



December 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 10, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Victor Valley Economic Development Authority (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 29, 2014 for the period of January through June 2015. Finance issued a ROPS determination letter on November 10, 2014. 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 25, 2014.

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 items being disputed.

- Item Nos. 3, 4, 6 – Joint Powers Authority (JPA) Agreement pass-through distributions to City of Hesperia, County of San Bernardino, and City of Adelanto in the amounts of \$35,442,219, \$66,642,949 and \$30,243,282, respectively. Finance continues to deny these items. During the meet and confer, the Agency claimed that the JPA agreement in and of itself was the enforceable obligation supporting these items. However, pursuant to Section 34 of the Fourth Amended and Restated JPA agreement, net revenues attributable to any member's territory shall be allocated for use in the member's territory. As previously stated, Redevelopment Property Tax Trust Funds (RPTTF) funds distributed to these JPA members are not encumbered for the payment of bond debt service or any other existing enforceable obligations owed by the recipients. Therefore these items are not enforceable obligations and are not eligible for RPTTF funding.
- Item No. 5 – JPA Agreement pass-through distribution to the Town of Apple Valley (Town) in the amount of \$171,666,275. Finance no longer partially approves this item, rather it is denied in its entirety. Our previous review indicated that while the Agency requested \$1,353,229 for debt service payments due by the Town, the Town only requested \$716,914 for the current ROPS period. As stated above, only those funds currently allocated are eligible for funding from RPTTF. Therefore, the excess, \$636,315 (\$1,353,229 - \$716,914) was not eligible for RPTTF funding. However, additional

information indicates that the Town has remaining Other Funds on hand remaining from previous periods to pay its obligations and therefore should not be provided additional funding via the Agency's ROPS 14-15B. Therefore, this item is denied.

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. Finance has determined that the Agency possesses \$469,717 in Reserve Balances from the Other Funds Due Diligence Review. These funds should have been expended no later than the January 1 through June 30, 2013 ROPS period (ROPS III).

Therefore, the funding source for the following item has been reclassified to Reserve Balances in the amounts specified below:

- Item No. 7 – Admin Costs. Finance has approved \$386,873 for this item and the Agency has requested funding from RPTTF Administrative Cost Allowance. However, the Agency has \$469,747 in available Reserve Balances. Therefore, Finance is reclassifying \$386,873 to Reserve Balances.

During the meet and confer, the Agency states that the funds were accumulated prior to dissolution and the Agency should be allowed to retain the funds to spend at its discretion. However, the Agency did not provide additional information to demonstrate that the funds are encumbered funds; therefore, as previously stated, pursuant to HSC section 34177 (l) (1) (E), the Agency must expend these funds prior to requesting RPTTF.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects the prior period adjustment self-reported by the Agency.

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. 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 prior period adjustment self-reported by the Agency.

Except for the items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$10,553,620 as summarized in the Approved RPTTF Distribution Table on the following page:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	12,895,755
Total RPTTF requested for administrative obligations	386,873
Total RPTTF requested for obligations on ROPS	\$ 13,282,628
Total RPTTF requested for non-administrative obligations	12,895,755
<u>Denied Items</u>	
Item No. 3	(252,082)
Item No. 4	(478,091)
Item No. 5	(1,353,229)
Item No. 6	(84,659)
	(2,168,061)
Total RPTTF for non-administrative obligations	10,727,694
Total RPTTF authorized for non-administrative obligations	\$ 10,727,694
Total RPTTF requested for administrative obligations	386,873
<u>Reclassified item</u>	
Item No. 7	(386,873)
Total RPTTF authorized for administrative obligations	\$0
Total RPTTF authorized for obligations	\$ 10,727,694
ROPS 13-14B prior period adjustment	(174,074)
Total RPTTF approved for distribution	\$ 10,553,620

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

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another

funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Marc Puckett, Treasurer, City of Victorville
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office