



April 9, 2018

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

Dear Ms. Smith:

Subject: 2018-19 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, 2018 through June 30, 2019 (ROPS 18-19) to the California Department of Finance (Finance) on January 25, 2018. Finance has completed its review of the ROPS 18-19.

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 to Old Town Project Area Loan; total outstanding obligation amount of \$135,000 is not allowed. The San Bernardino County Auditor-Controller (CAC) reports the Agency received a Redevelopment Property Tax Trust Fund (RPTTF) distribution equal to the amount Finance approved for ROPS 17-18. Consequently, the Agency had sufficient funds in the Redevelopment Obligation Retirement Fund. Therefore, the requested amount of \$135,000 from RPTTF is not allowed. In addition, with the Agency's concurrence, this line item has been retired.
- Item No. 52 – Bear Valley Housing Loan in the total outstanding obligation amount of \$851,987 is not an enforceable obligation. Finance continues to deny this item. It is our understanding the basis for the request 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 of Victorville (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 having been assigned the agreement (for which there is no 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 a 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 this item'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 the Agency contends is due was not a result of funds 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 this item 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, this item is not an enforceable obligation and the requested amount of \$200,000 is ineligible for RPTTF funding.

- Item Nos. 53 and 54 – Unfunded Employee Retirement Obligations, outstanding obligation amounts totaling \$809,000 (\$337,000 + \$472,000), are not allowed. Finance continues to deny these items. 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; the former RDA is not a party to the contracts. Therefore, these items are not enforceable obligations and the requested amounts totaling \$400,000 (\$200,000 + \$200,000) in RPTTF are not allowed.
- On the ROPS 18-19 form, the Agency reported cash balances and activity for the period July 1, 2015 through June 30, 2016 (ROPS 15-16). According to our review, the Agency has approximately \$19,852 in Other Funds and \$73,633 in RPTTF unexpended from the ROPS 15-16 period, totaling \$93,485, available to fund enforceable obligations on the ROPS 18-19. These unexpended funds are considered Reserve Balances. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified in the amounts specified below:
  - Item No. 4 – Northgate Apartments in the requested amount of \$250,000 is partially reclassified. This item does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$156,515, the use of \$73,633 in Reserve Balances, and the use of \$19,852 in Other Funds funding, totaling \$250,000.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 18-19. If the Agency disagrees with our determination with respect to any items on the ROPS 18-19, except items that are the subject of litigation disputing our 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 our website:

[http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/](http://dof.ca.gov/Programs/Redevelopment/Meet%20And%20Confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,655,070 as summarized in the Approved RPTTF Distribution table on Page 5 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2018 through December 31, 2018 period (ROPS A period) and one distribution for the January 1, 2019 through June 30, 2019 period (ROPS B period) based on Finance's approved amounts. Since this determination is for the entire ROPS 18-19 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Pursuant to HSC section 34186 (c), beginning October 1, 2018, the Agency will be required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2016 through June 30, 2017 period (ROPS 16-17) to the CAC for review. The Agency will report actual payments for ROPS 16-17 on ROPS 19-20. A prior period adjustment may be applied to the Agency's ROPS 19-20 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF from the ROPS 16-17 period.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 18-19. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be deemed denied until the matter is resolved.

The ROPS 18-19 form submitted by the Agency and this determination letter will be posted on our website:

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

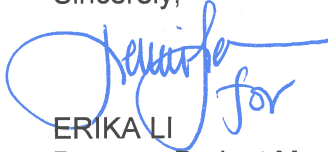
This determination is effective for the ROPS 18-19 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received 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 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.

Ms. Sophie L. Smith  
April 9, 2018  
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Please direct inquiries to Nichelle Jackson, Supervisor, or Michael Painter, Analyst, at  
(916) 322-2985.

Sincerely,



ERIKA LI  
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 2018 through June 2019</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>ROPS 18-19 Total</b>
RPTTF Requested	\$ 2,704,903	\$ 1,528,652	\$ 4,233,555
Administrative RPTTF Requested	125,000	125,000	250,000
<b>Total RPTTF Requested</b>	<b>2,829,903</b>	<b>1,653,652</b>	<b>4,483,555</b>
<b>RPTTF Requested</b>	<b>2,704,903</b>	<b>1,528,652</b>	<b>4,233,555</b>
<u>Adjustments</u>			
Item No. 4	(93,485)	0	(93,485)
Item No. 22	0	(135,000)	(135,000)
Item No. 52	(100,000)	(100,000)	(200,000)
Item No. 53	(100,000)	(100,000)	(200,000)
Item No. 54	(100,000)	(100,000)	(200,000)
	(393,485)	(435,000)	(828,485)
<b>RPTTF Authorized</b>	<b>2,311,418</b>	<b>1,093,652</b>	<b>3,405,070</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>\$ 2,436,418</b>	<b>\$ 1,218,652</b>	<b>\$ 3,655,070</b>