DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 18, 2012

Mr. Robert J. Bravo, Finance Director
City of Port Hueneme
250 North Ventura Road
Port Hueneme, CA 93401

Dear Mr. Bravo:

Subject: Recognized Obligation Payment Schedule Approval Letter

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated November 1, 2012. 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 III) to the California Department of Finance (Finance) on September 18, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on November 1, 2012. 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 November 26, 2012.

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. 4 – Central Community Promissory Note #7 in the amount of $1.5 million. Finance continues to deny the item at this time. Finance denied the item as HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations. The Agency contends the item is an enforceable obligation because the note was effective October 20, 1999 and was for purpose of repaying indebtedness. Per HSC section 34171 (d) (2), loan agreements entered into between the RDA and the city, county, or city and county that created it, 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. The Promissory Note was not entered into within two years of creation and the payments were not for the purpose of securing or repaying indebtedness obligations issued by the City on behalf of the RDA. Finance has not issued a Finding of Completion to the Agency; therefore, the provisions of HSC section 34171 apply. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, the item is currently not an enforceable obligation not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

- Item No. 8 – Low and Moderate Income Housing Fund (LMIHF) debt in the amount of $2.2 million. Finance continues to deny the item at this time. Finance denied the item as HSC section 34163 (c) (4) prohibits a RDA from making any future deposits to the LMIHF. The Agency requested further clarification as to the denial since this item is a housing deferral payment not a future deposit into LMIHF. HSC section 34176 (e) (6) (B) states that loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. Therefore, the item is currently not an enforceable obligation.

In addition, per Finance's ROPS letter dated November 1, 2012, the following item not disputed by the Agency continues to be denied:

- Administrative costs claimed for RPTTF exceed the allowance by $51,940. HSC section 34171 (b) limits the 2012-13 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater.

Amount administrative cost allowance for fiscal year 2012-13	$250,000
Administrative costs claimed for July through December 2012	164,970
Administrative costs claimed for January through June 2013	136,970
Overage	$ 51,940

The Agency's maximum approved RPTTF distribution for the reporting period is $1,778,953 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	1,886,475
Less: Six-month total for items denied or reclassified as administrative cost		
Item 4		192,552
Item 8*		0
Total approved RPTTF for enforceable obligations	$	1,693,923
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		85,030
Total RPTTF approved:	$	1,778,953

*No RPTTF funding requested for the reporting period

Administrative Cost Calculation		
Total RPTTF for the period July through December 2012	$	1,009,775
Total RPTTF for the period January through June 2013		1,693,923
Total RPTTF for fiscal year 2012-13:	**$**	**2,703,698**
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or $250,000)		250,000
Administrative allowance for the period of July through December 2012		164,970
Allowable RPTTF distribution for administrative cost for ROPS III:	**$**	**85,030**

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the 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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. David Norman, City Manager, City of Port Hueneme
Ms. Sandra Bickford, Chief Deputy, County of Ventura Auditor Controller
California State Controller's Office