



REVISED

May 27, 2015

Ms. Kimberly 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 April 17, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Oxnard Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on March 3, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 17, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 30, 2015.

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 determinations being disputed.

- Item Nos. 87 and 88 - Finance continues to maintain that the total outstanding balances for the CCRP City Advances Long Term Loan and the Downtown City Advance Long Term Loan are overstated as they include miscalculated interest. During the Meet and Confer the Agency contended that the actual outstanding balance should include accumulated interest calculated by using the Local Agency Investment Fund (LAIF) interest rate that was applicable for each year the loan has been outstanding. However, HSC section 34191.4 requires the recalculation of the accumulated interest at a rate not to exceed the interest rate earned by funds deposited in the LAIF at the time the Oversight Board finds that the loan was for legitimate redevelopment purposes and is deemed an enforceable obligation. As such, Finance has recalculated the interest using the LAIF interest rate at the time the Agency's Oversight Board made the finding the loan was for legitimate redevelopment purposes and has reflected the reduction to the loan's total outstanding balance in the ROPS14-15B. Therefore, Finance has concluded the following for each respective item:
 - Item No. 87 – Finance has recalculated the total outstanding loan balance to be approximately \$2,494,646, and therefore has reduced the outstanding loan balance reported on the Agency's ROPS Detail Form by \$3,712,432. Therefore, of the \$4,848,755 requested, \$2,354,109 is not allowed. The remaining loan

balance of \$2,494,646 is approved and Agency should retire this item on the next ROPS.

- Item No. 88 – Finance has recalculated the total outstanding loan balance to be approximately \$310,877, and therefore has reduced the outstanding loan balance reported on the Agency's ROPS Detail Form by \$36,969. During the Meet and Confer, the Agency requested that this Item be increased to the maximum amount allowable if Item 87 remains partially denied. 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 2014-15 are \$1,704,749 and \$15,091,999, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for fiscal year 2015-16 is \$6,693,625. Finance notes that Item 87 is approved above for \$2,494,646 and Item 89 (not referenced otherwise in this letter) was approved for \$1,573,145. Therefore, the remaining allowable amount is \$2,625,834 (\$6,693,625 - \$2,494,646 - \$1,573,145). Therefore, the Agency's request to increase Item No. 88 to the full amount of the obligation as calculated by Finance, or \$310,877, is approved. This results in a \$39,152 increase over the original amount requested. Accordingly, Finance is increasing the request on Item No. 88 by that same amount.
- Item 93 – Long-Range Property Management Plan Professional Services totaling \$50,000. Finance no longer denies this item. The agreement entered into on September 30, 2014 is between the City of Oxnard (City) and Kosmont and Associates, Inc., and the Agency is not a party to the contract. However, the Agency also provided an Assignment and Assumption Agreement (Agreement) dated March 3, 2015 between the City and the Agency. The Oversight Board (OB) action was approved by Finance on May 15, 2015. Therefore, Finance has determined this item is an enforceable obligation and is eligible for RPTTF on this ROPS.
- Item No. 95 – Reimbursement Agreement in the amount of \$283,400. Finance continues to partially approve this item. Finance previously determined that the Agency is requesting amounts for several items denied during ROPS 14-15B period. However, only the amounts of \$7,200 and \$7,833 requested for Alert Property Management Company for the 14-15B period are eligible for funding. The remaining items listed on the Reimbursement Agreement for the following amounts were not allowed:
 - HDL Coren & Cone, Professional Services, in the amount of \$30,000 has been requested in Item No.38.
 - Gary Plum, Professional Services in the amount of \$71,124 has been requested in Item No. 90.
 - Kane, Ballmer & Berkman, Litigation Services in the amount of \$75,000 was approved by Meet and Confer during ROPS 14-15B period.
 - Thyssen Krupp, Maintenance Services, in the amount of \$9,000 has been requested in Item No. 12.
 - Kosmont and Associates, Consulting Services, in the amount of \$50,000 has been requested in Item No. 93.

