DEPARTMENT OF FINANCE

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April 14, 2014

Ms. Kymberly Horner, Interim Redevelopment Services Manager
Community Development Commission
214 South C Street
Oxnard, CA 93030

Dear Ms. Horner:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Oxnard Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 28, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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. 1 – CCRP Tax Allocation Refunding Bond 2004 in the amount of $1,109,424. According to the Agency's ROPS submittal, the amount requested, approved, and funded for this item on the January through June 2014 ROPS (ROPS 13-14B) covered the March, 2014 and September, 2014 debt service payments of both principal and interest. Since the debt service payment for September, 2014 has already been funded and should have been transferred to the debt service fund for the bond year, this item is not eligible for additional Redevelopment Property Tax Trust Funds (RPTTF) at this time.

- Item 12 – McGrath Wheel Chair Lift in the amount of $66,684. This obligation was funded with ROPS 13-14B. Therefore, it is not eligible for additional RPTTF funding.

- Item No. 17 – HERO Tax Allocation Bond 2006 in the amount of $537,604. According to the Agency's previous ROPS submittal, the amount requested, approved, and funded for this item covered the March, 2014 and September, 2014 debt service payments of both principal and interest. Since the debt service payment for September, 2014 has already been funded through ROPS 13-14B, and should have been transferred to the debt service fund for the bond year, this item is not eligible for additional RPTTF at this time.

- Item No. 18 – HERO Tax Allocation Bond 2008 in the amount of $486,519. According to the Agency's previous ROPS submittal, the amount requested, approved, and funded for this item covered the March, 2014 and September, 2014 debt service payments of both principal and interest. Since the debt service payment for September, 2014 has already

been funded through ROPS 13-14B and should have been transferred to the debt service fund for the bond year, this item is not eligible for additional RPTTF at this time.

- Item 42 – South Oxnard Library in the amount of $330,000. This is not an obligation of the Agency. It is our understanding the agreement and the two succeeding amendments to that agreement are between the City of Oxnard (City) and Gibbs, Giden, Locher, Turner, & Senet, LLP. The former redevelopment agency (RDA) or the Agency is not a parties to the contract. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF.

- Item No. 48 – Ormond Beach Tax Allocation Bond 2006 in the amount of $251,086. According to the Agency's previous ROPS submittal, the amount requested, approved, and funded for this item covered the March, 2014 and September, 2014 debt service payments of both principal and interest. Since the debt service payment for September, 2014 has already been funded through ROPS 13-14B and should have been transferred to the debt service fund for the year, this item is not eligible for additional RPTTF at this time.

- Item No. 50 – Southwinds Tax Allocation Bond 2006 in the amount of $148,355. According to the Agency's previous ROPS submittal, the amount requested, approved, and funded for this item covered the March, 2014 and September, 2014 debt service payments of both principal and interest. Since the debt service payment for September, 2014 has already been funded through ROPS 13-14B and should have been transferred to the debt service fund for the bond year, this item is not eligible for additional RPTTF at this time.

- Item 87 – CCRP City Advances Long Term in the amount of $7,169,404. City loan repayment in the amount of $7,169,404 is partially approved. The Agency received a Finding of Completion on June 4, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Additionally, HSC section 34191.4 (b) (2) (A) specifies 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.

  According to the County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2013-14 are $1,704,749 and $3,629,400, respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for the 2014-15 fiscal year is $962,326. Therefore, of the $7,169,404 requested, $6,207,078 of excess loan repayment is not eligible for funding on this ROPS. The Agency may be eligible for additional funding beginning ROPS 15-16A.

- Item 88 – Downtown City Advance Long Term Loan in the amount of $347,846. As noted above, the maximum loan repayment amount authorized for the 2014-15 fiscal year is $962,326. Since the City loan for Item No. 87 was funded for the maximum repayment amount authorized for fiscal year 2014-15, this payment request is not

eligible for funding on this ROPS. The Agency may be eligible for additional funding on future ROPS.

- Item 89 – CCRP City Advances Property Acquisition in the amount of $2,013,844. As noted above, the maximum loan repayment amount authorized for the 2014-15 fiscal year is $962,326. Since the City loan for Item No. 87 was funded for the maximum repayment amount authorized for fiscal year 2014-15, this payment request is not eligible for funding on this ROPS. The Agency may be eligible for additional funding on future ROPS.

  In addition, for Item Nos. 87, 88, and 89, the outstanding balance for each City loan is overstated. Pursuant to HSC section 34191.4 (b) (2), the recalculation of the accumulated interest from loan origination is not to exceed the interest rate earned by funds deposited in the Local Agency Investment Fund (LAIF). The Agency's loan agreement uses the LAIF rate in effect at the time the interest is calculated which varies by year. However, the accumulated interest on the loan should be recalculated using the LAIF interest rate at the time when the Agency's Oversight Board makes a finding the loan was for legitimate redevelopment purposes. Since the amount requested for this ROPS period does not exceed the repayment formula outlined in HSC section 34191.4 (b) (2) (A), Finance is approving the amount requested. The Agency should recalculate the interest using the LAIF interest rate at the time the Agency's Oversight Board made the finding the loan was for legitimate redevelopment purposes and reflect the reduction to the loan's outstanding balance in subsequent ROPS submittals.

