



April 11, 2017

Mr. Keith C. Metzler, Executive Director  
City of Victor Valley  
14343 Civic Drive  
Victorville, CA 92392

Dear Mr. Metzler:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Victor Valley 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 26, 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. 20 – Joint Powers Authority Agreement (JPA Agreement), Miscellaneous, Pass-Through Distributions to Victorville in the total outstanding obligation amount of \$13,999,789 is not allowed. Finance continues to deny this item. The Agency claims this item represents accumulated operational shortfalls due to Victorville pursuant to the JPA Agreement. However, the JPA Agreement does not obligate the Agency to reimburse Victorville for these types of costs. Therefore, this item is not an enforceable obligation and the requested amount of \$13,999,789 is not allowed for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 21 – JPA Agreement, Infrastructure, Pass-Through Distributions to Victorville in the total outstanding obligation amount of \$21,120,815 is not allowed. Finance continues to deny this item. The Agency claims this item represents accumulated capital improvement expenditures due to Victorville pursuant to the JPA Agreement. However, the Agreement does not obligate the Agency to reimburse Victorville for expenses Victorville incurred. In addition, the Agreement does not specify the terms of repayment for expenses incurred by Victorville. Therefore, this item is not an enforceable obligation and the requested amount of \$21,120,815 is not allowed for RPTTF funding.
- Item No. 22 – JPA Agreement in the total outstanding obligation amount of \$673,067 is not allowed. Finance continues to deny this item. It is our understanding this item represents amounts due to the Agency from the City of Adelanto (Adelanto) for its proportional share of start-up costs pursuant to the JPA Agreement. According to the JPA Agreement, the Agency was to use a portion of its tax increment it received to offset its own start-up costs. However, Finance believes this item to be an internal

accounting issue and should be resolved internally. Therefore, this item is not an enforceable obligation and the requested amount of \$673,067 is not allowed for RPTTF funding.

- Item No. 23 – Cooperative Agreement for Street Improvements in the total outstanding obligation amount of \$1,555,298 is not allowed. Finance continues to deny this item. It is our understanding this agreement entered into on April 23, 2003, is between Victorville and Adelanto; the former Redevelopment Agency (RDA) is not a party to the contract. Therefore, this line item is not an enforceable obligation and the requested amount of \$1,555,298 is not allowed for RPTTF funding.
- Item No. 28 – Southern California Logistics Authority Continuing Disclosure Costs in the total requested amount of \$21,000. The Agency provided documentation supporting estimated costs totaling \$14,500 with regards to continuing disclosure services for Southern California Logistics Airport Authority bonds. To the extent the Agency can provided documentation, such as an executed contract, this item may be eligible for additional RPTTF funding in the future. Therefore, Finance approves \$14,500 in RPTTF funding for this item; the excess, \$6,500 (\$21,000 - \$14,500) is not allowed.
- Item No. 30 – Apple Valley Continuing Disclosure Costs in the total requested amount of \$10,000. It is our understanding this item relates to continuing disclosure services regarding Apple Valley bonds issued for the Victor Valley Economic Development project area. The Agency has requested this item be reduced by \$3,000, from \$10,000 to \$7,000. The Agency provided a contract with Rosenow Spevacek Group, Inc., in the amount of \$2,000 regarding these services.

Further, it is our understanding the remaining \$5,000 is allocated for the City of Apple Valley staff time for preparing various documentation for submission to the fiscal agent with regards to these services. However, these types of services are administrative in nature and are not allowed. Therefore, Finance approves \$2,000 in RPTTF funding for this item, the excess, \$8,000 (\$10,000 - \$2,000) is not allowed.

- On the ROPS 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Pursuant to HSC section 34177 (I) (1) (E), the Agency is required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF.

Therefore, with the Agency's concurrence, the funding source for Item No. 18, JPA Agreement, Payment for Default Amounts, is partially reclassified from RPTTF to Other Funds. This item is an enforceable obligation for the ROPS 17-18 period. However, the obligation does not require payment from RPTTF and the Agency has \$15,733 in available Other Funds. Therefore, Finance is approving the use of Other Funds in the amount of \$15,733 and RPTTF in the amount of \$9,925,222 totaling \$9,940,955 (\$15,733 + \$9,925,222) for the ROPS 17-18 period.

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 \$36,696,934 as summarized in the Approved RPTTF Distribution table on Page 5 (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's 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/>

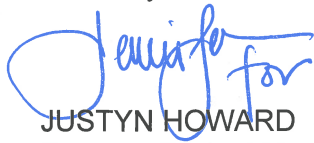
Finance's determination is effective for the ROPS 17-18 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have 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.

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

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Mr. Marc Puckett, Treasurer, City of Victor Valley  
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	\$ 34,015,910	\$ 39,560,226	\$ 73,576,136
Administrative RPTTF Requested	250,000	250,000	500,000
<b>Total RPTTF Requested</b>	<b>34,265,910</b>	<b>39,810,226</b>	<b>74,076,136</b>
<b>RPTTF Requested</b>	<b>34,015,910</b>	<b>39,560,226</b>	<b>73,576,136</b>
<u>Adjustments</u>			
Item No. 18	(15,733)	0	(15,733)
Item No. 20	(6,999,895)	(6,999,894)	(13,999,789)
Item No. 21	(10,560,408)	(10,560,407)	(21,120,815)
Item No. 22	(336,534)	(336,533)	(673,067)
Item No. 23	(777,649)	(777,649)	(1,555,298)
Item No. 28	0	(6,500)	(6,500)
Item No. 30	0	(8,000)	(8,000)
	(18,690,219)	(18,688,983)	(37,379,202)
<b>RPTTF Authorized</b>	<b>15,325,691</b>	<b>20,871,243</b>	<b>36,196,934</b>
<b>Administrative RPTTF Authorized</b>	<b>250,000</b>	<b>250,000</b>	<b>500,000</b>
<b>Total RPTTF Approved for Distribution</b>	<b>\$ 15,575,691</b>	<b>\$ 21,121,243</b>	<b>\$ 36,696,934</b>