



**AGENDA OF A REGULAR MEETING - SUCCESSOR AGENCY TO THE  
COMMUNITY DEVELOPMENT COMMISSION AS THE NATIONAL CITY  
REDEVELOPMENT AGENCY**

**COUNCIL CHAMBERS  
CIVIC CENTER  
1243 National City Blvd.  
National City, California  
NOVEMBER 19, 2013 – 6:00 PM**

**RON MORRISON**  
*Chairman*

**LUIS NATIVIDAD**  
*Boardmember*

**JERRY CANO**  
*Boardmember*

**MONA RIOS**  
*Boardmember*

**ALEJANDRA SOTELO-SOLIS**  
*Boardmember*

**1243 National City Blvd.  
National City, CA 91950  
619-336-4300**

**Meeting agendas and  
minutes available on web**

**WWW.NATIONALCITYCA.GOV**

**ORDER OF BUSINESS:** Public sessions of all Regular Meetings of the Successor Agency to the Community Development Commission as the National City Redevelopment Agency begin at 6:00 p.m. on the first and third Tuesday of each month. Public hearings begin at 6:00 p.m. unless otherwise noted. Closed Sessions begin at 5:00 p.m. or such other time as noted on the agenda. If a workshop is scheduled, the subject and time of the workshop will appear on the agenda.

**REPORTS:** All regular meeting agenda items and reports as well as all documents and writings distributed to the Board less than 72 hours prior to the meeting, are available for review at the entry to the Council Chambers. Regular Meetings of the Board are webcast and archived on the City's website **WWW.NATIONALCITYCA.GOV**.

**PUBLIC COMMENTS:** Prior to the Business portion of the agenda, the Board will receive public comments regarding any matters within the jurisdiction of the Successor Agency to the Community Development Commission as the National City Redevelopment Agency. Members of the public may also address any item on the agenda at the time the item is considered by the Board. Persons who wish to address the Board are requested to fill out a "Request to Speak" form available at the entrance to the City Council Chambers, and turn in the completed form to the City Clerk. The Chairperson will separately call for testimony of those persons who have turned in a "Request to Speak" form. If you wish to speak, please step to the podium at the appropriate time and state your name and address (optional) for the record. The time limit established for public testimony is three minutes per speaker unless a different time limit is announced. Speakers are encouraged to be brief. The Chairperson may limit the length of comments due to the number of persons wishing to speak or if comments become repetitious or irrelevant.

**WRITTEN AGENDA:** With limited exceptions, the Board may take action only upon items appearing on the written agenda. Items not appearing on the agenda must be brought back on a subsequent agenda unless they are of a demonstrated emergency or urgent nature, and the need to take action on such items arose after the agenda was posted.

Upon request, this agenda can be made available in appropriate alternative formats to persons with a disability in compliance with the Americans with Disabilities Act. Please contact the City Clerk's Office at (619) 336-4228 to request a disability-related modification or accommodation. Notification 24-hours prior

to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

*Spanish audio interpretation is provided during Board Meetings. Audio headphones are available in the lobby at the beginning of the meeting.*

*Audio interpretación en español se proporciona durante sesiones del Consejo Municipal. Los audiófonos están disponibles en el pasillo al principio de la junta.*

**THE BOARD REQUESTS THAT ALL CELL PHONES AND PAGERS BE TURNED OFF DURING BOARD MEETINGS.**

**OPEN TO THE PUBLIC**  
**SUCCESSOR AGENCY AGENDA**

**CALL TO ORDER**

**ROLL CALL**

**PUBLIC ORAL COMMUNICATIONS (THREE-MINUTE TIME LIMIT)**

**CONSENT CALENDAR**

1. Approval of the Minutes of the Regular Meeting of the Successor Agency to the Community Development Commission as the National City Redevelopment Agency of November 5, 2013. (City Clerk)
2. Successor Agency Warrant Register #16 for the period of 10/9/13 through 10/15/13 in the amount of \$4,224.35. (Finance)
3. Successor Agency Warrant Register #17 for the period of 10/16/13 through 10/22/13 in the amount of \$64,039.91. (Finance)
4. Report to Council (Successor Agency)

