



April 10, 2015

Mr. Keith C. Metzler, Executive Director  
City of Victor Valley  
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 Victor Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 26, 2015 for the period of July 1 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, which may have included obtaining clarification for various items.

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

- Item No. 2 – Joint Powers Authority (JPA) Agreement pass-through distribution to the City of Victorville (City) in the amount of \$1,427,142,698 is partially approved. The Agency requested \$11,029,741 in Redevelopment Property Tax Trust Funds (RPTTF) for debt service payments due by the City. However, the debt service due for the current ROPS period is \$10,951,848. Therefore, the excess, \$77,893 (\$11,029,741 - \$10,951,848) is not eligible for RPTTF funding on this ROPS.
- Item Nos. 3, 4, 6 – JPA Agreement pass-through distributions to the City of Hesperia, County of San Bernardino, and City of Adelanto in the amounts of \$71,197,016, \$66,249,815 and \$30,196,541, respectively. RPTTF funds distributed to the JPA members are not encumbered for the payment of bond debt service or any other obligation 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 \$170,831,930 is partially approved. The Agency requested \$1,364,275 in RPTTF for debt service payments due by the Town. However, the debt service due for the current ROPS period is \$334,336. Therefore, the excess, \$1,029,939 (\$1,364,275 - \$334,336) is not eligible for RPTTF funding.
- Item No. 17 – ROPS 14-15 A Admin Costs in the amount of \$133,123. It is our understanding the Agency did not receive an Administrative Cost Allowance for the 14-15A period due to insufficient available RPTTF. As such, the Agency utilized funds

available from the ROPS 13-14B to fund administrative obligations, in the amount of \$133,123. Finance reminds the Agency that should a distribution shortfall occur, the Agency may relist the shortfall on a subsequent ROPS.

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 has \$82,844 in available Reserve Balances and \$29,286 in available Other Funds.

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

- Item No. 2 – JPA Agreement pass-through distribution to the City of Victorville (City) in the amount of \$112,130. As adjusted above, the Agency is approved to receive \$10,951,848 from RPTTF; however, Finance is reclassifying \$82,844 to Reserve Balances and \$29,286 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$82,844 in available Reserve Balances and \$29,286 in available Other Funds. Therefore, Finance is approving the use of \$10,839,718 in RPTTF, \$84,844 in Reserve Balances, and \$29,286 in Other Funds for a total of \$10,951,848.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 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 review of the Agency's self-reported prior period adjustment. However, Finance has determined that the prior period adjustment should be \$1,497; it appears the Agency and the CAC did not account for the prior period adjustment in the amount of \$1,497 from the ROPS 13-14A period that was available for enforceable obligations in the ROPS 14-15A period. Therefore, as adjusted by Finance, the prior period adjustment on this ROPS is \$1,497.

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 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$11,435,872 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	13,214,596
Total RPTTF requested for administrative obligations	396,438
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 13,611,034</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>13,214,596</b>
<u>Denied Items</u>	
Item No. 2	(77,893)
Item No. 3	(254,436)
Item No. 4	(481,485)
Item No. 5	(1,029,939)
Item No. 6	(84,659)
	(1,928,412)
	<b>\$ 11,286,184</b>
<u>Cash Balances - Item reclassified to Other Funds/Reserve Balances</u>	
Item No. 2	(112,130)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 11,174,054</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>396,438</b>
<u>Denied Item</u>	
Item No. 17	(133,123)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 263,315</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 11,437,369</b>
ROPS 14-15A prior period adjustment	(1,497)
<b>Total RPTTF approved for distribution</b>	<b>\$ 11,435,872</b>

Please refer to the ROPS 15-16A 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, 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 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 Nichelle Thomas, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

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