



May 18, 2012

Brad Raulston, Executive Director
City of National City
1243 National City Blvd.
National City, CA 91950

Dear Mr. Raulston:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of National City Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 3, 2012 for the period of January through June and July through December 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:

January through June 2012 ROPS

- HSC section 34163(b) prohibits an RDA from entering into a contract with any entity after June 27, 2011. The following items did not have valid contracts executed prior to June 28, 2011 for anticipated projects or project work:
 - Items 10, 11, and 19, in the amount of \$6 million
 - Item 33 in the amount of \$1.7 million
 - Items 43, 53, and 60, in the amount of \$10.5 million.
 - Item 65, in the amount of \$3.5 million
- Administrative expenses in the amount of \$589,350. HSC section 34171 (b) limits administrative expenses for 2011-12 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 \$149,648. Therefore, \$589,350 of the claimed \$839,350 is not an EO. The following items were considered administrative expenses:
 - Items 82, 83, 101 through 109, 126 through 128, 131, 133 through 138, and 144

July through December 2012 ROPS

- HSC section 34163(b) prohibits an RDA from entering into a contract with any entity after June 27, 2011. The following items did not have valid contracts executed prior to June 28, 2011 for anticipated projects or project work:
 - Items 10, 11, and 19, in the amount of \$6 million
 - Item 33 in the amount of \$1.7 million
 - Items 43, 53, and 60, in the amount of \$10.5 million.
 - Item 65, in the amount of \$3.5 million

- Administrative expenses in the amount of \$447,523. HSC section 34171 (b) limits administrative expenses for 2011-12 to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$237,359. Therefore, \$447,523 of the claimed \$697,523 is not an EO. The following items were considered administrative expenses:
 - Items 82, 83, 101 through 109, 127 through 128, 131, 134 through 138, and 144

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.

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

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 and submit to the following email address:

Redevelopment_Administration@dof.ca.gov

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

Sincerely,



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