

RESOLUTION NO. 10

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY DOCUMENTING THE RECEIPT OF THE NON-HOUSING PORTION OF THE DUE DILIGENCE REVIEW, AND CONVENING A PUBLIC COMMENT SESSION ON THE NON-HOUSING PORTION OF THE DUE DILIGENCE REVIEW AS REQUIRED BY SECTIONS 34179.5 AND 34179.6 OF THE DISSOLUTION ACT

The Oversight Board of the Successor Agency to the Port Hueneme Redevelopment Agency ("Board") does resolve as follows:

Section 1. The Board finds and declares that:

- A. On June 29, 2011, AB 1X 26 and AB 1X 27 became effective, requiring that each redevelopment agency within California be dissolved unless the community that created it enacts an ordinance committing it to making certain payments;
- B. On June 27, 2012, Governor Brown signed new legislation, AB 1484 that significantly changes and clarifies certain provisions of AB 1X 26.
- C. California Health and Safety Code ("H&SC") Section 34179.5 requires the Successor Agency to employ a licensed accountant approved by the Ventura County Auditor Controller to perform a due diligence review and report on the amount of funds transferred from the former Port Hueneme Redevelopment Agency, and the County Auditor-Controller provided Successor Agency Staff written approval of the Agency's selection of White Nelson Diehl Evans LLP as the licensed accountant to perform the due diligence review for the Successor Agency.
- D. On August 30, 2012, the Department of Finance (DOF) posted on its official website the agreed-upon procedures to conduct the due diligence reviews and in accordance with the provisions of the agreed-upon procedures and provisions of H&SC Section 34179.5, White Nelson Diehl Evans LLP has completed its review of the non-housing funds transferred from the Port Hueneme Redevelopment Agency.
- E. On October 11, 2012, the Oversight Board approved the Low and Moderate Income Housing Fund ("LMIHF") Due Diligence Review and transferred it to the appropriate agencies, including the DOF.
- F. On November 7, 2012, the DOF approved the LMIHF Due Diligence Review.

G. On December 3, 2012, the Successor Agency submitted the results of the Non-Housing portion of the Due Diligence Review (Exhibit "A") to the Oversight Board, County Auditor Controller, State Controller's Office and the DOF as required by H&SC Section 34179.6. Pursuant to H&SC Section 34179.6(b), upon receipt of the non-housing portion of the due diligence review, and at least five business days before the Oversight Board considers its approval, the Oversight Board must hold a public comment session at which time the public has an opportunity to hear and be heard on the results of the non-housing portion of the due diligence review, and at which time the Oversight Board considers the opinions, if any, offered by the County Auditor-Controller on the results of the non-housing portion of the due diligence review.

H. On the date of this Resolution, the Oversight Board will hold the public comment session on the housing portion of the due diligence review pursuant to H&SC Section 34179.6(b).

Section 2. *Housing Portion of the Due Diligence Report and Public Comment Session.* The Oversight Board acknowledges receipt of the Non-Housing Portion of the Due Diligence Review prepared pursuant to H&SC Section 34179.5 and hereby documents that a public comment session was held on the Non-Housing portion of the Due Diligence Review pursuant to H&SC Section 34179.6(b) on the date of this Resolution.

Section 3. *Authorization.* The officers and staff of the Oversight Board are authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable to effectuate this Resolution, including providing documents to the County Auditor-Controller, State Controller, and Department of Finance.

Section 4. *Reliance on Record.* Each and every one of the findings and determinations in this Resolution are based on the competent and substantial evidence, both oral and written, contained in the entire record relating to the Oversight Board and applicable law. The findings and determinations constitute the independent findings and determinations of the Board in all respects and are fully and completely supported by substantial evidence in the record as a whole.

Section 5. *Summaries of Information.* All summaries of information in the findings, which precede this Section, are based on the substantial evidence in the record including, without limitation, verbal and documentary evidence submitted to the Board. The absence of any particular fact from any such summary is not an indication that a particular finding is not based in part on that fact.

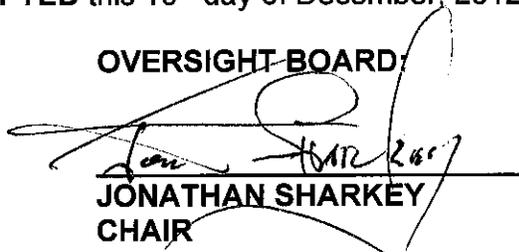
Section 6. The Clerk is directed to certify the adoption of this Resolution; record this Resolution in the book of the Oversight Board's original resolutions;

and make a minute of the adoption of the Resolution in the Oversight Board's records and the minutes of this meeting.

