



April 17, 2014

Mr. Keith C. Metzler, Assistant City Manager
City of Victorville
14343 Civic Drive
Victorville, CA 92392

Dear Mr. Metzler:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Victorville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 3, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 No. 20 – Property Disposition Contract Services in the amount of \$300,000 is not an enforceable obligation. It is our understanding the Agency is requesting funding in anticipation of implementing its Long-Range Property Management Plan once approved by Finance. However, the Agency was unable to provide documentation to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as executed contracts or vendor invoices to support the requested funding, the Agency may be able to obtain Redevelopment Property Tax Trust Fund (RPTTF) funding on future ROPS.
- Item No. 22 – Southern California Logistics Airport Authority (SCLAA) Loan Repayment for the Old Town Project Area in the amount of \$6,908,227. It is our understanding the Oversight Board (OB) is currently in the process of executing an amendment to the existing Promissory Note with SCLAA which will include a modified repayment schedule. This amendment would be effective prior to the Note's current termination date of July 21, 2014. As such, the requested portion of the loan's balloon payment due in the ROPS 14-15A period is disallowed. Additionally, the Agency is unable to support the amounts claimed. To the extent the OB approves an amendment to the Note and submitted to Finance for review and approval, the Agency may be able to obtain RPTTF funding on future ROPS.
- Item Nos. 26 and 36 – SCLAA Bond Fiscal Agent and Arbitrage Fees totaling \$40,000. The Agency provided Official Statements for the SCLAA bonds to support the Agency's pledge of its Victor Valley Economic Development Authority Joint Powers Authority funding as security for the bonds. However, the Official Statements do not support the

Agency's responsibility to pay SCLAA bond-related fees. To the extent the Agency can provide documentation to support a pledge of its funds for SCLAA bond-related fees, the Agency may be able to obtain Other Funds on future ROPS.

- Item Nos. 37 through 39 – Various Pass-Through Payments totaling \$5,693,848. The Agency provided insufficient documentation to support the amounts claimed. The Agency submitted demand letters from the San Bernardino County Superintendent of Schools, (SBCSS), Victor Valley Community College District (VVCCD), and Victor Elementary School District (VESD), requesting payment for underfunded pass-throughs for fiscal years 2004-05 through 2010-11. However, without the 1993 Cooperative Agreements establishing the pass-through obligations, it is unclear what funds, if any, are owed to SBCSS, VVCCD, and VSD. To the extent the Agency can provide the 1993 Cooperative Agreements to support the requested funding, the Agency may be able to obtain RPTTF funding on future ROPS.
- Item Nos. 40 through 42 – SBCSS, VESD, and VVCCD Pass-Through Payments totaling \$11,013. The Agency submitted demand letters from SBCSS, VESD, and VVCCD, requesting payment for underfunded pass-throughs for fiscal years 2008-9 through 2010-11 based on a Los Angeles Unified School District court decision. However, the Agency is not named as a party to the court decision and has not shown that the requested payments are binding. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.

The Agency was authorized to receive RPTTF in the amount of \$1,082,861 for Fall 2014 debt service payments in the January through June 2014 (ROPS 13-14B) period. The Agency received a total of \$3,173,323 from the San Bernardino County Auditor-Controller (CAC) for the ROPS 13-14B period.

HSC section 34183 (2) (A) states debt service payments must receive first payment priority from RPTTF allocated from the CAC. Therefore, as authorized for ROPS 13-14B, \$1,082,861 should be available as Reserve Funds for the Fall 2014 debt service payments requested on ROPS 14-15A.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Reserve Balances and in the amount specified below:

- Item No. 1 – Various Tax Allocation Bonds debt service payments totaling \$2,142,862 for payments due July through December 2014. These items were determined to be enforceable obligations for the ROPS 14-15A period. The Agency requested \$2,142,862 from RPTTF; however, Finance is reclassifying \$1,082,861 to Reserve Balances that were requested and retained from ROPS 13-14B. Finance specifically approved payment for the debt service reserve for the July through December 2014 payments. Therefore, the actual funding needed is only \$1,060,001 (\$2,142,862 – \$1,082,861). As a result, Finance approves RPTTF in the amount of \$1,060,001 and Reserve Balances in the amount of \$1,082,861, totaling \$2,142,862.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below 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 or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 \$2,452,967 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	9,355,888
Total RPTTF requested for administrative obligations	134,801
Total RPTTF requested for obligations	\$ 9,490,689
Total RPTTF requested for non-administrative obligations	9,355,888
Denied Items	
Item No. 20	(150,000)
Item No. 22	(100,000)
Item No. 37	(196,396)
Item No. 38	(1,295,787)
Item No. 39	(4,201,665)
Item No. 40	(381)
Item No. 41	(8,128)
Item No. 42	(2,504)
	(5,954,861)
Total RPTTF for non-administrative obligations	3,401,027
Cash Balances - Item reclassified to other funding sources	
Item No. 1	(1,082,861)
	(1,082,861)
Total RPTTF authorized for non-administrative obligations	\$ 2,318,166
Total RPTTF authorized for administrative obligations	\$ 134,801
Total RPTTF authorized for obligations	\$ 2,452,967
ROPS 13-14A prior period adjustment	0
Total RPTTF approved for distribution	\$ 2,452,967

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<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 July 1 through December 31, 2014. This determination

only applies 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 section 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 Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Lesyenia Marin, Management Specialist, City of Victorville
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office