



December 18, 2012

Mr. Orlando Acevedo, Economic Development Manager
Town of Apple Valley
14955 Dale Evans Parkway
Apple Valley, CA 92307

Dear Mr. Acevedo:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 20, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Town of Apple Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 5, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 20, 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 6, 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.

- Items 1 and 2 – 2005 and 2007 Tax Allocation Bonds, respectively. Pursuant to the Victor Valley Economic Development Authority Joint Exercise Powers Agreement (VVEDA JPA), the Agency receives its share of tax revenue allocations from VVEDA to pay the bond obligations. Therefore, these bonds are not eligible for Redevelopment Property Tax Trust (RPTTF) funding on Apple Valley's ROPS. However, these bonds are approved for funding under "Other Funding Sources", more specifically from funds received from the VVEDA under the JPA.
- Item Nos. 3 and 13 – Loan Agreement/DDA in the amount of \$6,743,730 funded by bond proceeds. Finance previously determined these line items are for construction contracts not in place as of June 27, 2011 as per HSC 34163 (b). During the meet and confer process, the Agency submitted a loan agreement as supporting documentation; however, the loan agreement was signed after June 27, 2011 and section 2.2 of the loan agreement states "As a condition precedent to the Agency's obligation to disburse... the Agency Loan, the Agency and the Developer shall have negotiated and entered into a [Development and Disbursement Agreement]...". The Agency confirmed at the meet and confer, that a DDA has not been approved. Therefore, Finance continues to deny these items at this time. Upon obtaining a Finding of Completion is issued by Finance, the Agency may create an enforceable obligation for the use of these bond funds.

In addition, per Finance's Recognized Obligation Payment Schedule letter dated October 13, 2012, the following items were denied and not contested by the Agency:

- Item Nos. 6 and 14 – Loan to 80 percent for Educational Revenue Augmentation Fund (ERAF) in the total amount of \$777,273 funded by RPTTF. HSC section 34191.4(b)(2)(A) prohibits the Agency from making loan repayments prior to 2013-14 fiscal year.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$2,216,155 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 3,567,628
Less: Six-month total for items denied	
Item 1	348,607
Item 2	352,092
Item 6	401,767
Item 14	375,506
Total approved RPTTF for enforceable obligations	\$ 2,089,656
Plus: Allowable RPTTF distribution for administrative cost for ROPS III*	126,499
Total RPTTF approved:	\$ 2,216,155

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.

Mr. Acevedo
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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Marc Puckett, Finance Director, Town of Apple Valley
Ms. Vanessa Doyle, Property Tax Manager, San Bernardino County Auditor-Controller
California State Controller's Office