Section 7. This Resolution will become effective immediately upon adoption and will remain effective unless repealed or superseded.

PASSED, APPROVED, AND ADOPTED this 10th day of December, 2012.

OVERSIGHT BOARD:



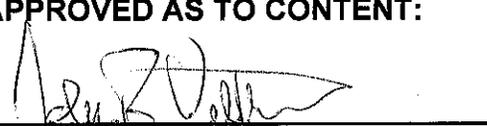
JONATHAN SHARKEY
CHAIR

ATTEST:



MICHELLE ASCENCION
CITY CLERK
ON BEHALF OF THE SUCCESSOR AGENCY

APPROVED AS TO CONTENT:



JOHN R. VELTHOEN
INTERIM CITY MANAGER
ON BEHALF OF THE SUCCESSOR AGENCY

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY

Independent Accountants' Report on Applying Agreed-Upon Procedures
On the Port Hueneme Redevelopment Agency's
And
The Successor Agency to the Port Hueneme Redevelopment Agency's
All Other Funds

Pursuant to California Health and Safety Code Section 34179.5

**SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS**

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**Independent Accountants' Report on Applying
Agreed-Upon Procedures Related to All Other Funds**

Oversight Board of the Successor Agency
to the Port Hueneme Redevelopment Agency
Port Hueneme, California

We have performed the minimum required agreed-upon procedures (AUP) enumerated in Attachment A, which were agreed to by the California Department of Finance, the California State Controller's Office, the Ventura County Auditor-Controller, and the Successor Agency to the Port Hueneme Redevelopment Agency (Successor Agency), (collectively, the Specified Parties), solely to assist you in meeting the statutory requirements of Health and Safety Code Section 34179.5 related to all other funds except for the Low and Moderate Income Housing Fund (All Other Funds) of the former Port Hueneme Redevelopment Agency and the Successor Agency. Management of the Successor Agency is responsible for meeting the statutory requirements of Health and Safety Code Section 34179.5 related to All Other Funds. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures as set forth in Attachment A. Attachment A also identifies the findings noted as a result of the procedures performed.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on whether the Successor Agency has met the statutory requirements of Health and Safety Code Section 34179.5 related to All Other Funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Oversight Board and management of the Successor Agency to the Port Hueneme Redevelopment Agency, the California Department of Finance, the California State Controller's Office, and the Ventura County Auditor-Controller, and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California
November 30, 2012

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

1. **Procedure:**

Obtain from the Successor Agency a listing of all assets that were transferred from All Other Funds of the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

Finding:

We agreed the amounts listed on Schedule 1 to the Successor Agency's accounting records without exceptions. The former redevelopment agency transferred \$7,381,108 in assets from All Other Funds to the Successor Agency as detailed in Schedule 1.

2A. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of the former redevelopment agency to the city that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

Transfers from All Other Funds of the former redevelopment agency other than payments for goods and services to the City of Port Hueneme for the period from January 1, 2011 through January 31, 2012 are shown in Schedule 2.

2B. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of the Successor Agency to the city that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

Transfers from All Other Funds of the Successor Agency other than payments for goods and services to the City of Port Hueneme for the period from February 1, 2012 through June 30, 2012 are shown in Schedule 2.

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

2C. **Procedure:**

For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required the transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Finding:

Schedule 2 shows the details for the enforceable obligation or other legal requirement supporting the transfers.

3A. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

Transfers from All Other Funds of the former redevelopment agency other than payments for goods and services to the Surplus Property Authority of the City of Port Hueneme for the period from January 1, 2011 through January 31, 2012 are shown in Schedule 3.

3B. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of the Successor Agency to any other public agency or to private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and described in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

Transfers from All Other Funds of the Successor Agency other than payments for goods and services to the Surplus Property Authority of the City of Port Hueneme for the period from February 1, 2012 through June 30, 2012 are shown in Schedule 3.

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

3C. **Procedure:**

For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required the transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Finding:

Schedule 3 shows the details for the enforceable obligation or other legal requirement supporting the transfers

4. **Procedure:**

Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency for the fiscal periods ended June 30, 2010, June 30, 2011, January 31, 2012 and June 30, 2012. Ascertain that for each period presented, the total of revenues, expenditures and transfers account fully for the changes in equity from the previous fiscal period. Compare amounts for the fiscal period ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period. Compare the amounts for the other fiscal periods presented to the account balances in the accounting records or other supporting schedules.