**PUBLIC HEARINGS**

**NON CONSENT RESOLUTIONS**

**NEW BUSINESS**

**STAFF REPORTS**

**CLOSED SESSION REPORT**

**ADJOURNMENT**

Regular Successor Agency to the Community Development Commission as the National City Redevelopment Agency Meeting - Tuesday - December 3, 2013 - 6:00 p.m. - Council Chambers - National City, California.

Modified Successor Agency to the Community Development Commission  
as the National City Redevelopment Agency Meeting Schedule -  
December 2013 and January 2014.

December 03	Regular Meeting
December 17	Regular Meeting
January 07	DISPENSE WITH MEETING
January 21	Regular Meeting

Item # \_\_\_\_\_

11/19/13

**APPROVAL OF THE MINUTES OF THE REGULAR  
MEETING OF THE SUCCESSOR AGENCY TO  
THE COMMUNITY DEVELOPMENT COMMISSION  
AS THE NATIONAL CITY REDEVELOPMENT  
AGENCY OF NOVEMBER 5, 2013.**

(City Clerk)

DRAFT      DRAFT      DRAFT

**MINUTES OF THE REGULAR MEETING OF THE  
SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT  
COMMISSION AS THE NATIONAL CITY REDEVELOPMENT AGENCY**

**November 5, 2013**

The Regular Meeting of the Successor Agency to the Community Development Commission as the National City Redevelopment Agency was called to order at 10:29 p.m. by Chairman Ron Morrison.

**ROLL CALL**

Board members present: Cano, Morrison, Natividad, Rios, Sotelo-Solis.  
Administrative Officials present: Dalla, Deese, Raulston, Silva.

**PUBLIC ORAL COMMUNICATIONS**

None.

**CONSENT CALENDAR**

**ADOPTION OF CONSENT CALENDAR.** Item No. 1 (Minutes), Item No. 2 (Resolution No. 2013-40). Motion by Sotelo-Solis, seconded by Rios, to approve the Consent Calendar. Carried by unanimous vote.

**APPROVAL OF MINUTES**

1. Approval of the Minutes of the Regular Meeting of the Successor Agency to the Community Development Commission as the National City Redevelopment Agency of October 15, 2013. (City Clerk)

**ACTION:** Approved. See above.

**CONTRACT (C2013-44)**

**CONTRACT (C2012-27)**

**SUCCESSOR AGENCY 2013 (406-10-11)**

2. Resolution No. 2013-40. RESOLUTION OF THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION AS THE NATIONAL CITY REDEVELOPMENT AGENCY APPROVING THE SUCCESSOR AGENCY'S PROPOSED APPROVAL OF AN "ASSIGNMENT AND ASSUMPTION OF AGREEMENT FOR LEGAL SERVICES WITH THE LAW OFFICES OF EDWARD Z. KOTKIN RELATED TO THE "AGREEMENT FOR LEGAL SERVICES BY AND BETWEEN THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION AS THE NATIONAL CITY REDEVELOPMENT AGENCY AND CUMMINS & WHITE, LLP", DATED JUNE 19, 2012 AND APPROVED BY RESOLUTION 2012-10. (Successor Agency)

**ACTION:** Adopted. See above.

**NEW BUSINESS**

**SUCCESSOR AGENCY 2013 (406-10-11)**

3. Successor Agency to the Community Development Commission as the National City Redevelopment Agency Meeting Schedule - December 2013 through January 2014. (City Clerk)

**RECOMMENDATION:** Review and provide direction.

**TESTIMONY:** None.

**ACTION:** Motion by Rios, seconded by Cano, to approve Option "A". Carried by unanimous vote.

**CLOSED SESSION REPORT**

Agency Counsel Claudia stated that there was nothing to report. (See attached Exhibit 'L')

**ADJOURNMENT**

Motion by Rios, seconded by Cano, to adjourn the meeting to the next Regular Meeting of the Successor Agency to the Community Development Commission as the National City Redevelopment Agency to be held Tuesday, November 19, 2013, 6:00 p.m., Council Chambers, National City, California. Carried by unanimous vote.

