



December 17, 2014

Ms. Kymberly Horner, Interim Redevelopment Services Manager
City of Oxnard
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 November 19, 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 14-15B) to Finance on October 6, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 19, 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 December 4, 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 items being disputed.

- Item Nos. 3 and 4 – Downtown Building properties maintenance costs in the amount of \$62,400. Finance continues to deny these items at this time. During the meet and confer, the Agency claimed that extensions for these agreements are slated to be entered into. However, a valid agreement does not exist at this time. To the extent the Agency enters into those contracts, the contracts are approved by the oversight board, and the oversight board resolutions are approved by Finance, the Agency may list these items on future ROPS.
- Item No. 5 – Heritage Square HOA dues in the amount of \$42,995. Finance no longer denies this item. Pursuant to Article 6 of the Declaration of Covenants, Conditions and Restrictions of Heritage Square, each owner shall pay their proportionate share of the in the receipts and common expenses of the Homeowner's Association. We note that the amount requested by the Agency is an estimate of the anticipated costs. As such, the Agency may be required in future ROPS periods to provide supporting documentation for the amounts actually owed by the Agency during the ROPS 14-15B period and paid. A prior period adjustment pursuant to HSC section 34186 (a) may be taken if the amounts expended are not adequately supported.

- Item Nos. 10, 15, 44, 49, 51 – Project Management costs totaling \$348,950. Finance no longer denies these items. Finance originally denied these items because the contracts related to these items expired. However, during the meet and confer the Agency provided additional information and documentation to support that these are employees costs associated with project management. Pursuant to HSC section 34171 (b), the administrative cost allowance shall exclude employee costs associated with work on specific project implementation activities, including project management. Therefore, these items are approved.
- Item No. 12 – McGrath Wheel Chair Lift in the amount of \$71,000. Finance continues to partially approve this item in the amount of \$67,786. Our review indicates that the total contract amount, after two change orders, is for \$86,804. Prior to ROPS 14-15B period the Agency had already expended an amount of \$19,018 for the repairs leaving a balance of \$67,786. While this agreement is an enforceable obligation, the total outstanding obligation amount reported on this ROPS period exceeds the contract amount. We note that pursuant to section 11 of the agreement, the agreement may be amended only by written document signed by both the Agency and the vendor. The Agency did not provide support that the agreement was amended and that the amendment was approved by the oversight board and Finance as required by HSC section 34180. Therefore, \$3,214 (\$71,000 - \$67,786) is not eligible for RPPTF funding at this time.
- Item No. 13 – Heritage Square Facility Rental Program in the amount of \$7,000. Finance no longer denies this item; however, the item is reclassified as an administrative cost. This item was previously denied because Finance determined the contract associated with this item expires December 31, 2014. During the meet and confer, the Agency claimed these are costs associated with maintaining property prior to disposition. Our review of the documentation provided by the Agency to support the estimated cost indicates that these are administrative costs. It is our understanding that some City of Oxnard (City) employees work in the buildings located in Heritage Square. The support provided by the Agency for this item includes telephone and electric bills, which are considered administrative costs. Therefore these items do not constitute costs to maintain property prior to disposition. However, these costs may be paid out of the Agency's administrative cost allowance.
- Item No. 38 – Contract and services totaling \$40,000. Finance continues to deny this item at this time. During the meet and confer, the Agency claimed that an extension for this agreement is slated to be entered into. However, a valid agreement does not exist at this time. To the extent the Agency enters into a contract, the contract is approved by the oversight board, and the oversight board resolution is approved by Finance, the Agency may list this item on a future ROPS.
- Item No. 54 and 55 – Bond Counsel Agency Legal Counsel costs totaling \$160,000. Finance no longer denies these items; however, the items are reclassified as administrative cost. HSC section 34171 (b) allows litigation expenses related to assets or obligations to be funded with property tax outside the administrative cap. However, Item Nos. 54 and 55 relate to general legal representation and not specifically to bringing or contesting a legal action in court; therefore, they are considered administrative costs.

- Item No. 63 – Trustee Services in the amount of \$198,400. Finance no longer denies this item. During the meet and confer, the Agency clarified that these Trustee fees associated with debt service administration. Therefore, the amount requested for ROPS 14-15B totaling \$9,750 are an enforceable obligation and are eligible for RPTTF funding.
- Item No. 67 – Housing Asset List Compliance review in the amount of \$40,000. Finance continues to deny this item. During the meet and confer the Agency claimed these are costs associated with the annual audit of the Agency. However, because the Project Name and Description/Scope of the costs do not tie to the actual obligation, Finance cannot approve this item. The Agency agreed to list this item on a future ROPS under a new line item with the correct Project Name and Description/Project Scope. We note that the Agency may be required to support the estimated amount requested on the future ROPS.
- Item No. 82 – CCRP County Property Tax in the amount of \$6,000. Finance no longer denies this item. During the meet and confer, the Agency clarified that these are property taxes the Agency owes to the County of Ventura. While the Agency generally would not be assessed property tax for properties it owns, part of the building is leased to a retail facility. As such, the Agency, as owner and landlord, is required to pay the property tax. We note that the amount requested by the Agency is an estimate of the anticipated costs. As such, the Agency may be required in future ROPS periods to provide supporting documentation for the amounts actually owed and paid. A prior period adjustment pursuant to HSC section 34186 (a) may be taken if the amounts expended are not adequately supported.
- Item No. 85 – RiverPark Mortgage Reimbursement Legal Counsel cost in the amount of \$75,000. Finance no longer denies this item. The Agency alleges it has been sued by twelve homeowners who purchased homes in the RiverPark Destination project in Oxnard. This item is associated with litigation costs to defend the Agency in the lawsuit. We note that the term of the agreement is through February 12, 2018. HSC section 34171 (b) allows litigation expenses related to assets or obligations to be funded with property tax outside the administrative cap. Therefore, Item 85 is considered an enforceable obligation and the requested \$10,000 for ROPS 14-15B is approved.
- Claimed administrative costs exceed the allowance by \$97,843. HSC section 34171 (b) limits fiscal year 14-15 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 \$299,560 in administrative expenses. The Riverside Auditor-Controller's Office distributed \$250,000, thus leaving a balance of \$42,907 available for the January through June 2015 period (only for ROPS B series). Although \$60,403 is claimed for administrative cost, Finance reclassified Item Nos. 13, 54 and 55 totaling \$87,000. Because only \$42,907 is available pursuant to the cap, \$97,843 of excess administrative cost is not allowed.

