



April 1, 2016

Mr. Alvin Burrell, Interim Finance Director
City of Port Hueneme
250 North Ventura Road
Port Hueneme, CA 93041

Dear Mr. Burrell:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Port Hueneme Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 28, 2016. Finance has completed its review of the ROPS 16-17.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 5 – The total outstanding balance for the City of Port Hueneme Surplus Property Authority loan is overstated. Pursuant to HSC section 34191.4 (b) (3), interest on the remaining principal amount of the loan that was previously unpaid after the original effective date of the loan shall be recalculated from the date of origination of the loan on a quarterly basis, at a simple interest rate of three percent and repayments shall be applied first to principal, and second to interest.

The total outstanding balance should be updated every ROPS period to reflect payments made. Finance has recalculated the total loan outstanding (approximately \$2,149,345), and has therefore reduced the outstanding loan balance reported on the Agency's ROPS Detail Form by \$532,532. Additionally, we are approving loan repayments of \$501,981 for the July 1, 2016 through December 31, 2016 (ROPS A period); therefore, the outstanding loan balance on the subsequent ROPS should be updated accordingly.

- Item Nos. 9, 11, 12, and 14 – Repairs and maintenance and contract services in the total outstanding balance of \$98,500 is not allowed. The Agency's Long-Range Property Management Plan (LRPMP) was approved by Finance on December 21, 2015. Per discussion with the Agency staff, it was determined that the funds requested for these line items relate to properties that should have transferred to the Sponsoring Entity upon approval of the LRPMP and are no longer an obligation of the Agency. Therefore, funding is not necessary and the requested amount totaling \$68,500 for the ROPS 16-17 is not eligible for Redevelopment Property Tax Trust Funds (RPTTF) funding. These items have also been retired.

- Item No. 29 – Beach Rehabilitation funded with \$700,000 in Bond Proceeds. The Agency received a Finding of Completion on May 24, 2013 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenants. Our approval is specifically limited to the use of excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c) (1). Therefore, we have changed the Obligation type from “Miscellaneous” to “Bond Funded Project – Pre-2011”. Such approval, however, should not be construed as approval of the project itself as an enforceable obligation.

- On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. 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 our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, with the Agency’s concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:
 - Item No. 15 – Salaries and Benefits in the amount of \$250,000. The Agency requests \$250,000 of RPTTF; however, Finance is reclassifying \$46,096 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period. However, the obligation does not require payment from property tax revenues and the Agency has \$46,096 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$78,904 and the use of Other Funds in the amount of \$46,096, totaling \$125,000 for the July 1, 2016 through December 31, 2016 (ROPS A period).

Except for the items that have been adjusted or denied in whole, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance’s determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance’s previous or related determinations, 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 \$2,506,883 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance’s approved amounts. Since Finance’s determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to

HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

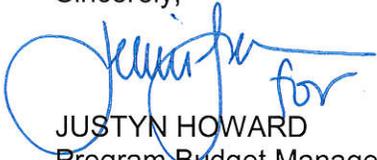
<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Cindie Lor, Supervisor, or Satveer Ark, Lead Analyst at (916) 445-1546.

Sincerely,


JUSTYN HOWARD
Program Budget Manager

cc: Ms. Carmen Nichols, Assistant City Manager, City of Port Hueneme
Ms. Rhoda Farrell, Property Tax Fiscal Manager, Ventura County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	<u>ROPS A Period</u>	<u>ROPS B Period</u>	<u>Total</u>
Requested RPTTF (excluding administrative obligations)	\$ 795,480	\$ 1,575,999	\$ 2,371,479
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	920,480	1,700,999	\$ 2,621,479
Total RPTTF requested	795,480	1,575,999	2,371,479
<u>Denied Items</u>			
Item No. 9	(12,500)	(12,500)	(25,000)
Item No. 11	(30,000)	0	(30,000)
Item No. 12	(3,000)	(3,000)	(6,000)
Item No. 14	(2,500)	(5,000)	(7,500)
	(48,000)	(20,500)	(68,500)
Total RPTTF authorized	747,480	1,555,499	\$ 2,302,979
Total Administrative RPTTF requested	125,000	125,000	250,000
<u>Reclassified Item</u>			
Item No. 15	(46,096)	0	(46,096)
Total Administrative RPTTF authorized	78,904	125,000	\$ 203,904
Total RPTTF approved for distribution	826,384	1,680,499	\$ 2,506,883