Finding:

A reconciliation of the financial transactions of the Redevelopment Agency and the Successor Agency for the fiscal periods ended June 30, 2010, June 30, 2011, January 31, 2012 and June 30, 2012 is presented in Schedule 4.

5. **Procedure:**

Obtain from the Successor Agency a listing of all assets from All Other Funds as of June 30, 2012. Agree the assets on the listing to the accounting records of the Successor Agency.

Finding:

As of June 30, 2012, the Successor Agency's total assets related to All Other Funds of the former redevelopment agency amounted to \$6,343,579 as shown in Schedule 5.

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

6. **Procedure:**

Obtain from the Successor Agency a listing of asset balances related to All Other Funds on June 30, 2012 that were restricted for the following purposes:

- unspent bond proceeds,
- grant proceeds and program income restricted by third parties, and
- other assets with legal restrictions.

6A. **Procedure - Unspent Bond Proceeds:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain the legal document that sets forth the restriction pertaining to these balances.

Finding:

The Successor Agency has \$1,795,879 held by Bank of New York Mellon Trust Company for the reserve requirements of the 1993 and 2004 Tax Allocation Refunding Bonds. The bond documents restrict this amount to be retained as a reserve on the 2006 Tax Allocation Refunding Bonds debt.

6B. **Procedure - Grant Proceeds and Program Income Restricted by Third Parties:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain a copy of the grant agreement that sets forth the restriction pertaining to these balances.

Finding:

This procedure is not applicable as the Successor Agency's assets related to All Other Funds of the former redevelopment agency did not have grant proceeds and program income restricted by third parties as of June 30, 2012.

6C. **Procedure - Other Assets Considered to be Legally Restricted:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records or other supporting documentation. We obtained the legal document that sets forth the restriction pertaining to these balances.

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS RELATED TO ALL OTHER FUNDS

6C. **Finding:**

The Successor Agency believes that the funds that were added back to assets held by Successor Agency for assets transferred to the City as identified in Schedule 2 are restricted. AB 1484 clarified that if the Successor Agency completes all actions required pursuant to Health and Safety Code Section 34179.7, the Department of Finance (DOF) must issue a Finding of Completions. Funds in the amount of \$3,140,349 are restricted pending the issuance of the Finding of Completion by the DOF. Upon issuance of the Finding of Completion by DOF, the funds would be disbursed to the City in compliance with the promissory notes and Section 34191.4. See Exhibit 1 for Successor Agency's legal opinion on this matter.

7. **Procedure:**

Obtain from the Successor Agency a listing of assets of All Other Funds of the former redevelopment agency as of June 30, 2012 that are not liquid or otherwise available for distribution and ascertain if the values are listed at either purchase cost or market value as recently estimated by the Successor Agency. For assets listed at purchased cost, trace the amount to a previously audited financial statement or other accounting records of the Successor Agency and note any differences. For any differences noted, inspect evidence of asset disposal subsequent to January 31, 2012 and ascertain that the proceeds were deposited into the Successor Agency's trust fund. For assets listed at recently estimated market value, inspect evidence supporting the value and note the methodology used.

Finding:

As of June 30, 2012, the Successor Agency's total assets related to All Other Funds of the former redevelopment agency that are not liquid amounted to \$1,449,541 as shown in Schedule 6. The amounts have been recorded at cost on the general ledger of the Successor Agency.

8A. **Procedure:**

If the Successor Agency identified that existing asset balances were needed to be retained to satisfy enforceable obligations, obtain an itemized schedule of asset balances (resources) as of June 30, 2012 that were dedicated or restricted for the funding of enforceable obligations. Compare the information on the schedule to the legal documents that formed the basis for the dedication or restriction of the resource balance in question. Compare all current balances which needed to be retained to satisfy enforceable obligations to the amounts reported in the accounting records of the Successor Agency or to an alternative computation. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule (ROPS) approved by the California Department of Finance. If applicable, identify any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

8A. **Finding:**

As of June 30, 2012, the Successor Agency's asset balances to be retained in order to satisfy enforceable obligations amounted to \$422,208 as detailed in Schedule 7. These enforceable obligations were reported on ROPS 1 and have not been paid as of June 30, 2012. Payments of these obligations were made after June 30, 2012. These enforceable obligations were not listed on the approved ROPS for the periods July 1, 2012 to December 31, 2012 (ROPS 2) and January 1, 2013 to June 30, 2013 (ROPS 3). Therefore the Successor Agency believes that \$422,208 needs to be retained to satisfy enforceable obligations.

