

November 6, 2013.

Mr. Marc Puckett, Assistant Town Manager of Finance & Administration
Town of Apple Valley
14955 Dale Evans Parkway
Apple Valley, CA 92307

Dear Mr. Puckett:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Apple Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 24, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item Nos. 27 and 28 – Administrative Costs and 2007 Tax Allocation Bonds Shortage from the Recognized Obligation Payment Schedule for the period January through June 2013 (ROPS III), totaling \$114,375. It is our understanding the Agency received a distribution from Victor Valley Economic Development Authority (VVEDA) in the amount of \$1,328,899, and a distribution from the San Bernardino County Auditor-Controller (CAC) in the amount of \$1,515,988 for the ROPS III period. The Agency's total approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the ROPS III period was \$2,216,155. Consequently, the Agency had sufficient funds available for all of its approved enforceable obligations. Therefore, no shortfall should exist, and these line items are not eligible for RPTTF funding.
- Item No. 29 – Apple Valley Road Way Improvements Phase 1B in the amount of \$3,281,514. Based on information provided, this obligation was incurred and funded prior to dissolution. The Agency did not provide sufficient documentation at this time to support why this remains to be the Agency's obligations, and therefore this item is not eligible for RPTTF funding. Finance expects to have further discussions with the Agency regarding this issue during the meet and confer process.

- Item No. 30 – Town of Apple Valley Loan in the amount of \$147,000. It is our understanding this loan was used to make remittance of the Low and Moderate Income Housing Fund Due Diligence Review (DDR) ordered amount. HSC section 34173 (h) states the city, county, or city and county that authorize the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion. However, as funds from the DDR determination were to be paid from available funds, no loan was necessary to remit the payment to the CAC. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

An adjustment was made to the Fund Balances form based upon information provided by the Agency during our review. Although this adjustment has no effect on the amount of RPTTF the Agency receives, they will affect the Agency's fund balances for the funds sources involved.

Additionally, the Agency did not report the distribution of RPTTF received from VVEDA. According to the prior period payments for the ROPS III period, VVEDA reported a total distribution of \$1,328,899 of RPTTF to the Agency.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 \$1,620,491 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	5,030,664
Total RPTTF requested for administrative obligations	132,716
Total RPTTF requested for obligations	\$ 5,163,380
Total RPTTF requested for non-administrative obligations	5,030,664
<u>Denied Items</u>	
Item No. 28	(36,000)
Item No. 29	(3,281,514)
Item No 30	(147,000)
	(3,464,514)
Total RPTTF approved for non-administrative obligations	1,566,150
Total RPTTF requested for administrative obligations	132,716
<u>Denied Items</u>	
Item No. 27	(78,375)
Total RPTTF for administrative obligations	54,341
Total RPTTF approved for obligations	1,620,491
ROPS III Prior Period Adjustment	-
Total RPTTF approved for distribution	1,620,491

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. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only 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 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 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.

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 Nichelle Thomas, Supervisor or Susana Medina-Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Howard', is positioned above the printed name.

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Orlando Acevedo, Economic Development Manager, City of Apple Valley
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office