Southern California

LOGISTICS AIRPORT

December 1, 2015

NOTICE TO BONDHOLDERS AND "REPORTING OF SIGNIFICANT EVENTS" CONCERNING THE FOLLOWING BONDS ISSUED BY THE SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY (SCLAA)

FOR: **Senior Lien Pledge, Non-Housing Bonds:**

SCLAA, Tax Allocation Parity Bonds, Series 2005A
SCLAA, Taxable Tax Allocation Revenue Parity Bonds, Series 2006
SCLAA, Tax Allocation Revenue Parity Bonds, Refunding Series 2006
SCLAA, Taxable Tax Allocation Revenue Parity Forward Bonds, 2006

Housing Bonds:

SCLAA, Tax Allocation Revenue Parity Refunding Housing Bonds, 2006
SCLAA, Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007

Junior Lien Subordinate Pledge, Non-Housing Bond:

SCLAA, Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006

Subordinate Pledge, Non-Housing Bonds:

SCLAA, Subordinate Tax Allocation Revenue Bonds, Series 2007
SCLAA, Subordinate Tax Allocation Revenue Bonds, Series 2008A

SUMMARY

On August 20, 2015, Victor Valley Economic Development Authority issued a check for $10,440,653.48 to the City of Victorville, which consisted of tax increment distribution revenue from December 13, 2014 through April 30, 2015. Of this amount, $35,000 will be set aside to be used for bond administration and fiscal agent fees. The remainder amount of $10,405,653.48 will be used for principal and interest debt service payments due December 1, 2015 for the Senior Lien Pledge Non-Housing Bonds, the Housing Bonds, and the Junior Lien Subordinate Pledge Non-Housing Bond. The total of these debt service payments is $11,194,343.13; therefore, a portion of the reserves of the Junior Lien Subordinate Pledge Non-Housing Bond will have to be used to cover the entire debt service payment for that bond issue.

Defaults will occur on the principal and interest debt service payments for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A. The Bank of New York Mellon does not provide for use of reserves for partial interest payments. Therefore, SCLAA could not use the remainder of reserves available for the debt service payments for these bond issues. The defaults on the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A will not be cured until sufficient tax increment is received from Victor Valley Economic Development Authority.

A detailed spreadsheet summarizing the payments, draw on reserves, defaults, and a projection of remaining reserve balances on December 2, 2015 is attached as Exhibit A.

Several material events have occurred over the last several years that have resulted in SCLAA defaulting on the bond issues and the use of reserves with the Trustee for interest payments:

(1) As part of adopting its 2009 budget bill, the State of California approved AB 26 4X, which included a provision that required redevelopment agencies to make remittance for FY 10/11 to a county Supplemental Educational Revenue

Augmentation Fund. Tax increment on hand from SCLAA paid this obligation of $9,352,308 in FY 09/10 and $1,923,641 in FY 10/11. These state-mandated payments severely impacted SCLAA's cash reserves.

(2) In Fiscal Year 08-09, the assessed value for the Victor Valley Redevelopment Project Area was approximately $9.49 billion. Since that time, there has been a significant decrease in assessed value for the Victor Valley Redevelopment Project Area. For Fiscal Year 14-15, the assessed value for the Project Area was approximately $7.05 billion. The decrease was largely the result of the Great Recession.

(3) The State of California enacted legislation in June 2011 which eliminated all Redevelopment Agencies across the state. The Redevelopment Agency (RDA) dissolution process has created cash flow issues. The former RDAs must utilize a Recognized Obligation Payment Schedule (ROPS) process every six months to receive funding from the County of San Bernardino only as approved by the State's Department of Finance (DOF). The County collects tax increment of the former RDAs and holds it in the Redevelopment Property Tax Trust Fund (RPTTF). Revenue distributed by the County on January 2 is typically the larger distribution; however, the January 2 distribution is designated for June 1 interest-only debt service payments. The June 1 distribution from the County, which is typically the smaller distribution, is designated for December 1 principal and interest debt service payments.

FUTURE OUTLOOK

On May 18, 2015, the Victor Valley Economic Development Authority (VVEDA) received a letter dated May 15, 2015 from the DOF regarding its determination of funding for the ROPS 15-16A period, which covers the December 1 debt service payments. Regrettably, the DOF determined it would only approve amounts due for the December 1 principal and interest payments, and would not approve excess funds available to SCLAA to allow it to partially cure any previously defaulted bond payments. As previously disclosed in SCLAA's June 1, 2015 Letter to Bondholders, this DOF determination has the projected impact of critically impairing SCLAA's ability to remedy previously defaulted amounts by not allowing SCLAA to collect and distribute all tax increment available from the revenues pledged for debt service. SCLA staff believes the $10,440,653.48 received by Victorville/SCLAA on August 20, 2015 represents all available tax increment generated in the VVEDA project area as pledged by Victorville and SCLAA for debt service payments, and that the DOF did not withhold any excess funds available and that revenue generated simply fell short from satisfying the current principal and interest payments due December 1.