The meeting closed at 10:30 p.m.

\_\_\_\_\_  
Secretary

The foregoing minutes were approved at the Regular Meeting of November 19, 2013

\_\_\_\_\_  
Chairman

EXHIBIT 'L'



AGENDA OF A SPECIAL MEETING

CITY COUNCIL OF THE CITY OF NATIONAL CITY  
AND  
SUCCESSOR AGENCY TO THE COMMUNITY  
DEVELOPMENT COMMISSION AS THE  
NATIONAL CITY REDEVELOPMENT AGENCY

Main Conference Room  
Civic Center  
1243 National City Boulevard  
National City, California

Special Meeting – Tuesday, November 5, 2013 – 5:00 p.m.

ROLL CALL

CLOSED SESSION

CITY COUNCIL

1. Conference with Legal Counsel – Existing Litigation  
Government Code Section 54956.9(a)  
*Community Youth Athletic Center v. City of National City, CDC, et al.*  
SD Superior Court Case No. 37-2007-00076404-CU-EI-CTL; Court of Appeal Case No. D060001
2. Conference with Legal Counsel – Existing Litigation  
Government Code Section 54956.9(a)  
*The Affordable Housing Coalition of San Diego County v. Sandoval, et al*  
Sacramento Court Case No. 34-2012-80001158-CU-WM-GDS

SUCCESSOR AGENCY

1. Conference with Legal Counsel – Existing Litigation  
Government Code Section 54956.9(a)  
*Community Youth Athletic Center v. City of National City, CDC, et al.*  
SD Superior Court Case No. 37-2007-00076404-CU-EI-CTL; Court of Appeal Case No. D060001



**CLOSED SESSION (cont.)**

**SUCCESSOR AGENCY**

2. Conference with Legal Counsel – Existing Litigation  
Government Code Section 54956.9(a)  
*The Affordable Housing Coalition of San Diego County v. Sandoval, et al*  
Sacramento Court Case No. 34-2012-80001158-CU-WM-GDS

**ADJOURNMENT**

Next Regular Meeting of the Successor Agency to the Community Development Commission as the National City Redevelopment Agency – Tuesday, November 5, 2013, 6:00 p.m., Council Chambers, National City, California.

DRAFT

**SUCCESSOR AGENCY TO  
THE COMMUNITY DEVELOPMENT COMMISSION  
AS THE NATIONAL CITY REDEVELOPMENT AGENCY  
AGENDA STATEMENT**

**MEETING DATE:** November 19, 2013

**AGENDA ITEM NO. |**

**ITEM TITLE:**

Successor Agency Warrant Register #16 for the period of 10/9/13 through 10/15/13 in the amount of \$4,224.35. (Finance)

**PREPARED BY:** K. Apalategui  
**PHONE:** 619-336-4572

**DEPARTMENT:** Finance

**APPROVED BY:** *Mark Rata*

**EXPLANATION:**

Pursuant to ABX1 26, all redevelopment agencies in the State of California were dissolved as of February 1, 2012. Upon dissolution of the City of National City's Redevelopment Agency, the City assumed the role of Successor Agency to the Community Development Commission as the National City Redevelopment Agency ("Successor Agency").

In order to streamline the payment process, the City pays all expenses of the Successor Agency. The Successor Agency then reimburses the City.

Attached is a detailed listing of all Successor Agency warrants, totaling \$4,224.35, paid with City funds. Staff requests approval of reimbursement of the Successor Agency expenses.

**FINANCIAL STATEMENT:**

**APPROVED:** *Mark Rata* Finance

**ACCOUNT NO.**

**APPROVED:** \_\_\_\_\_ MIS

Reimbursement total \$4,224.35.