8B. **Procedure:**

If the Successor Agency identified that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that include a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements. Compare the enforceable obligations to those that were approved by the California Department of Finance for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012. Compare the forecasted annual spending requirements to the legal document supporting the enforceable obligation and obtain the Successor Agency's assumptions relating to the forecasted annual spending requirements. Obtain the Successor Agency's assumptions for the forecasted annual revenues. Disclose the major assumptions for the forecasted annual spending requirements and the forecasted annual revenues in this AUP report.

Finding:

This procedure is not applicable as the Successor Agency did not identify any assets to be retained under this procedure.

8C. **Procedure:**

If the Successor Agency identified that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain a schedule demonstrating this insufficiency. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement. Obtain the assumptions for the forecasted property tax revenues and other general purpose revenues and disclose them in this AUP report.

Finding:

This procedure is not applicable as the Successor Agency did not identify any assets to be retained under this procedure.

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

8D. **Procedure:**

If Procedures 8A, 8B and 8C were performed, calculate the amount of unrestricted balances necessary for retention in order to meet enforceable obligations. Combine the amount identified as currently restricted balances and the forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations. Reduce the total resources available by the amount of forecasted annual spending requirements. Include the calculation in this AUP report.

Finding:

The unrestricted balances necessary for retention to meet enforceable obligations are detailed in Schedule 7. The Successor Agency does not expect to receive any revenues to pay for these enforceable obligations.

9. **Procedure:**

If the Successor Agency identified that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should identify (a) any dollar amount of existing cash that was needed to satisfy the obligation, and (b) the Successor Agency's explanation as to why the Successor Agency believes that such balances were needed to satisfy the obligation. Include this schedule as an attachment to this AUP report.

Finding:

The Successor Agency has identified \$1,235,364 in cash balances be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 to December 31, 2012 as shown in Schedule 8.

10. **Procedure:**

Present a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Agencies. Amounts included in the calculation should agree to the results of the procedures performed above. Agree any deductions for amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance to evidence of payment.

Finding:

The computation of the Balance Available for Allocation to Affected Taxing Agencies is shown in Schedule 9. The computation shows that the Successor Agency has a balance of \$1,440,587 available for allocation to affected taxing agencies.

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

11. **Procedure:**

Obtain a representation letter from management of the Successor Agency acknowledging their responsibility for the data provided and the data presented in the report or in any schedules or exhibits to the report. Included in the representations is an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in this AUP report and its related schedules or exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

Finding:

No exceptions were noted as a result of this Procedure.

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

LISTING OF ASSETS TRANSFERRED TO SUCCESSOR AGENCY

As of February 1, 2012

		Total Assets as of <u>February 1, 2012</u>
	ASSETS	
Cash and investments		\$ 4,134,715
Cash and investments with Trustee		1,796,852
Land		<u>1,449,541</u>
	TOTAL ASSETS	<u>\$ 7,381,108</u>

