



April 10, 2014

Mr. Robert J Bravo, Finance Director
City of Port Hueneme
250 North Ventura Road
Port Hueneme, CA 93041

Dear Mr. Bravo:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Port Hueneme Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 25, 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. 7 – Low and Moderate Income Housing Debt (ERAF) in the amount of \$192,717. Pursuant to HSC section 34171 (d) (1) (G), amounts borrowed from, or payments owing to the Low and Moderate Income Housing (LMIHF) are enforceable obligations, provided the Agency's Oversight Board approves a repayment schedule. To date, Finance has not been notified of the oversight board action authorizing such repayment schedule; therefore, this ROPS item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time. Once the oversight board approves the repayment schedule and the corresponding OB action is approved by Finance, the Agency may request funding for this item on future ROPS.
- Item No. 8 – Low and Moderate Income Housing Fund Debt in the amount of \$2,283,625. Pursuant to HSC section 34171 (d) (1) (G), amounts borrowed from, or payments owing to the LMIHF are enforceable obligations, provided the Agency's Oversight Board approves a repayment schedule. To date, Finance has not been notified of the oversight board action authorizing such repayment schedule; therefore, this ROPS item is not eligible for RPTTF funding at this time. Once the oversight board approves the repayment schedule and the corresponding OB action is approved by Finance, the Agency may request funding for this item on future ROPS.
- Item No. 27 - Beach Rehabilitation Project in the amount of \$500,000. The agency had changed the title for Item No. 27 from the previous title of "Sports Courts" to "Beach Rehabilitation". For consistency in the Finance database, Finance restored the original

title and added Item No. 29 Beach Rehabilitation to continue in sequential order and to maintain historical records.

In addition, the Agency requests \$300,000 of Reserve Balance for the Beach Rehabilitation Project in error; per Agency's request Finance is reclassifying \$300,000 from Reserve Balance to Bond Proceeds.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Reserve Balances totaling \$586,136.

Therefore, with the Agency's concurrence, the funding source for the following items have been reclassified to Reserve Balances in the amounts specified below:

- Item No. 3 – 2004 Tax Allocation Refunding Bonds. The Agency requested \$236,464 of RPTTF; however, Finance is reclassifying \$81,567 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require full payment from property tax revenues and the Agency has \$81,567 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of \$154,897 and the use of Reserve Balances in the amount of \$81,567, totaling \$236,464.
- Item No. 5 – NCEL - Promissory Note No. 1. The Agency requested \$504,569 of RPTTF; however, Finance is reclassifying \$504,569 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$504,569 in available Reserve Balances.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A 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 that the 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 includes only the prior period adjustment self-reported by the Agency.

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 RPTTF distribution for the reporting period is \$365,546 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	1,237,052
Total RPTTF requested for administrative obligations	125,000
Total RPTTF Requested for obligations	\$ 1,362,052
Total RPTTF requested for non-administrative obligations	1,237,052
<u>Denied Items</u>	
Item No. 7	(100,000)
Item No. 8	(285,433)
	(385,433)
Total RPTTF for non-administrative obligations	851,619
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 3	(81,567)
Item No. 5	(504,569)
	(586,136)
Total RPTTF authorized for non-administrative obligations	\$ 265,483
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 390,483
ROPS 13-14A prior period adjustment	(24,937)
Total RPTTF approved for distribution	\$ 365,546

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.

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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: Ms. Carmen Nichols, Assistant City Manager, City of Port Hueneme
Ms. Sandra Bickford, Chief Deputy, Ventura County
California State Controller's Office