**ENVIRONMENTAL REVIEW:**

This is not a project and, therefore, not subject to environmental review.

**ORDINANCE:** INTRODUCTION:  FINAL ADOPTION:

**STAFF RECOMMENDATION:**

Ratification of reimbursement in the amount of \$4,224.35.

**BOARD / COMMISSION RECOMMENDATION:**

N/A

**ATTACHMENTS:**

Successor Agency Warrant Register #16



**SUCCESSOR AGENCY  
WARRANT REGISTER #16  
10/15/2013**

<u>PAYEE</u>	<u>DESCRIPTION</u>	<u>CHK NO</u>	<u>DATE</u>	<u>AMOUNT</u>
BEST BEST & KRIEGER ATTN LAW	LEGAL / COMM YOUTH ATHLETIC CENTER	309400	10/15/13	4,224.35

A/P Total \$ 4,224.35

GRAND TOTAL \$ 4,224.35

**SUCCESSOR AGENCY TO  
THE COMMUNITY DEVELOPMENT COMMISSION  
AS THE NATIONAL CITY REDEVELOPMENT AGENCY  
AGENDA STATEMENT**

**MEETING DATE:** November 19, 2013

**AGENDA ITEM NO.** |

**ITEM TITLE:**

Successor Agency Warrant Register #17 for the period of 10/16/13 through 10/22/13 in the amount of \$64,039.91. (Finance)

**PREPARED BY:** K. Apalategui  
**PHONE:** 619-336-4572

**DEPARTMENT:** Finance

**APPROVED BY:** Mark R. [Signature]

**EXPLANATION:**

Pursuant to ABX1 26, all redevelopment agencies in the State of California were dissolved as of February 1, 2012. Upon dissolution of the City of National City's Redevelopment Agency, the City assumed the role of Successor Agency to the Community Development Commission as the National City Redevelopment Agency ("Successor Agency").

In order to streamline the payment process, the City pays all expenses of the Successor Agency. The Successor Agency then reimburses the City.

Attached is a detailed listing of all Successor Agency warrants, totaling \$64,039.91, paid with City funds. Staff requests approval of reimbursement of the Successor Agency expenses.

**FINANCIAL STATEMENT:**

**APPROVED:** Mark R. [Signature] Finance

**ACCOUNT NO.**

**APPROVED:** \_\_\_\_\_ MIS

Reimbursement total \$64,039.91.

**ENVIRONMENTAL REVIEW:**

This is not a project and, therefore, not subject to environmental review.

**ORDINANCE:** INTRODUCTION:  FINAL ADOPTION:

**STAFF RECOMMENDATION:**

Ratification of reimbursement in the amount of \$64,039.91.

**BOARD / COMMISSION RECOMMENDATION:**

N/A

**ATTACHMENTS:**

Successor Agency Warrant Register #17



**SUCCESSOR AGENCY  
WARRANT REGISTER #17  
10/22/2013**

<u>PAYEE</u>	<u>DESCRIPTION</u>	<u>CHK NO</u>	<u>DATE</u>	<u>AMOUNT</u>
BEST BEST & KRIEGER ATTN LAW	LEGAL / COMM YOUTH ATHLETIC CENTER	309510	10/22/13	39,091.17
CHRISTENSEN & SPATH LLP	LEGAL / MORGAN SQUARE	309511	10/22/13	10,878.41
COUNTY OF SAN DIEGO	DOCUMENT REVIEW & CORRESPONDENCE	309512	10/22/13	497.00
EDCO DISPOSAL CORPORATION	WASTE DISPOSAL SERVICES / S A	309513	10/22/13	110.23
KANE BALLMER & BERKMAN	LEGAL / SUCCESSOR AGENCY OPERATIONS	309514	10/22/13	292.50
MAZZARELLA LORENZANA LLP	LEGAL / ROSENOW, SPEVACEK GROUP, INC	309515	10/22/13	272.85
NBS	LANDSCAPE MAINTENANCE DISTRICT 1	309516	10/22/13	1,668.12
OPPER & VARCO LLP	LEGAL / WITOD	309517	10/22/13	2,925.00
NATIONAL CITY HISTORICAL SOCIE	PER TERMS OF LEASE AGREEMENT	309546	10/22/13	5,000.00
PRO BUILD	MOP 45707 SMALL TOOLS	309555	10/22/13	1,766.22
SD COUNTY TREASURER	POSSESSORY INTEREST	309562	10/22/13	1,538.41