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

TRANSFERS TO THE CITY OF PORT HUENEME

Date of Transfer	Description of Transfer	Purpose of Transfer	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Transfer
FOR THE PERIOD JANUARY 1, 2011 THROUGH JANUARY 31, 2012:				
3/9/2011	Loan repayment	Payment of principal and interest on note payable to the City of Port Hueneme.	\$ 457,810	(1) Promissory note between the City of Port Hueneme and Port Hueneme Redevelopment Agency dated September 20, 1989. Promissory note executed more than two years from the date of creation of redevelopment agency Not permitted by Section 34171(G)(2). Added back to assets of the Successor Agency.
3/9/2011	Loan repayment	Payment of principal and interest on note payable to the City of Port Hueneme.	2,517,773	(1) Promissory note between the City of Port Hueneme and Port Hueneme Redevelopment Agency dated September 19, 1990. Promissory note executed more than two years from the date of creation of redevelopment agency Not permitted by Section 34171(G)(2). Added back to assets of the Successor Agency.
3/9/2011	Loan repayment	Payment of principal and interest on note payable to the City of Port Hueneme.	523,854	Promissory note between the City of Port Hueneme and Port Hueneme Redevelopment Agency dated October 20, 1999. Promissory note is included in approved ROPS 1, Line 4 for January 2012 to June 2012.
3/9/2011	Loan repayment	Payment of principal and interest on note payable to the City of Port Hueneme.	164,766	(1) Promissory note between the City of Port Hueneme and Port Hueneme Redevelopment Agency dated October 20, 1999. Promissory note executed more than two years from the date of creation of redevelopment agency Not permitted by Section 34171(G)(2). Added back to assets of the Successor Agency.
9/30/2011	Loan repayment	Payment of principal and interest on note payable to the City of Port Hueneme.	96,276	Promissory note between the City of Port Hueneme and Port Hueneme Redevelopment Agency dated October 20, 1999. Promissory note is included in approved ROPS 1, Line 4 for January 2012 to June 2012.
12/31/2011	Loan repayment	Payment of principal and interest on note payable to the City of Port Hueneme.	96,276	Promissory note between the City of Port Hueneme and Port Hueneme Redevelopment Agency dated October 20, 1999. Promissory note is included in approved ROPS 1, Line 4 for January 2012 to June 2012.
1/31/2012	Loan repayment	Payment of principal and interest on note payable to the City of Port Hueneme.	32,092	Promissory note between the City of Port Hueneme and Port Hueneme Redevelopment Agency dated October 20, 1999. Promissory note is included in approved ROPS 1, Line 4 for January 2012 to June 2012.
FOR THE PERIOD FEBRUARY 1, 2012 THROUGH JUNE 30, 2012:				
6/28/2012	Loan repayment	Payment of principal and interest on note payable to the City of Port Hueneme.	<u>160,460</u>	Promissory note between the City of Port Hueneme and Port Hueneme Redevelopment Agency dated October 20, 1999. Promissory note is included in approved ROPS 1, Line 4 for January 2012 to June 2012.
TOTAL TRANSFERS			<u>\$ 4,049,307</u>	
(1) AMOUNT ADDED BACK TO TOTAL ASSETS OF SUCCESSOR AGENCY			<u>\$ 3,140,349</u>	

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

TRANSFERS TO THE SURPLUS PROPERTY AUTHORITY OF THE CITY OF PORT HUENEME

Date of Transfer	Description of Transfer	Purpose of Transfer	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Transfer
FOR THE PERIOD JANUARY 1, 2011 THROUGH JANUARY 31, 2012:				
6/28/2012	Loan repayment	Payment of interest on note payable to the Surplus Property Authority of the City of Port Hueneme	\$ 70,482	Promissory note between the Surplus Property of the City of Port Hueneme and Port Hueneme Redevelopment Agency dated January 7, 1998. Promissory note is included in approved ROPS 1, Line 5 for January 2012 to June 2012.
FOR THE PERIOD FEBRUARY 1, 2012 THROUGH JUNE 30, 2012:				
6/28/2012	Loan repayment	Payment of interest on note payable to the Surplus Property Authority of the City of Port Hueneme	<u>53,800</u>	Promissory note between the Surplus Property of the City of Port Hueneme and Port Hueneme Redevelopment Agency dated January 7, 1998. Promissory note is included in approved ROPS 1, Line 5 for January 2012 to June 2012.
TOTAL TRANSFERS			<u>\$ 124,282</u>	

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

RECONCILIATION OF FINANCIAL TRANSACTIONS FOR THE PERIODS ENDED
 JUNE 30, 2010, JUNE 30, 2011, JANUARY 31, 2012 AND JUNE 30, 2012

