month total for items denied or reclassified as administrative cost Item 164	420,000
Total approved RPTTF for enforceable obligations	\$ 8,172,936
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 8,422,936

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/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

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

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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 Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Denise Davis, Executive Secretary, City of National City
Mr. Juan Perez, Senior Auditor and Controller Manager, County of San Diego
California State Controller's Office