A/P Total \$ 64,039.91

**GRAND TOTAL** \$ 64,039.91

**THE SUCCESSOR AGENCY TO  
THE COMMUNITY DEVELOPMENT COMMISSION  
AS THE NATIONAL CITY REDEVELOPMENT AGENCY  
AGENDA STATEMENT**

**MEETING DATE:** November 19, 2013

**AGENDA ITEM NO.**

**ITEM TITLE:** Report to Council

**PREPARED BY:** Brad Raulston

**DEPARTMENT:** Successor Agency

**PHONE:** Ext. 4256

**APPROVED BY:** 

**EXPLANATION:**

Report to Council regarding:  
State of California - Asset Transfer Review Report (1/1/11 – 1/31/12)  
Letter from DOF- ROPS 13-14B  
Discussions regarding LMHIF demand letter  
Property Management Plan status report

**FINANCIAL STATEMENT:**

**APPROVED:** \_\_\_\_\_ Finance

**ACCOUNT NO.**

**APPROVED:** \_\_\_\_\_ MIS

N/A

**ENVIRONMENTAL REVIEW:**

N/A

**ORDINANCE:** INTRODUCTION:  FINAL ADOPTION:

**STAFF RECOMMENDATION:**

**BOARD / COMMISSION RECOMMENDATION:**

N/A

**ATTACHMENTS:**

1. State of California - Asset Transfer Review Report dated Jan 1, 2011 – Jan 31, 2012
2. DOF Letter – ROPS 13-14B dated Nov 8, 2013

**COMMUNITY DEVELOPMENT  
COMMISSION AS THE NATIONAL  
CITY REDEVELOPMENT AGENCY**

**ASSET TRANSFER REVIEW**

Review Report

*January 1, 2011, through January 31, 2012*



**JOHN CHIANG**  
California State Controller

November 2013



**JOHN CHIANG**  
**California State Controller**

November 12, 2013

Leslie Deese, City Manager  
National City Redevelopment/Successor Agency  
City Hall, 1243 National City Boulevard  
National City, CA 91950

Dear Ms. Deese:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Community Development Commission, as the National City Redevelopment Agency (RDA), to the City of National City (City) or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether it should be turned over to the Successor Agency.

Our review applied to all assets including, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City or any other public agencies have been reversed.

Our review found that the RDA transferred \$70,736,106 in assets after January 1, 2011, including unallowable transfer of assets to the housing entity totaling \$8,166,792, or 11.55%, that must be turned over to the Successor Agency.

However, on September 25, 2013, the Oversight Board approved the transfer of housing assets to the entity assuming the housing functions. Therefore no further action is needed.

If you have any questions, please contact Steven Mar, Bureau Chief, Local Government Audits Bureau by phone at (916) 324-7226.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/kw

Attachment



cc: Ron Morrison, Oversight Board Chair  
National City Redevelopment/Successor Agency  
Tracy M. Sandoval, Auditor-Controller  
County of San Diego  
David Botelho, Program Budget Manager  
California Department of Finance  
Richard J. Chivaro, Chief Legal Counsel  
State Controller's Office  
Steven Mar, Bureau Chief  
Division of Audits, State Controller's Office  
Betty Moya, Audit Manager  
Division of Audits, State Controller's Office  
Matthew Rios, Auditor-in-Charge  
Division of Audits, State Controller's Office  
Nesha Neycheva, Auditor  
Division of Audits, State Controller's Office

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## **Review Report**

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# Asset Transfer Review Report

## Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Community Development Commission, as the National City Redevelopment Agency (RDA), after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the RDA transferred \$70,736,106 in assets after January 1, 2011, including unallowable transfer of assets to the housing entity totaling \$8,166,792, or 11.55%, that must be turned over to the Successor Agency.