	(a) Redevelopment Agency 12 Months Ended 6/30/2010	(b) Redevelopment Agency 12 Months Ended 6/30/2011	(c) Redevelopment Agency 7 Months Ended 1/31/2012	(d) Successor Agency 5 Months Ended 6/30/2012
Assets (modified accrual basis)				
Cash and investments	\$ 6,673,527	\$ 3,620,370	\$ 5,032,942	\$ 3,757,644
Cash and investments with trustee	1,799,418	1,795,532	1,794,607	1,795,879
Accounts receivable	-	-	29	198,051
Property taxes receivable	7,940	452	-	-
Interest receivable	17,420	12,530	-	3,145
Due from Port Hueneme Housing Authority	63,504	-	-	-
Loans receivable	1,798,500	1,383,635	1,576,345	-
Land held for resale	1,449,541	1,449,541	1,449,541	1,449,541
Total Assets	\$ 11,809,850	\$ 8,262,060	\$ 9,853,464	\$ 7,204,260
Liabilities (modified accrual basis)				
Accounts payable	\$ 30,871	\$ 29,711	\$ 347,355	\$ 17,901
Deposits payable	21,496	27,243	29,218	-
Due to the City of Port Hueneme	1,075,568	1,688	-	52,385
Deferred revenue	1,798,500	1,383,635	1,576,345	-
Total Liabilities	2,926,435	1,442,277	1,952,918	70,286
Equity	8,883,415	6,819,783	7,900,546	7,133,974
Total Liabilities and Equity	\$ 11,809,850	\$ 8,262,060	\$ 9,853,464	\$ 7,204,260
Total Revenues				
	\$ 6,087,422	\$ 5,953,020	\$ 2,654,525	\$ 1,389,348
Total Expenditures				
	(8,672,771)	(8,016,652)	(1,573,762)	(2,155,920)
Total Transfers From Other Funds				
	3,925,987	1,900,974	161,337	6,796
Total Transfers To Other Funds				
	(3,925,987)	(1,900,974)	(161,337)	(6,796)
Net change in equity	(2,585,349)	(2,063,632)	1,080,763	(766,572)
Beginning Equity				
	11,468,764	8,883,415	6,819,783	7,900,546
Ending Equity				
	\$ 8,883,415	\$ 6,819,783	\$ 7,900,546	\$ 7,133,974
Other Information (show year end balances for all three years presented):				
Capital assets (net of accumulated depreciation) as of end of year	\$ 5,128,195	\$ 4,650,941	\$ 4,650,941	\$ -
Long-term debt as of end of year	\$ 29,833,060	\$ 25,627,006	\$ 25,627,006	\$ 24,910,663

(a) Information was agreed to the Financial Transaction Report for year ended June 30, 2010 submitted to the State Controller's Office

(b) Information was agreed to the audited financial statements for year ended June 30, 2011

(c) Information was agreed to the accounting records for the period from July 1, 2011 to January 31, 2012.

(d) Information was agreed to the accounting records for the period from February 1, 2012 to June 30, 2012.

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED ALL OTHER FUNDS

LISTING OF ASSETS

As of June 30, 2012

		Total Assets as of <u>June 30, 2012</u>
	ASSETS	
Cash and investments		\$ 2,898,112
Cash and investments with Trustee		1,795,879
Interest receivable		1,996
Due from other government		198,051
Land		<u>1,449,541</u>
	TOTAL ASSETS	<u>\$ 6,343,579</u>

SUCCESSOR AGENCY TO THE PORT HUENME REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

LISTING OF NONCASH ASSETS

As of June 30, 2012

	ASSETS	Total Assets as of <u>June 30, 2012</u>
Land (A)		<u>\$ 1,449,541</u>

NOTE:

(A) Valued at historical (acquisition) cost.

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

CALCULATION OF UNRESTRICTED ASSET BALANCE FOR RETENTION

June 30, 2012

<u>Vendor/Payee</u>	<u>Purpose of Transactions</u>	<u>Amount</u>	<u>Enforceable Obligation/Other Legal Requirement Supporting Retention</u>
City of Port Hueneme	Reimburse City of Port Hueneme for payroll costs for the period ended June 30, 2012	\$ 5,006	Reported on ROPS 1, Form C, Line 1
Jenkin & Hogan	Legal services	580	Reported on ROPS 1, Line 9
City of Port Hueneme	Cost allocation from City of Port Hueneme	50,801	Reported on ROPS 1, Form C, Line 12
City of Port Hueneme	Reimburse City of Port Hueneme for office supplies	2,291	Reported on ROPS 1, Form C, Line 5
City of Port Hueneme	Reimburse City of Port Hueneme for office equipment	2,500	Reported on ROPS 1, Form C, Line 6
City of Port Hueneme	Reimburse City of Port Hueneme for computer maintenance	1,000	Reported on ROPS 1, Form C, Line 10
City of Port Hueneme	Reimburse City of Port Hueneme for computer maintenance	1,636	Reported on ROPS 1, Line 15
City of Port Hueneme	Reimburse City of Port Hueneme for training expenses	2,305	Reported on ROPS 1, Form C, Line 2
City of Port Hueneme	Reimburse City of Port Hueneme for insurance	4,167	Reported on ROPS 1, Form C, Line 7
Bank of New York	Scheduled debt service payment on 1993 Tax Allocation Refunding Bonds	48,263	Reported on ROPS 1, Line 1
Bank of New York	Scheduled debt service payment on 1993 Tax Allocation Refunding Bonds	63,537	Reported on ROPS 1, Line 2
Bank of New York	Scheduled debt service payment on 1993 Tax Allocation Refunding Bonds	240,122	Reported on ROPS 1, Line 3
		<u>\$ 422,208</u>	

