

November 9, 2015

Mr. Marc Puckett, Assistant Town Manager - Finance and Administration  
Town of Apple Valley  
14975 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) (1) (A), the City of Apple Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 30, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item No. 14 – Low and Moderate Income Housing Fund (LMIHF) loan repayment for purposes of the Educational Revenue Augmentation Fund (ERAF) in the amount of \$592,819 requested for ROPS 15-16B, is not allowed.

HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the San Bernardino County Auditor-Controller's report, the amount distributed to the taxing entities for fiscal year 2012-13 and fiscal year 2014-15 are \$0 and \$368,907, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for fiscal year 2015-16 is \$184,454. During ROPS 15-16A, Finance approved \$184,454, leaving no balance available for the ROPS 15-16B period. Therefore, of the \$592,819 requested, no funding is available at this time. The Agency may be able to request funding beginning with ROPS 16-17.

- Item No. 29 – Redevelopment Agency (RDA) Obligations paid via Advanced Funds in the amount of \$3,281,514 are not allowed. Finance continues to deny this item. As stated in our previous determination letters, this item relates to an alleged negative cash balance of the former RDA that resulted from comingling of funds. The Agency claims that some of the commingled LMIHF amounts were used to pay for non-housing obligations, resulting in a negative balance in the Other Funds and Accounts Due

Diligence Review totaling \$3,281,514. However, the documentation provided by the Agency during our previous reviews does not support the Agency's claim.

In addition, the Agency provided a Contract between the Town of Apple Valley (Town) and Sully Miller Contracting Co. (Contract) dated September 26, 2006, a Schedule of Contract Payment Requests (Schedule), a Redevelopment Plan Map, General Ledgers from the Town dated September 24, 2008 and a Promissory Note dated September 26, 2006.

Our review of the Contract does not reveal any provision in the Contract obligating the RDA for the payment of the amounts listed on the Schedule, or evidence the contract was entered into on behalf of the RDA. Further, the Promissory Note makes no reference to the Contract and does not show there was transfer of funds from the Town to the RDA. Therefore, this line item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). 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 Agency's self-reported prior period adjustment.

In addition, Finance noted the Agency's expenditures exceeded Finance's authorization for the following item:

- Other Funds totaling \$46,749 – Item No. 17, \$46,749

Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your oversight board and Finance prior to making payments on enforceable obligations.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,736,875 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution For the period of January through June 2016</b>	
Total RPTTF requested for non-administrative obligations	5,486,208
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS 15-16B</b>	<b>\$ 5,611,208</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>5,486,208</b>
<u>Denied Items</u>	
Item No. 14	(592,819)
Item No. 29	(3,281,514)
	<u>(3,874,333)</u>
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 1,611,875</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 1,736,875</b>
ROPS 14-15B prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 1,736,875</b>

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B 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 final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2016. This determination only applies to items when 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 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.

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Please direct inquiries to Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Mr. Orlando Acevedo, Economic Development Manager, City of Apple Valley  
Ms. Linda Santillano, Property Tax Manager, San Bernardino County