



April 27, 2012

Donna Apar, Accountant
City of Chula Vista
Finance Department – Comptroller Division
276 Fourth Avenue
Chula Vista, CA 91910

Dear Ms. Apar:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Chula Vista Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 13, 2012 for the period of January through June 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

- Items 6, 9, 34, 35, 36, and 45 through 48 totaling \$1.5million. The contracts provided do not show that the Agency has established EOs.
- Page 4, item 64, in the amount of \$50,000. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Two contracts were provided for this item. One contract's term expired June 2011, and the other contract was executed after June 27, 2011.
- Administrative expenses totaling \$131,393. HSC section 34171 (b) limits administrative expenses to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated is \$109,976. Therefore, \$131,393 of the claimed \$381,393 is not an EO. The following items were considered administrative expenses:
 - Page 2, items 29 and 38
 - Page 3, items 54 through 57, and 60

Furthermore, the City identified item 57 on page 3, in the amount of \$550,000 as not an EO. The City has agreed to remove these items from future ROPS.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

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If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,

A handwritten signature in black ink that reads "Mark Hill". The signature is written in a cursive, slightly slanted style.

MARK HILL
Program Budget Manager

cc: Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego County
Ms. Nenita DeJesus, Senior Auditor and Controller Accountant, San Diego County