Pursuant to HSC section 34178 (a), an Agency or OB shall not restore funding to an item that was deleted or reduced by Finance.

- Item No. 97 – Shortfall from ROPS III in the amount of \$3,764,978. Finance partially approves this item. During the Meet and Confer, the Agency revised the shortfall amount to \$2,710,161 and provided documentation to support the shortfall. Finance concurs that this amount was not received but expended during the January through June 2013 (ROPS III) period on approved enforceable obligation. Therefore, this item is approved for \$2,710,161 in RPTTF.

In addition, per Finance's letter dated April 17, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item Nos. 1, 17, 18, 48, and 50 – Bond debt service payments in the amount of \$3,384,962 are reclassified to Reserve Balances. Agency requested and was authorized Redevelopment Property Tax Trust Fund (RPTTF) for debt service reserves for these items on the January through June 2015 ROPS (ROPS 14-15B) for the March, 2015 and September, 2015 debt service payments of both principal and interest. Therefore, Finance is changing the funding source from RPTTF to Reserve Balance in the total amount of \$3,384,962.
- Item No. 55 – Agency Legal Counsel in the amount of \$75,000. HSC section 34171 (b) allows litigation expenses related to assets or obligations to be funded with property tax outside the administrative cap. However, this item relates to general legal representation and not specifically to bringing or contesting a legal action in court. Therefore, this item is considered an administrative cost and has been reclassified.
- Claimed administrative costs exceed the allowance by \$267,699. HSC section 34171 (b) limits the fiscal year administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$575,066 is claimed for administrative cost, only \$307,367 is available pursuant to the cap. Therefore, \$267,699 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 \$16,604.

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

- Item No. 2 – CCRP Assessment District Payment in the amount of \$16,604. The Agency requests \$20,000 of RPTTF; however, Finance is reclassifying \$16,604 to Reserve Balances. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has \$16,604 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$3,396 and the use of Other Funds in the amount of \$16,604, totaling \$20,000.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments)

associated with the July through December 2014 period. 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 items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is \$8,184,469 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	16,668,858
Total RPTTF requested for administrative obligations	500,066
Total RPTTF requested for obligations on ROPS	\$ 17,168,924
RPTTF adjustment to Item No. 88	39,152
Total RPTTF adjustments	\$ 39,152
Total RPTTF requested for non-administrative obligations	16,708,010
<u>Denied Items</u>	
Item No. 87	(2,354,109)
Item No. 95	(268,367)
Item No. 97	(1,054,817)
	(3,677,293)
<u>Reclassified Item to Administrative Cost Allowance</u>	
Item No. 55	(75,000)
	(75,000)
<u>Cash Balances - Items reclassified to Reserve Balances</u>	
Item No. 1	(1,363,269)
Item No. 17	(773,224)
Item No. 18	(708,138)
Item No. 48	(344,296)
Item No. 50	(196,035)
	(3,384,962)
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 2	(16,604)
	(16,604)
Total RPTTF authorized for non-administrative obligations	\$ 9,554,151
Total RPTTF requested for administrative obligations	500,066
<u>Reclassified Items</u>	
Item No. 55	75,000
	75,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(267,699)
Total RPTTF authorized for administrative obligations	\$ 307,367
Total RPTTF authorized for obligations	\$ 9,861,518
ROPS 14-15A prior period adjustment	(1,656,805)
Total RPTTF approved for distribution	\$ 8,204,713

Administrative Cost Cap Calculation	
Total RPTTF for non-administrative obligations	10,245,556
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF allowable for administrative obligations	307,367
Total RPTTF administrative obligations after Finance adjustments	575,066
Administrative costs in excess of the cap	\$ (267,699)

Please refer to the ROPS 15-16A 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, 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 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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: On following page

Ms. Kymberly Horner
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cc: Ms. Tamara Reese, Administrative Secretary, City of Oxnard
Ms. Rhoda Farrell, Property Tax Fiscal Manager, Ventura County
California State Controller's Office