However, SCLAA staff does have similar concern over a November 13, 2015 ROPS 15-16B letter determination received from the DOF (Attached hereto as Exhibit B) regarding funding for the January 1, 2016 through June 30, 2016 period. In its determination letter, the DOF denied Line Items # 18 and #19 of the VVEDA ROPS that contains $14,301,944 in defaulted principal and interest payments relative to the 2007 and 2008A Subordinate Pledge Bonds, as well as Required Reserve shortfalls for the 2006, 2007 and 2008A Subordinate Pledge Bonds. SCLAA staff believes the DOF has failed to recognize the lien priority of such amounts as payable from the RPTTF. These items were requested separate and distinct from Line Item #2 which only captures amounts owing for current debt service payments. As of the drafting of this letter, SCLAA staff and legal counsel are scheduled to appear before the DOF in a Meet & Confer setting on November 30, 2015, which is the appeal process available for the ROPS decisions of DOF. A copy of the Meet and Confer request form is attached hereto as Exhibit C. The DOF will send an updated letter after the Meet & Confer with its final determination as to the matter.

A conference call to discuss the topics outlined in this Notice to Bondholders is scheduled for Friday, December 18, at 10:00 AM Pacific Standard Time. Please call (641) 715-3580 Access Code 105-475 to join the call. Additional documents relative to various actions VVEDA has taken in opposition to the State's dissolution process and determinations can be found at www.victorvalleyca.com.

The information contained herein has been approved for filing with the MSRB's Electronic Municipal Market Access system ("EMMA") by the Southern California Logistics Airport Authority, which as authorized and instructed the Bank of New York Mellon Global Corporate Trust to file this report in its capacity as the Disseminating Agent for the SCLAA bonds.

Douglas B. Robertson, Disclosure Representative
Southern California Logistics Airport Authority

Exhibit A

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
December 1-2015 Debt Service Payments

Name of Debt		Original Debt	Reserve Fund Requirement	BNY Reserve 10/1/2015	Debt Service Principal 12/1/2015	Debt Service Interest 12/1/2015	Total Debt Service	Use of VVEDA Distributions	Use of Reserve 12/1/2015	Default	Replenish Reserve 12/1/2015	BNY Reserve 12/2/2015	% Reserve Fully Funded 12/2/2015
Senior Debt													
SCLA Tax Alloc. Rev. Parity Bonds (Partially Refunded)	2005A	26,850,000	1,797,890	1,798,011	905,000.00	445,082.50	1,350,082.50	1,350,082.50	-	-	-	1,798,011	100%
SCLA Tax Allocation Revenue Parity Bonds	2006	45,020,000	4,367,507	4,367,508	110,000.00	1,290,302.50	1,400,302.50	1,400,302.50	-	-	-	4,367,508	100%
SCLA Tax Allocation Revenue Parity Bonds (Refunding)	2006	62,780,000	3,519,300	3,519,301	940,000.00	1,285,198.75	2,225,198.75	2,225,198.75	-	-	-	3,519,301	100%
SCLA Tax Allocation Revenue Parity Bonds	2006	34,980,000	2,476,455	2,476,456	420,000.00	1,024,978.75	1,444,978.75	1,444,978.75	-	-	-	2,476,456	100%
								-					
Total Senior Debt		**169,630,000**	**12,161,152**	**12,161,276**	**2,375,000.00**	**4,045,562.50**	**6,420,562.50**	**6,420,562.50**	-	-	-	**12,161,276**	
Housing Set-Aside													
SCLA Housing Set-Aside Revenue Bonds (Refunding)	2006	16,855,000	946,001	946,001	255,000.00	345,193.13	600,193.13	600,193.13	-	-	-	946,001	100%
SCLA Taxable Housing Set-Aside Revenue Parity Bonds (other 50% of Reserve is insured)	2007	41,460,000	1,301,205	1,301,205	560,000.00	1,019,157.50	1,579,157.50	1,579,157.50	-	-	-	1,301,205	100%
Total Housing Set-Aside Debt		**58,315,000**	**2,247,206**	**2,247,206**	**815,000.00**	**1,364,350.63**	**2,179,350.63**	**2,179,350.63**	-	-	-	**2,247,206**	
Total Senior and Housing Set-Aside Debt		**227,945,000**	**14,408,358**	**14,408,482**	**3,190,000.00**	**5,409,913.13**	**8,599,913.13**	**8,599,913.13**	-	-	-	**14,408,482**	
Senior Subordinate Debt													
SCLA Taxable Subordinate Tax Allocation Revenue Bonds	2006	64,165,000	4,389,930	1,065,519	800,000.00	1,794,430.00	2,594,430.00	1,805,740.35	788,689.65	-	-	276,829	6%
TOTAL SENIOR, HOUSING AND SR. SUBORDINATE DEBT		**292,110,000**	**18,798,288**	**15,474,001**	**3,990,000.00**	**7,204,343.13**	**11,194,343.13**	**10,405,653.48**	**788,689.65**	-	-	**14,685,311**	
Junior Subordinate Debt													
SCLA Subordinate Tax Allocation Revenue Bonds	2007	42,000,000	2,824,473	491,331	560,000.00	1,155,961.25	1,715,961.25	-	-	1,715,961.25	-	491,331	17%
SCLA Subordinate Tax Allocation Revenue Bonds	2008A	13,334,925	1,332,492	160,226	85,000.00	165,062.50	250,062.50	-	-	250,062.50	-	160,226	12%
Total Junior Subordinate Debt		**55,334,925**	**4,156,965**	**651,557**	**645,000.00**	**1,321,023.75**	**1,966,023.75**	-	-	**1,966,023.75**	-	**651,557**	
TOTAL		**347,444,925**	**22,955,253**	**16,125,558**	**4,635,000.00**	**8,525,366.88**	**13,160,366.88**	**10,405,653.48**	**788,689.65**	**1,966,023.75**	-	**15,336,868**	