However, on September 25, 2013, the Oversight Board approved the transfer of housing assets to the entity assuming the housing functions. Therefore no further action is needed.

## Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA Successor Agencies to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety Code (H&S Code) beginning with section 34161.

In accordance with the requirements of H&S Code section 34167.5, the State Controller is required to review the activities of RDAs, "to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency, or any other public agency, and the redevelopment agency," and the date on which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO has identified transfers of assets that occurred after January 1, 2011, between the RDA, the City of National City, and/or other public agencies. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal order to ensure compliance with this order.

### **Objective, Scope, and Methodology**

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the RDA, the City, City Council of National City, and the entity assuming the housing functions.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

### **Conclusion**

Our review found that the RDA transferred \$70,736,106 in assets after January 1, 2011, including unallowable transfer of assets to the housing entity totaling \$8,166,792, or 11.55%, that must be turned over to the Successor Agency.

However, on September 25, 2013, the Oversight Board approved the transfer of housing assets to the entity assuming the housing functions. Therefore, no further action is needed.

Details of our finding are in the Finding and Order of the Controller section of this report.

### **Views of Responsible Official**

We issued a draft review report on August 27, 2013. Leslie Deese, City Manager, responded by letter dated September 12, 2013, disagreeing with the review results. The City's response is included in this final review report.

**Restricted Use**

This report is solely for the information and use of the Community Development Commission as the National City Redevelopment Agency, the City of National City, the entity assuming the housing functions, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

November 12, 2013

## Finding and Order of the Controller

**FINDING—  
Unallowable asset  
transfers to the  
entity assuming the  
housing functions**

The Community Development Commission, as the National City Redevelopment Agency (RDA), made unallowable transfers of housing assets totaling \$8,166,792, to the entity assuming the housing functions. The asset transfers occurred during the period of January 1, 2011, through January 31, 2012, and the assets were not contractually committed to a third party prior to June 28, 2011.

On February 1, 2012, the RDA transferred housing assets of \$39,142 in accounts receivable, \$7,767,650 in loans receivable, and \$360,000 in land held for resale to the entity assuming the housing functions.

Pursuant to Health and Safety (H&S) Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. Those assets should be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177 (d) and (e).

H&S Code section 34175(b) states that all assets, properties, contracts, leases, books and records, buildings, and equipment of the former RDA are transferred on February 1, 2012, to the control of the Successor Agency, for administration pursuant to the provisions of this part. This includes all cash or cash equivalents and amounts owed to the RDA as of February 1, 2012. Pursuant to H&S Code section 34175(b), the RDA was required to transfer all assets, including housing assets, to the Successor Agency.

H&S Code section 34177(e) states that the “Successor Agency is to dispose of all former RDA assets “. . . as directed by the oversight board. . .” Also, pursuant to H&S Code section 34177(g) the Successor Agency is to “effectuate transfer of housing functions and assets to the appropriate entity designated pursuant to Section 34176.” However, H&S Code section 34181(c) requires the Oversight Board to direct the Successor Agency to transfer housing assets to the appropriate entity pursuant to Section 34176.

### Order of the Controller

Based on H&S Code section 34167.5, the entity assuming the housing functions is ordered to reverse the transfer of the assets in the amount of \$8,166,792, and turn over the assets to the Successor Agency. The Successor Agency is directed to properly dispose of those assets in accordance with H&S Code sections 34177(d) and (e) and 34181(c).

### City’s Response

The National City Successor Agency contends that no unallowable transfers were made during the January 1, 2011 to January 31, 2012 time period, and in fact, the reference transfers shown on February 1, 2012 were in compliance with the RDA dissolution legislation.

