



April 12, 2017

Mr. Marc Puckett, Assistant Town Manager of Finance & Administration
Town of Apple Valley
14975 Dale Evans Parkway
Apple Valley, CA 92307

Dear Mr. Puckett:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Town of Apple Valley Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to the California Department of Finance (Finance) on January 30, 2017. Finance has completed its review of the ROPS 17-18.

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

- Item Nos. 1 and 2 – 2005 Tax Allocation Bonds (TABs), and 2007 TABs debt service payments in the total requested amount of \$1,071,251 in Other Funds have been adjusted by \$3,000 and \$5,000, respectively. It is our understanding the Agency combined requests for debt service payments, fiscal agent fees, and continuing disclosure costs for the respective line items on the ROPS.

However, supporting documentation provided for these items only support part of the amounts requested. Therefore, Finance has adjusted the requests from Other Funds for these items as shown in the table below:

Bond Series	Annual Debt Service per Schedule	Annual Fiscal Agent Fees	Annual Disclosure Costs	Total Annual Allowable Amount	Total Requested on ROPS 17-18	Excess Amount Adjusted
Item No. 1 2005 TABs	\$513,363	\$3,150	\$2,000	\$518,513	\$521,513	\$3,000
Item No. 2 2007 TABs	\$542,088	\$2,650	\$0	\$544,738	\$549,738	\$5,000
Total	\$1,055,451	\$5,800	\$2,000	\$1,063,251	\$1,071,251	\$8,000

Finance reminds the Agency to request bond related administration fees and other associated costs as separate line items on future ROPS.

- Item No. 14 – Low and Moderate Income Housing Fund loan repayment for the purposes of the Educational Revenue Augmentation Fund in the total outstanding obligation amount of \$528,819 is partially allowed. The Agency realized after submission of the ROPS that the total outstanding obligation amount of \$528,819 was made in error. This amount includes the amount of \$310,768 Finance authorized in ROPS 16-17 for which the Agency received payment from the San Bernardino County Auditor-Controller.

Therefore, with the Agency's concurrence, Finance reduced the total outstanding obligation amount by \$310,768, to \$218,051 (\$528,819 - \$310,768). As a result, Finance is authorizing Redevelopment Property Tax Trust Funds (RPTTF) in the amount of \$218,051.

- Item No. 17 – Administration Costs in the total requested amount of \$250,000 have been reclassified to Administrative RPTTF. It is our understanding the Agency requested funding for Administrative costs from the incorrect fund. Per discussion with Agency staff, the \$250,000 requested for Administration from RPTTF should have been requested from Administrative RPTTF. As a result, Finance reclassified funding for Administrative Costs from RPTTF to Administrative RPTTF for \$250,000.
- Item No. 29 – Redevelopment Agency (RDA) Obligations paid via Advanced Funds in the total outstanding obligation amount of \$3,281,514 is not allowed. Finance continues to deny this item. As stated in our most recent determination letter dated May 17, 2016, Finance notes this item is related to an alleged negative cash balance of the former RDA. Earlier, Finance denied OB Resolution No. 2015-07, approving and adopting an agreement to ratify and re-enter loan agreements between the Town of Apple Valley (Town) and the Agency in our letter dated June 8, 2015 because the Agency was unable to provide adequate documentation to support the receipt of funds from the Town.

However, the Agency did not provide new or additional documentation to demonstrate how the item satisfies the requirements of HSC section 34191.4 (b) (2) to be considered a loan, or how the line item is an obligation of the Agency. Therefore, this item is not an enforceable obligation and the requested \$3,281,514 is not eligible for RPTTF funding.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the other obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 17-18. If the Agency disagrees with Finance's determination with respect to any items on the ROPS 17-18, except items which are the subject of litigation disputing Finance's previous or related determinations, the Agency 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 on Finance's website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,854,401 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2017 through December 31, 2017 period (ROPS A period) and one distribution for the January 1, 2018 through June 30, 2018 period (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 17-18 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 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Finance reviews the Agency's self-reported cash balances on an ongoing basis. The Agency should be prepared to submit financial records and bridging documents to support the cash balances reported upon request. Finance's ROPS 17-18 cash balances review indicates the Agency has funds available to pay for enforceable obligations on the ROPS for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19). HSC section 34177 (l) (1) (E) requires the balances be used prior to requesting RPTTF.

The Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through June 30, 2016 period (ROPS 15-16). The Agency will report actual payments for ROPS 15-16 on ROPS 18-19, pursuant to HSC section 34186 (a) (1). A prior period adjustment may be applied to the Agency's ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended ROPS 15-16 RPTTF.

Absent a Meet and Confer, this is Finance's determination regarding the obligations listed on the ROPS 17-18. This determination only applies to items when funding was requested for the 12-month period.

The ROPS 17-18 form submitted by the Agency and Finance's determination letter will be posted on Finance's website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

Finance's determination is effective for the ROPS 17-18 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 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 law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment 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 Moses Ofurio, Lead Analyst, at (916) 322-2985.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

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

Attachment

Approved RPTTF Distribution			
For the period of July 2017 through June 2018			
	ROPS A Period	ROPS B Period	ROPS 17-18 Total
RPTTF Requested	\$ 4,668,508	\$ 1,778,175	\$ 6,446,683
Administrative RPTTF Requested	0	0	0
Total RPTTF Requested	4,668,508	1,778,175	6,446,683
RPTTF Requested	4,668,508	1,778,175	6,446,683
<u>Adjustments</u>			
Item No. 14	(310,768)	0	(310,768)
Item No. 17	(125,000)	(125,000)	(250,000)
Item No. 29	(3,281,514)	0	(3,281,514)
	(3,717,282)	(125,000)	(3,842,282)
RPTTF Authorized	951,226	1,653,175	2,604,401
Administrative RPTTF Requested	0	0	0
<u>Adjustments</u>			
Item No. 17	125,000	125,000	250,000
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Approved for Distribution	\$ 1,076,226	\$ 1,778,175	\$ 2,854,401