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SCHEDULE OF CASH BALANCES FOR RETENTION TO MEET
 ENFORCEABLE OBLIGATIONS IN FISCAL YEAR 2012-2013

Payee	Purpose of Transactions	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Retention
Cash balances needed to be retained for the funding of future enforceable obligations:			
City of Port Hueneme	Loan repayment of note payable to City of Port Hueneme	\$ 192,552	Promissory Note Payable to the City of Port Hueneme. Reported on ROPS 2, line 4
Surplus Property Authority of the City of Port Hueneme	Loan repayment of note payable to Surplus Property Authority of the City of Port Hueneme	50,000	Promissory Note Payable to the Surplus Property Authority of the City of Port Hueneme. Reported on ROPS 2, line 5
Bank of New York	Fiscal agent fees	10,000	Reported on ROPS 2, line 6
Various	Landscaping and weed abatement for property	12,000	Reported on ROPS 2, line 8
Various	Property marketing services	15,000	Reported on ROPS 2, line 12
Various	Property repairs and maintenance	3,000	Reported on ROPS 2, line 13
County of Ventura	AB 1924 fees	103,000	Reported on ROPS 2, line 14
To be determined	Legal services	45,000	Reported on ROPS 2, line 15
To be determined	Appraisal services	18,000	Reported on ROPS 2, line 16
City of Port Hueneme	Repayment of deferred set aside funds to Housing Successor (City of Port Hueneme)	285,453	Reported on ROPS 2, line 17
City of Port Hueneme	Repayment of ERAF payments advanced by Low and Moderate Income Housing Fund to Housing Successor (City of Port Hueneme)	100,000	Reported on ROPS 2, line 19
To be determined	Legal services	40,000	Reported on ROPS 2, Form C, line 3 (\$30,000) and line 11 (\$10,000)
City of Port Hueneme	Administrative Allowance	125,000	Administrative Cost Allowance Reported on ROPS 2
Various	(A)	<u>236,359</u>	(A)
		<u>\$ 1,235,364</u>	

(A) Amount that will be deducted from the anticipated RPTTF funding for the ROPS for period January 1, 2013 through June 30, 2013. This is equal to amount approved on ROPS for period January 1, 2012 through June 30, 2012 not expended during the six-month period. This amount needs to be retained to enable the Successor Agency to pay enforceable obligations on ROPS 3 for period January 1, 2013 through June 30, 2013.

SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUMMARY OF BALANCE AVAILABLE FOR ALLOCATION TO AFFECTED TAXING AGENCIES

As of June 30, 2012

Total amount of assets held by the Successor Agency as of June 30, 2012 - (Procedure 5)	\$ 6,343,579
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments - (Procedure 6)	(4,936,228)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (Procedure 7)	(1,449,541)
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (Procedure 8)	(422,208)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year - (Procedure 9)	(1,235,364)
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	-
Add the amount of any assets transferred to the City for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist - (Procedures 2 and 3)	<u>3,140,349</u>
Amount to be remitted to County for disbursement to affected taxing agencies	<u><u>\$ 1,440,587</u></u>

EXHIBIT 1

LEGAL OPINION ON RESTRICTED ASSETS

JENKINS & HOGIN, LLP
A LAW PARTNERSHIP

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November 30, 2012

Nitin Patel
Daphnie Munoz
White Nelson Diehl Evans LLP
2875 Michelle Drive, Suite 300
Irvine, California 92606

RE: Successor Agency to the Port Hueneme Redevelopment Agency Non-Housing Assets
Due Diligence Review

Dear Mr. Patel and Ms. Munoz:

This letter is written on behalf of the Successor Agency to the Port Hueneme Redevelopment Agency ("Successor Agency") to clarify certain statements and assets listed on your Independent Account's Report on Applying Agreed-Upon Procedures on the Port Hueneme Redevelopment Agency's and the Successor Agency to the Port Hueneme Redevelopment Agency's All Other Funds, submitted to the Successor Agency on November 15, 2012 (the "Audit").

Schedule 2 of the Audit lists several transfers between the former Port Hueneme Redevelopment Agency ("Redevelopment Agency") and the Successor Agency to the City. The Schedule states that the transfers were invalid, in that they were not permitted by Section 34171(G)(2), and states that \$3,140,349 in transferred funds should be added back to the total assets of the Successor Agency. This amount is repeated on Schedule 9, where that amount is added to the amount available to be distributed to the taxing entities.