Further, the Successor Agency states that it “inadvertently overlooked the requirements of Health & Safety Code Section 34181(c). . . .”

In addition, after the Successor Agency submitted the Housing Asset Transfer List to the Department of Finance, it states that “the DOF did not object to any of the asset transfers identified on the form.”

The Successor Agency describes how transferring the assets to a separate fund associated with the Housing Authority would be simpler and cleaner in its general ledger than doing a two-step process of moving assets into a Successor Agency fund and then to the Housing Authority fund. In addition, the Successor Agency intends to bring this matter to the Oversight Board and request ratification of the transfer to the Housing Authority.

See Attachment for details of the City’s response.

SCO’s Response

The SCO disagrees with the City that no unallowable transfers were made during January 1, 2011, to January 31, 2012. However, subsequent to the City’s response, the Oversight Board approved the transfer of housing assets to the entity assuming the housing functions.

The City sent a copy of Resolution 2013-09, dated September 25, 2013, whereby the Successor Agency Oversight Board approved and ratified the transfer of the housing functions, assets, and obligations from the Successor Agency to the entity assuming the housing functions.

Note that the Department of Finance (DOF) must approve the Oversight Board’s decision in this matter. If the DOF does not approve this decision, then the City is ordered to transfer the assets to the Successor Agency pursuant to H&S Code section 34167.5.

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**Schedule 1—  
RDA Asset Transfers to  
the Entity Assuming the Housing Functions  
January 1, 2011, through January 31, 2012**

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Unallowable transfers to the entity assuming housing functions:	
Accounts receivable	\$ 39,142
Loans receivable	7,767,650
Land held for resale	<u>360,000</u>
Total unallowable transfers to the entity assuming housing functions	8,166,792
Less Oversight Board approval on September 25, 2013	<u>(8,166,792)</u>
Total Transfers Subject to Health and Safety Code section 34167.5	<u>\$ —</u>



**Attachment—  
National City's Response to  
Draft Review Report**

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September 12, 2013

Steven Mar, Chief  
Local Government Audits Bureau  
State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874

Dear Mr. Mar,

This letter is in response to your request for comments on the letter and accompanying "Asset Transfer Review" dated August 27, 2013 and received by our office on September 3, 2013.

The Asset Transfer Review concluded that the National City Redevelopment Agency made unallowable transfers of assets to the entity assuming the housing functions totaling \$8,166,792 between January 1, 2011 and January 31, 2012. The report goes on to say that these transfers occurred on February 1, 2012, which is one day after the time period cited and the first day of existence for the Successor Agency. The National City Successor Agency contends that no unallowable transfers were made during the January 1, 2011 to January 31, 2012 time period, and in fact, the referenced transfers shown on February 1, 2012 were in compliance with the RDA dissolution legislation. Further, it appears that the Controller's Office relied solely on reports from the Agency's general ledger to reach the conclusion that an unallowable transfer occurred. Unfortunately, the general ledger does not tell the complete story and appears instead to have caused unintentional confusion.

The National City Successor Agency took action pursuant to HSC sections 34176(a) (1) and (2) and 34177(g), but inadvertently overlooked the requirements of Health & Safety Code section 34181(c), which calls for the Oversight Board to direct the Successor Agency to transfer housing assets to the appropriate entity. On June 19, 2012 the Successor Agency approved actions to effectuate the transfer of housing functions, assets and obligations of the Successor Agency to the Housing Authority of the City of National City. The Housing Asset Transfer List was prepared using the form prescribed by the Department of Finance (DOF) and submitted to the DOF on July 31, 2012. In a letter dated September 11, 2012, the DOF did not object to any of the asset transfers identified on the form. Thereafter, the assets were deemed to be transferred.

Both of these documents were provided to the Controller's Office as part of the Asset Transfer Review.

