



May 16, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2014. 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 Finance on February 28, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 14, 2014. 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 May 6, 2014.

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 item being disputed.

- For Item Nos. 87, 88, and 89, the Agency contested the outstanding balance for each City loan as determined by Finance. 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) 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. Finance will continue to work with the Agency to determine the outstanding loan balances.
- Item 90 – Heritage Square Programs in the amount of \$180,000. Finance continues to deny this item. Of the total obligation, \$108,876 represents past due amounts for work performed between July 2009 and June 2010 and remains denied. The Agency claims this amount could not be paid to the contractor when invoiced because the contractor did not maintain insurance as prescribed in the contract qualifying as a material breach of contract pursuant to section 21 of the contract. The Agency further claims that the amount must be paid in order for the Agency to procure future services from this contractor. During the meet and confer, the Agency provided the contract between the former redevelopment agency and the third party; however, the agreement terminated in June 2009, prior to the completion of work the Agency is requesting funding for. In addition, the total contract was not to exceed \$97,686.

The remaining request of \$71,124 is for future repair work on Agency owned buildings at Heritage Square is approved. During the meet and confer the Agency provided notices from Heritage Square POA dated April 7, 2014 identifying cosmetic repairs requiring attention. Although requested, the Agency did not provide any additional support for the estimated amount requested; therefore, when reporting the actual expenditures incurred on the ROPS 15-16A form, the Agency should be able to demonstrate that the costs incurred are related to property maintenance. Any costs incurred for property maintenance may be disallowed and added to the prior period adjustment as funds available for expenditure on a future ROPS.

Finally, we note that the Agency's properties located at Heritage Square are either occupied or rented out for special events and it is unclear why the revenues derived from the property are not being requested for maintenance and are not being reported on the Report of Cash Balances. Finance will work with the Agency on future ROPS to ensure revenues from Agency owned properties are properly listed on the Report of Cash Balances.

In addition, per Finance's letter dated April 14, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- 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.

- 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.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,929,192 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
<u>Denied Items</u>	
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	(108,876)
Item No. 91	(56,670)
Item No. 92	(125,000)
	(11,558,966)
Total RPTTF authorized for non-administrative obligations	\$ 4,423,588
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	\$ 4,673,588
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	\$ 1,929,192
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>

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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, 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