DEPARTMENT OF FINANCE

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November 6, 2013

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 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 Nos. 7 and 8 – Low and Moderate Income Housing Debt in the amount of $385,433. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the Low and Moderate Income Housing Fund (LMIHF) shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14B falls within fiscal year 2013-14, the repayment of these loaned amounts is subject to the formula outlined in HSC section 34176 (e) (6) (B).

  HSC section 34176 (e) (6) (B) allows the maximum repayment amount to be equal to one-half of the increase between the ROPS residual amounts distributed to the taxing entities in that fiscal year and the ROPS amounts distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of LMIHF loans beginning with ROPS 14-15A.

- Item No. 13 – Although enforceable, contract for legal services in the amount of $5,000 is considered general administrative costs and has been reclassified. Administrative costs claimed for Redevelopment Property Tax Trust Fund (RPTTF) exceed the allowance by $5,000. HSC section 34171 (b) limits the 2013-14 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater.

Allowable administrative cost amount for fiscal year 2013-14	$250,000
Administrative costs distributed for July through December 2013	125,000
Administrative costs claimed for January through June 2014	130,000
Overage	$5,000

- Item Nos. 27 and 28 – Bond funded projects in the amount of $700,000. The Agency received a Finding of Completion on May 24, 2013 and can now utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. However, the Agency requested 100 percent of the total obligation for each of the projects listed and was not able to support the amounts requested. HSC section 34177 (l) (3) states that the Recognized Obligation Payment Schedule shall be forward looking to the next six months. Therefore, bond funding is not approved at this time.

For funding sources other than RPTTF, Finance made adjustments to the Prior Period Adjustments form to ensure consistency with the funding sources and amounts approved by Finance. HSC Section 34177 (a) (3) states that the Agency can only make payments listed on the ROPS, from the funds listed and authorized by Finance. In addition, adjustments were made to the Fund Balances form based upon information provided by the Agency during our review. Although these adjustments have no effect on the amount of RPTTF the Agency receives, they will affect the Agency's fund balances for the funds sources involved.

Our review noted that the authorized amounts on the Prior Period Adjustments tab for several items were more than the ones approved by Finance. Therefore, Finance made the following adjustments:

- Item No. 5 – NCEL – Promissory Note #1 in the amount of $200,000 should be $150,000; therefore, it was reduced by $50,000.

- Item No. 6 – Fiscal Agent Fees in the amount of $20,000 should be $10,000; therefore, it was reduced by $10,000.

- Item No. 9 – Repairs and Maintenance in the amount of $24,000 should be $12,000; therefore, it was reduced by $12,000.

- Item No. 11 – Contract Services in the amount of $30,000 should be $15,000; therefore, it was reduced by $15,000.

- Item No. 12 – Repairs and Maintenance in the amount of $6,000 should be $3,000; therefore, it was reduced by $3,000.

- Item No. 13 – Contract Services in the amount of $90,000 should be $45,000; therefore, it was reduced by $45,000.

- Item No. 14 – Contract Services in the amount of $36,000 should be $18,000; therefore, it was reduced by $18,000.

- Item Nos. 15 through 26 – Authorized Administrative Allowance in the amount of $250,000 should be $85,030; therefore, it was reduced by $51,940.

- Item No. 28 – Administration Fees Ventura County in the amount of $103,000 should be $0 (zero); therefore, was reduced by $103,000.

Based upon a review of the Fund Balances form, the following adjustment was made:

- Beginning Available Fund Balance (Actual 01/01/13) – Bonds Issued on or before December 31, 2010 in the amount of $0 (zero) should be $1,796,666.

Pursuant to HSC Section 34186 (a), successor agencies were required to report 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. 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 Finance's adjustments resulting from the review of the prior period adjustment that was self-reported by the Agency.

Except for 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/

The Agency's maximum approved RPTTF distribution for the reporting period is $2,083,775 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	2,405,117
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	**$ 2,530,117**
Total RPTTF requested for non-administrative obligations	**2,405,117**
Denied Items	
Item No. 7	(100,000)
Item No. 8	(285,433)
	(385,433)
Reclassified Items	
Item No. 13	(5,000)
	(390,433)
Total RPTTF approved for non-administrative obligations	**2,014,684**
Total RPTTF requested for administrative obligations	**125,000**
Reclassified Items	
Item No. 13	5,000
Total RPTTF for administrative obligations	**130,000**
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	**125,000**
Total RPTTF approved for obligations	**2,139,684**
ROPS III prior period adjustment	(55,909)
Total RPTTF approved for distribution	**$ 2,083,775**

Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	587,121
Total RPTTF for 13-14B (January through June 2014)	2,014,684
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	**2,601,805**
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or $250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	125,000
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	**125,000**

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/.

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 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 Beliz Chappuie, Supervisor or Anna Kyumba, 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