Without admitting the legality or constitutionality of the section, the Successor Agency does not dispute that Health & Safety Code Section 34171(d)(2), enacted pursuant to AB 1X 26, purports to retroactively invalidate transfers made pursuant to agreements between the City and Redevelopment Agency that were not executed within the first two years after the Redevelopment Agency was created. The Successor Agency therefore does not dispute that, pursuant to the requirements of AB 1X 26, the Audit correctly lists \$3,140,349 in funds that were

transferred from the Redevelopment Agency and Successor Agency to the City on Schedule 2, and does not dispute that AB 1X 26, to the extent that it is legal, requires such funds to be returned to the Successor Agency.

However, the Successor Agency disagrees with the Audit in that it designates that the \$3,140,349 is available for distribution to the taxing entities. AB 1484, enacted by the State Legislature in June 2012, clarified that, if the Successor Agency successfully completes all actions required pursuant to Health & Safety Code Section 34179.7 (including Department of Finance (“DOF”) approval of the required due diligence reviews), DOF must issue a Finding of Completion. One benefit of the Finding of Completion is that the Successor Agency is permitted to resurrect existing agreements between the Redevelopment Agency and City and consider them to be enforceable obligations, provided that the oversight board makes a finding that the agreement was for a legitimate redevelopment purpose and that the repayment obligations of the Successor Agency are modified in accordance with Health & Safety Code Section 34191.4(b). Similar to undesignated bond proceeds and repayments owed to the Redevelopment Agency’s Low and Moderate Income Housing Fund, AB 1484 anticipates that, while such funds may not be distributed as part of the Successor Agency’s January – June 2013 Recognized Obligation Payment Schedule (“ROPS”), they may be included on future ROPS as enforceable obligations, subject to certain conditions. Health & Safety Code §§ 34176(e)(6), 34191.4. The amount owed to the City pursuant to the promissory notes, which were executed by the Redevelopment Agency and City in 1989, 1990, and 1999, are legally restricted for distribution to the City upon issuance of a Finding of Completion by DOF.

Therefore, the Successor Agency respectfully requests that Schedule 9 of the Audit be amended. Schedule 9 summarizes the balance available for allocation to affected taxing entities. The summary lists \$3,140,349 as “assets transferred to the City for which an enforceable obligation with a third party regarding such transfer and obligating the use of the transferred assets did not exist.” That same amount should also be added to the second line item, which describes the “assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments.”¹ Otherwise, the funds would be distributed to the taxing entities with no guarantee that the Successor Agency will have sufficient funds to meet its obligations to the City upon issuance of a Finding of Completion. Further, distribution to the taxing entities would be a meaningless process, in that the money would presumably be returned to the Successor Agency (out of the Redevelopment Property Tax Trust Fund) upon issuance of a Finding of Completion.

¹ This amount should also include bond amounts identified as Items 1 through 3 on the Successor Agency’s ROPS.

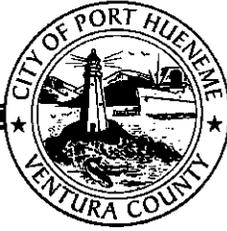
White Nelson Diehl Evans LLP
November 30, 2012

Should DOF agree with the above analysis, the Successor Agency would hold the funds as restricted funds pending the issuance of a Finding of Completion by DOF, at which time it would disburse such funds to the City in compliance with the promissory notes and Section 34191.4.

Very truly yours,



Robert M. Smith



City of Port Hueneme

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF VENTURA) SS:
CITY OF PORT HUENEME)

I, Michelle Ascencion, duly appointed and qualified City Clerk of the City of Port Hueneme, do hereby certify that the foregoing **Resolution No. 10** is a true and correct copy passed, approved, and adopted by the Oversight Board of the Successor Agency to the Port Hueneme Redevelopment Agency at its Special Meeting of December 10, 2012 by the following vote:

AYES: Members Greg Brown, Paul Derse, Steven Kinney, Christine McCloskey, Mary Anne McNeil; Vice Chair Abbe Berns; Chair Jonathan Sharkey.

NOES: None.

ABSTAINING: None.

ABSENT: None.


Michelle Ascencion, CMC, City Clerk of
the City of Port Hueneme and ex-officio
Clerk of the Council, on behalf of the
Successor Agency.

Dated: December 12, 2012