- Item 90 – Heritage Square Programs in the amount of $180,000. Of the total obligation, $108,000 represents past due amounts owed to Gary Blum, an individual that completed property repair work on Agency owned buildings. The invoices date back to the 2009-10 fiscal year. However, the Agency could not provide documentation to support these obligations are still outstanding.

  The remaining request of $72,000 is for future repair work on Agency owned buildings at Heritage Square. However, the Agency could not provide documentation to support the future cost of repair work.

  Therefore, the total amount requested is not eligible for funding at this time.

- Item 91 – Unfunded Prior Year Pass-Through Obligations in the amount of $56,670. This obligation of past due pass-through payments to the Ventura County Community College District is still under investigation by the Agency in order to determine its validity. Until sufficient documentation is provided to demonstrate that the amount is Agency's obligation, this item is not an enforceable obligation and is not eligible for RPTTF.

- Item 92 – Settlement in the amount of $125,000. This is a litigation settlement between the City of Oxnard and a former employee. The Agency is not a party to the agreement. Therefore, this is not an enforceable obligation and is not eligible for RPTTF funding.

- Administrative Costs Exceeds Allowance. Claimed administrative costs exceed the allowance by $410,743. HSC section 34171 (b) limits fiscal year administrative expenses to three percent of property tax allocated to the successor agency or $250,000, whichever is greater. As a result, the Agency is eligible for $250,000 in administrative expenses. Therefore $410,743 ($660,743 -$250,000) of excess administrative cost is not allowed.

Additionally, finance requested documentation for Item Nos. 73, 74 and 75 for various bond funded projects totaling $9,865,515. The Agency received a Finding of Completion on June 4, 2013 and is allowed to expend pre-2011 bond proceeds consistent with the bond covenant. However, it is unclear whether the Agency has entered into a bond funding agreement with the City of Oxnard (City), who is listed as a payee. The transfer of the bond proceeds may take place once an Excess Bond Proceeds Funding Agreement is in place between the Agency and the City and approved by the oversight board and Finance.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below only includes the prior period adjustment self-reported by the Agency and the following adjustment made by Finance.

Based on our review of the Agency's prior period adjustment (PPA) reporting, we noted that the Agency reported Available Non-Admin RPTTF balances as $4,428,773 and Available Admin RPTTF balances as $250,000. However, the RPPTF distribution for ROPA 13-14A per the County Auditor-Controller report was $7,184,855 for the $8,141,632 Finance authorized obligations. As a result of our review, Finance is hereby adjusting the PPA reported on the ROPS14-15A form by $2,742,266 to accurately reflect actual funding available and actual amounts spent as reported by the Agency. Since the Agency did not receive the total amount authorized to cover administrative costs claimed, only Non-Admin RPTTF actual expenditures were used to calculate the PPA. The total PPA, as calculated by Finance is $2,744,396.

Except for items denied in whole or in part as enforceable obligations or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $1,858,068 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		15,982,554
Total RPTTF requested for administrative obligations		660,743
Total RPTTF requested for obligations	**$**	**16,643,297**
Total RPTTF requested for non-administrative obligations		**15,982,554**
Denied Items		
Item No. 1		(1,109,424)
Item No. 12		(66,664)
Item No. 17		(537,604)
Item No. 18		(486,519)
Item No. 42		(100,000)
Item No. 48		(251,086)
Item No. 50		(148,355)
Item No. 87		(6,207,078)
Item No. 88		(347,846)
Item No. 89		(2,013,844)
Item No. 90		(180,000)
Item No. 91		(56,670)
Item No. 92		(125,000)
		(11,630,090)
Total RPTTF authorized for non-administrative obligations	**$**	**4,352,464**
Total RPTTF requested for administrative obligations		**660,743**
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(410,743)
Total RPTTF authorized for administrative obligations	**$**	**250,000**
Total RPTTF authorized for obligations	**$**	**4,602,464**
Self-reported ROPS 13-14A prior period adjustment (PPA)		(2,130)
Finance adjustment to ROPS 13-14A PPA		(2,742,266)
Total ROPS 13-14A PPA		(2,744,396)
Total RPTTF approved for distribution	**$**	**1,858,068**
Administrative Cost Cap Calculation		
Total RPTTF authorized for non-administrative obligations		4,352,464
Percent allowed pursuant to HSC section 34171 (b)		3%
Total RPTTF allowable for administrative obligations		**130,574**
Total RPTTF requested		660,743
Administrative costs in excess of the cap	**$**	**410,743**

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. During the ROPS 14-15A 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 14-15A 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 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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 Beliz Chappuie, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. James Cameron, Chief Finance Officer, City of Oxnard
Ms. Sandra Bickford, Chief Deputy, Ventura County
California State Controller's Office