



April 11, 2017

Ms. Sophie L. Smith, Economic Development Division Head  
City of Victorville  
14343 Civic Drive  
Victorville, CA 92392

Dear Ms. Smith:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Victorville 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 19, 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 No. 22 – Southern California Logistics Airport Authority Loan in the amount of \$500,000 has been partially reclassified. This item is an enforceable obligation for the ROPS 17-18 period. However, the obligation does not require payment from property tax revenues and the Agency has \$11,049 in available Other Funds. Therefore, Finance is approving Redevelopment Property Tax Trust Fund (RPTTF) in the amount of \$488,951 and the use of Other Funds in the amount of \$11,049, totaling \$500,000 for the ROPS 17-18 period.
- Item No. 52 – Bear Valley Housing Loan in the total outstanding obligation amount of \$806,118 is not an enforceable obligation. It is our understanding that the basis for the request on Item No. 52 is a 1999 agreement between the Victorville Public Development Corporation (VPDC) and the former Redevelopment Agency (RDA). However, pursuant to dissolution law, VPDC will be treated as the City, and as such, the agreement will be evaluated as an agreement between the RDA and its creator. Under HSC section 34171 (d) (2), the agreement is not an enforceable obligation. Further, Item No. 52 lists the City as the payee. Again, to the extent there is support to show the City as having been assigned the agreement (to which there is not such support), HSC section 34171 (d) (2) would hold this agreement as not enforceable.

Additionally, this agreement does not fit the definition of a loan since the agreement did not include a mandatory repayment schedule as required by HSC section 34191.4. Further, to the extent this agreement attempted to have VPDC loan tax increment to the Agency, which the Agency previously loaned to VPDC, such agreement is suspect and not an enforceable obligation as HSC section 34171 (d) (1) (E) excludes contracts,

which are void for public policy. Finance is questioning the public policy of the RDA agreeing to accept loan of its own tax increment funds in addition to paying interest on said amounts. Also, because the loan was purportedly funded with Low and Moderate Income Housing Funds (LMIHF) under the control of the former RDA, it is unclear what authority the VPDC relied upon in pledging funds not under its control. In addition, to the extent Item No. 52's request is a payment pursuant to HSC section 34171 (d) (1) (G), (repayments to amounts borrowed from, or payments owing to the LMIHF) such request is also invalid.

HSC section 34171 (d) (1) (G) specifically limits repayments to amounts borrowed from, or payments owing to, the LMIHF of a former RDA, which had been deferred. The amount that the Agency contends is due was not a result of funds being borrowed or amounts owed because of a deferral of the RDA's LMIHF. Pursuant to the facts presented, the amounts were borrowed from VPDC. As such, this item does not meet the definition of an enforceable obligation pursuant to HSC section 34171 (d) (1) (G). Finally, to the extent Item No. 52 is relying on the 2010 Amended and Restated Agreement as the basis for the payment request, all of the above reasons also apply to the 2010 agreement. Therefore, the requested amount of \$500,000 is not eligible for RPTTF funding.

- Item Nos. 53 and 54 – Unfunded Employee Retirement Obligations in the total outstanding amount of \$337,000 and \$472,000, respectively, are not allowed. It is our understanding the agreements entered into on January 1, 1967 and February 18, 2012 with respect to these obligations are between the California Public Employees Retirement System and the City of Victorville, and the former RDA is not a party to the contracts. Therefore, these items are not enforceable obligations and the requested amounts of \$337,000 and \$472,000, respectively, from RPTTF, are not allowed.

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 \$4,229,602 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 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.

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:

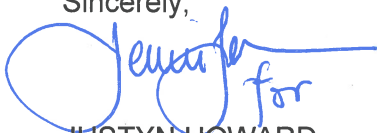
<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

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.

Please direct inquiries to Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst, at (916) 322-2985.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Mr. Keith C. Metzler, Assistant City Manager, City of Victorville  
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

**Attachment**

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2017 through June 2018</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>ROPS 17-18 Total</b>
RPTTF Requested	\$ 3,524,733	\$ 1,774,918	\$ 5,299,651
Administrative RPTTF Requested	125,000	125,000	250,000
<b>Total RPTTF Requested</b>	<b>3,649,733</b>	<b>1,899,918</b>	<b>5,549,651</b>
<b>RPTTF Requested</b>	<b>3,524,733</b>	<b>1,774,918</b>	<b>5,299,651</b>
<u>Adjustments</u>			
Item No. 22	(11,049)	0	(11,049)
Item No. 52	(250,000)	(250,000)	(500,000)
Item No. 53	(168,500)	(168,500)	(337,000)
Item No. 54	(236,000)	(236,000)	(472,000)
	(665,549)	(654,500)	(1,320,049)
<b>RPTTF Authorized</b>	<b>2,859,184</b>	<b>1,120,418</b>	<b>3,979,602</b>
<b>Administrative RPTTF Authorized</b>	<b>125,000</b>	<b>125,000</b>	<b>250,000</b>
<b>Total RPTTF Approved for Distribution</b>	<b>\$ 2,984,184</b>	<b>\$ 1,245,418</b>	<b>\$ 4,229,602</b>