

December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 17, 2014. 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 14-15B) to Finance on October 6, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 17, 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 2, 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.

- Item No. 5 – NCEL Promissory Note #1 in the amount of \$504,569 is not allowed. Finance continues to deny this item. Pursuant to the Promissory Note (Note) executed between the former Redevelopment Agency (RDA) and the Surplus Property Authority of the City of Port Hueneme (Authority) on January 7, 1998, the RDA agreed to make payments of \$280,000 on each December 31 starting in the year 1998 through 2028. Finance initially denied this item because the \$504,569 requested is not consistent with the Note repayment terms and is not due during ROPS 14-15B period.

During the Meet and Confer process, the Agency contended that to repay the Note within the time limits, the Agency must make a \$504,569 loan payment in each ROPS period and that Finance has approved this amount on past ROPS. However, any previous determinations made on prior ROPS are only applicable for the six-month period covered by the approved ROPS, unless items have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). This item has not received a Final and Conclusive determination.

Based upon further review during the Meet and Confer process, Finance has determined that this item is not an enforceable obligation pursuant to HSC section 34171 (d) (2), which states that agreements, contracts, or arrangements between the sponsoring entity that created the former RDA and the former RDA are not enforceable obligations unless

they were entered into within two years of the date of creation of the RDA, or solely for the purpose of securing or repaying indebtedness obligations may be deemed to be enforceable obligations. HSC section 34167.10 (a) defines city, for purposes of all of Dissolution Law, to include, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. The Authority is included in the City's CAFR, which identifies the Authority as a component unit of the City and states that the City is financially accountable for the component units. Therefore, this Note is an agreement between the sponsoring entity and the former RDA and does not meet the exceptions stated in HSC section 34171 (d) (2) for enforceable obligations. As such, the requirements of HSC section 34191.4 (b) are applicable.

Pursuant to HSC section 34191.4 (b), loan agreements between the former RDA and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) The Agency has received a Finding of Completion; and (2) The Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes. The Agency received a Finding of Completion on May 24, 2013. However, the oversight board has not approved the Note or made a finding the Note was for legitimate redevelopment purposes. Therefore, this item is currently not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

Pursuant to HSC section 34191.4 (b), once the oversight board approves the Note as an enforceable obligation by finding the Note was for legitimate redevelopment purposes and the corresponding OB action is approved by Finance, the Agency may request funding for this item on future ROPS.

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 the item denied in whole or in part, 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 \$1,663,787 as summarized in the Approved RPTTF Distribution Table in the following page:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	2,082,236
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 2,207,236
Total RPTTF requested for non-administrative obligations	2,082,236
<u>Denied Item</u>	
Item No. 5	(504,569)
Total RPTTF authorized for non-administrative obligations	\$ 1,577,667
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,702,667
ROPS 13-14B prior period adjustment	(38,880)
Total RPTTF approved for distribution	\$ 1,663,787

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), 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.

Mr. Robert J. Bravo
December 17, 2014
Page 4

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting 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