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 Other

Funds totaling \$37,785 from rent revenues received between January and June 2014. The Agency claims these funds are not available; however, based on our review they should be.

Therefore, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 24 – HERO River Park. The Agency requests \$292,989 of RPTTF; however, Finance is reclassifying \$37,785 to Other Funds. 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 \$37,785 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$255,204 and the use of Other Funds in the amount of \$37,785, totaling \$292,989.

In addition, per Finance's letter dated November 19, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 6 – CCRP Homeowner Property Dues in the amount of \$43,000. This annual obligation was fully funded during the July through December ROPS period (ROPS 14-15A). Therefore, the item is not eligible for additional Redevelopment Property Tax Trust Funds (RPTTF).
- Item No. 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. The Agency has yet to provide sufficient documentation showing that they are required to repay this amount. To the extent the Agency can provide suitable documentation which shows that the Agency is responsible to repay this amount, the Agency may be able to obtain RPTTF on a future ROPS.
- The following line items have expired contracts or agreements with third parties and are not eligible for funding. The Agency was not able to provide OB resolutions, bid documents, draft or executed contracts to support the requested funding. To the extent the Agency can provide suitable documentation which shows that the obligations have been renewed or extended with Oversight Board (OB) approval, the Agency may be able to obtain RPTTF on future ROPS.
 - Item Nos. 39, 59, 61 – Contract and services totaling \$129,542.
 - Item No. 64 – Arbitrage compliance costs in the amount of \$116,000.
- Item Nos. 62, 68, 83, 84, 92 – Various obligations totaling \$60,000. Finance accepts the Agency's request to remove these items from ROPS 14-15B.

Additionally, Finance requested documentation for Item Nos. 73, 74 and 75 for various bond funded projects totaling \$9,865,315. 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 a Bond Proceeds Funding Agreement is in place between the Agency and the City and is approved by the Oversight Board and Finance.

Review of ROPS 14-15B included Agency's OB Resolution No. 46 approving the retention of R.A. Atmore & Sons for weed abatement and lot clearing services on properties owned by the Agency. Finance approves the agreement, listed as Item No 58 on ROPS 14-15B.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects 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. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for items denied in whole or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$4,162,810 as summarized in the Approved RPTTF Distribution Table on the following page:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	5,923,181
Total RPTTF requested for administrative obligations	60,403
Total RPTTF requested for obligations on ROPS	\$ 5,983,584
Total RPTTF requested for non-administrative obligations	5,923,181
<u>Denied Items</u>	
Item No. 3	(7,200)
Item No. 4	(24,000)
Item No. 6	(43,000)
Item No. 12	(3,214)
Item No. 38	(10,000)
Item No. 39	(7,521)
Item No. 59	(45,000)
Item No. 61	(16,840)
Item No. 62	(10,000)
Item No. 64	(6,000)
Item No. 67	(20,000)
Item No. 68	(25,000)
Item No. 91	(56,670)
	(274,445)
<u>Reclassified Item</u>	
Item No. 13	(7,000)
Item No. 54	(5,000)
Item No. 55	(75,000)
	(87,000)
Total RPTTF for non-administrative obligations	5,561,736
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 24	(37,785)
	(37,785)
Total RPTTF authorized for non-administrative obligations	\$ 5,523,951
Total RPTTF requested for administrative obligations	60,403
<u>Reclassified Items</u>	
Item No. 13	7,000
Item No. 54	5,000
Item No. 55	75,000
	87,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(97,843)
Total RPTTF authorized for administrative obligations	\$ 49,560
Total RPTTF authorized for obligations	\$ 5,573,511
ROPS 13-14B prior period adjustment	(1,410,701)
Total RPTTF approved for distribution	\$ 4,162,810

Administrative Cost Cap Calculation	
Total RPTTF for 14-15A (July through December 2014)	4,423,588
Total RPTTF for 14-15B (January through June 2015)	5,561,736
Total RPTTF for fiscal year 2014-2015	9,985,324
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	299,560
Administrative allowance for 14-15A (July through December 2014)	250,000
Allowable RPTTF distribution for administrative cost for ROPS 14-15B	49,560
Total RPTTF administrative obligations after Finance adjustments	147,403
Administrative costs in excess of the cap	\$ (97,843)

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 14-15B review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was able to support the amounts reported except the beginning RPTTF balance of (\$2,109,648). Therefore, as noted above, Finance has reclassified the available Other Funds of \$88,785 that were supported by the Agency's records. Finance will continue to work with the Agency after the ROPS 14-15B review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16A.

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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),

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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
Acting Program Budget Manager

cc: Mr. James Cameron, Chief Finance Officer, City of Oxnard
Ms. Rhoda Farrell, Fiscal Manager Property Tax Division, Ventura County
California State Controller's Office