



December 17, 2013

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 the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 8, 2013. 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 13-14B) to Finance on September 27, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 8, 2013. 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 December 2, 2013.

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 items being disputed.

- Item No. 30 – Project Administration in the amount of \$1,079,988. Finance no longer denies this item. The Agency is requesting \$134,998 for ROPS 13-14B. The Agency claims these are direct project costs required by specific projects. Our review indicates that the following projects require the Agency to use staff time as opposed to direct funding:
 - Cooperative and Remediation Agreement – This agreement entered into on April 20, 2010 between the Agency and a third party. Per section 3 of the agreement, the Agency is to provide costs and expenses incurred with respect to administration, compliance, mitigation, remediation, and cleanup.
 - Chula Vista Bayfront Master Plan Settlement Agreement – This agreement was entered into in May 2010 and is between the Agency, City, the Bayfront Coalition, and the San Diego Unified Port Authority. Per sections 4.3.1 through 4.3.4, all parties are responsible for Predator management including regular foot patrols, trash management, and controlling Predator perches in buildings and on signs, roofs, balconies, etc.

- Shinohara II Property – The City received a notification from the County of San Diego Solid Waste Local Enforcement Agency on March 1, 2007. Although the letter is address to the City, the Agency provided documentation that the Agency is the owner of the property. Required actions on page 2 require the property owners to bring the site into compliance. Although the letter allows 3 years to complete the cleanup, an extension was granted in accordance with the letter.

In addition to the agreements requiring the Agency to use staff time, the Agency also submitted timesheets and payroll information to support the amount requested. Therefore, Finance has determined these direct project costs are an enforceable obligation eligible for RPTTF outside of the administrative cost allowance.

- Claimed Administrative Costs exceed the allowance by \$25,871. HSC section 34171 (b) limits the fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses for the fiscal year 2013-14. The San Diego County Auditor-Controller (CAC) distributed \$143,371 for administrative costs for the July through December 2013 period, thus leaving a balance of \$106,629 available for the January through June 2013 period. The Agency requested \$125,000 for administrative costs; however, Item No. 37 for Financial Audit Costs in the amount of \$7,500 is also considered an administrative expense. Therefore, the total requested administrative costs is increased to \$132,500, leaving \$25,871 of excess administrative costs which are not allowed.

In addition, per Finance's letter dated November 8, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item Nos. 10 through 14 – Supplemental Educational Revenue Augmentation Fund (SERAF) totaling \$1,868,954 is not allowed at this time. The Agency received a Finding of Completion on May 7, 2013. As such, the Agency may place SERAF loan repayments as an enforceable obligation on the ROPS. However, HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the Low and Moderate Income Housing Fund shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14B falls within fiscal year 2013-14, the repayment of these City loans are subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A).

HSC section 34191.4 (b) (2) (A) 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 these obligations. Therefore, these items are not eligible for funding at this time.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. During the period July 1, 2012 through June 30, 2013, the Agency received a total of \$507,053 from Scripps Memorial Hospital In-Lieu payments. Of this amount, the Agency expects to spend \$72,930 during the ROPS period of July through December 2013

(ROPS 13-14A). However, no Other Funding was requested nor approved for ROPS 13-14A, making this \$72,930 an unauthorized expenditure. In addition, no shortfall occurred between the RPTTF amount requested and the amount distributed for ROPS 13-14A. Therefore, the remaining other balances expected to be available is \$507,053 ending December 31, 2013. However, the Agency claims that the asserted amount is less than \$507,053 given that the calculation includes accruals that affect the timing of the Agency's ability to actually use the cash. The Agency provided that they believe they will only actually has access to use of \$248,393 during ROPS 13-14B. Therefore, Finance has determined that further review of fund balances is needed and will work with the Agency to reconcile the actual balances.

However, the Agency concurs that \$248,393 will likely be available. Therefore, items totaling \$238,225 are being reclassified to Other Funds. The remaining \$10,168 ($248,393 - 238,225$) may be adjusted in future periods once the actual balances have been reconciled. The following items are being reclassified to the Other funds:

- Item No. 4 – 2005 Tax Revenue Bonds in the amount of \$50,178. The Agency requests \$50,178 of RPTTF; however, Finance is reclassifying \$50,178 to other funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. Therefore, Finance is approving the use of other funds in the amount of \$50,178 for Item No. 4.
- Item No. 5 – 2006 Tax Revenue Bonds in the amount of \$62,594. The Agency requests \$62,594 of RPTTF; however, Finance is reclassifying \$62,594 to other funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. Therefore, Finance is approving the use of other funds in the amount of \$62,594 for Item No. 4.
- Item No. 24 – BF Goodrich Relocation Agreement in the amount of \$18,824. The Agency requests \$18,824 of RPTTF; however, Finance is reclassifying \$18,824 to other funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. Therefore, Finance is approving the use of other funds in the amount of \$18,824 for Item No. 24.
- Successor Agency Administrative in the amount of \$106,629. The Agency is approved for \$106,629 of non-administrative RPTTF; however, Finance is reclassifying \$106,629 in administrative costs to other funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. Therefore, Finance is approving the use of other funds in the amount of \$106,629 for Item No. 46.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,065,396 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	3,099,793
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 3,224,793
Total RPTTF requested for non-administrative obligations	3,099,793
<u>Denied Items</u>	
Item No. 10	(601,901)
Item No. 11	(207,298)
Item No. 12	(313,472)
Item No. 13	(468,806)
Item No. 14	(277,477)
<u>Reclassified Item to Administrative Cost</u>	
Item No. 37	(7,500)
Total RPTTF approved for non-administrative obligations (before reclass to Other Funds)	1,223,339
<u>Reclassified Items to Other Funds</u>	
Item No. 4	(50,178)
Item No. 5	(62,594)
Item No. 24	(18,824)
Total RPTTF approved for non-administrative obligations	1,091,743
Total RPTTF requested for administrative obligations	125,000
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	106,629
Reclassified Admin to Other Funds	(106,629)
Total RPTTF for administrative obligations	0
Total RPTTF approved for obligations	1,091,743
ROPS III prior period adjustment	(26,347)
Total RPTTF approved for distribution	\$ 1,065,396

Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	2,682,122
Total RPTTF for 13-14B (January through June 2014)	1,088,341
Total RPTTF for fiscal year 2013-14	\$ 3,770,463
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	143,371
Allowable administrative cost for ROPS 13-14B	\$ 106,629
*Reclassified Administrative Costs to Other Funds	

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial

records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 section 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 HSC section 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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Lead Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

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