As the City worked through the complexities of the mid-fiscal year dissolution of the RDA, decisions were made upon the advice of the City's outside auditor about how to transition the assets and liabilities as shown in the general ledger from the RDA to the Successor Agency and the Housing Authority. New funds and accounts had to be created and old ones closed out, which could not happen overnight, and many ledger entries had to be reviewed and reclassified to the new funds in the process. It was determined that even though the transfer of the housing assets was completed in September 2012 (as described above), it would be simpler and cleaner in the general ledger to reflect the housing assets in a separate fund associated with the Housing Authority as of February 1, 2012 to coincide with the commencement date of the Successor Agency rather than doing a two-step process of moving them into a Successor Agency fund and then to the Housing Authority fund. Further, the language in HSC section 34176 (a) (1) seemed to support that decision: the City had elected to retain and perform the housing functions of the RDA and therefore the housing assets "shall be transferred to the city."

The National City Successor Agency believes that the intent of the RDA dissolution legislation has been met, and therefore no reversal of the transfer is required. The Successor Agency will, however, bring this matter to the Oversight Board's attention and request ratification of the transfer of the specified housing assets to the Housing Authority.

Sincerely,



Leslie Deese  
City Manager

cc: Mayor/City Councilmembers  
Claudia Silva, City Attorney  
Brad Raulston, Executive Director  
Janel Pehau

**State Controller's Office  
Division of Audits  
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EDMUND G. BROWN JR. • GOVERNOR

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November 8, 2013

Mr. Brad Raulston, Executive Director  
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 National City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 26, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 for the reasons specified:

- Item No. 65 – Aquatic Center Improvements in the amount of \$2,137,561 funded with bond proceeds is not an enforceable obligation at this time. Pursuant to HSC section 34191.4 (c), your request to use bond funds for these obligations may be allowable once the Agency receives a Finding of Completion from Finance.
- Item Nos. 86 – Loans totaling 420,000 from Sewer Fund. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (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 is not associated with the issuance of debt. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Funds (RPTTF).

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 this item to be enforceable in future ROPS periods.

- Item No. 99 – Community Youth Athletic Center v. Community Development Commission Litigation in the amount of \$2,000,000. HSC section 34171 (d) defines enforceable obligations and does not recognize reserves set aside as enforceable obligations other than for bond indebtedness. As the Agency appealed the decision and

a final decision has not been entered by the court as required by HSC section 34171 (d) (1) (D), pending court rulings do not meet the definition of an enforceable obligation. Therefore, the \$2,000,000 requested for reserve balances is not enforceable and not eligible for funding at this time. Once a final decision has been entered by the court, the Agency may request the necessary funding for this item in the appropriate ROPS period.

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 county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the below table 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, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$7,155,513 as summarized on next page:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	9,527,938
Total RPTTF requested for administrative obligations	506,989
<b>Total RPTTF requested for obligations</b>	<b>\$ 10,034,927</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>9,527,938</b>
<b>Denied Items</b>	
Item No. 86	(420,000)
Item No. 99	(2,000,000)
<b>Total RPTTF approved for non-administrative obligations</b>	<b>7,107,938</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>506,989</b>
<b>Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)</b>	<b>377,431</b>
<b>Total RPTTF approved for obligations</b>	<b>7,485,369</b>
ROPS III prior period adjustment	(329,856)
<b>Total RPTTF approved for distribution</b>	<b>\$ 7,155,513</b>
<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 13-14A (July through December 2013)	7,371,242
Total RPTTF for 13-14B (January through June 2014)	7,107,938
Less approved unfunded obligations from prior periods	(1,898,158)
<b>Total RPTTF for fiscal year 2013-14</b>	<b>\$ 12,581,022</b>
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	377,431
Administrative allowance for 13-14A (July through December 2013)	0
<b>Allowable RPTTF distribution for administrative cost for ROPS 13-14B</b>	<b>\$ 377,431</b>

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/).

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination

Mr. Brad Raulston  
November 8, 2013  
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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 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 Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

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