Payment from VVEDA to SCLAA & Victorville - August 2015	$ 10,440,653.48
Remaining balance held for Debt Service Payments from 6/1/2015 VVEDA Distrib	-
Total	10,440,653.48
Less: Amount Held at SCLAA for Fiscal Agents Fees, Continuing Disclosure Reports, Arbitrage fees	(35,000.00)
VVEDA Distrib Available for December 1, 2015 Debt Service Payments	**$ 10,405,653.48**
Total of Debt Service Payments Due December 1, 2015	$ 13,160,366.88
Total of Debt Service Payments from VVEDA Distribution	(10,405,653.48)
Total of Debt Service Payments from Reserves - SCLAA 2006 Sub Reserves	(788,689.65)
Default on Debt Service Payments Due December 1, 2015 - SCLAA 2007 Sub & SCLAA 2008 Sub	$ 1,966,023.75

Exhibit B

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

November 13, 2015

Mr. Keith C. Metzler, Executive Director
Victor Valley Economic Development Authority
14343 Civic Drive
Victorville, CA 92392

Dear Mr. Metzler:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the Victor Valley Economic Development Authority (VVEDA) Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on October 1, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item Nos. 18 and 19 – Victor Valley Economic Development Agency (VVEDA) Joint Powers Authority (JPA) Agreement, Pass-Through Distributions to the City of Victorville (Victorville) totaling 14,301,944 are not allowed. It is our understanding these items represent defaulted debt service amounts and funds needed to replenish reserves for the Southern California Logistics Airport Authority (SCLAA) bonds.

  As stated in the Official Statement for the Bonds, payments of SCLAA bonds are not secured by the VVEDA JPA. Instead, the SCLAA and Victorville are ultimately responsible for the payment of the SCLAA bonds. However, a portion of funds payable to Victorville as a member of the JPA are used to pay a portion of the SCLAA Bonds. As such, Finance's approval of Redevelopment Property Tax Trust Funds (RPTTF) from VVEDA to the Victorville is limited to the increment generated by Victorville/SCLLA's respective project areas, which is requested in Item No.2. Finance has approved applicable amounts owing by the VVEDA JPA to Victorville in an amount which Victorville then owes towards the fulfillment of debt service payment for the SCLAA bonds on all previous ROPS. Therefore, these items are not enforceable obligations and are not eligible for RPTTF.

- Item No. 20 – JPA Agreement, Pass-Through Distributions to Victorville in the amount of $13,999,789 is not an enforceable obligation. The Agency claims this item represents accumulated operational shortfalls due to Victorville pursuant to the JPA Agreement (Agreement). However, the Agreement does not obligate the Agency to reimburse

Victorville for these types of costs. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

- Item No. 21 – JPA Agreement Pass-Through Distributions to Victorville in the amount of $21,120,815 is not allowed. 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 is not eligible for RPTTF funding.

- Item No. 22 – JPA Agreement in the amount of $673,067 is not allowed. It is our understanding this item represents amounts due to VVEDA from the City of Adelanto (Adelanto) for its proportional share of start-up costs pursuant to the JPA Agreement. Pursuant to the Agreement, the source of funding for this obligation is the tax increment attributed to Adelanto's portion of the VVEDA project area. However, due to dissolution, Adelanto no longer receives pass-through tax increment from VVEDA. Therefore, there is no available funding for this item.

- Item No. 23 – Cooperative Agreement for Street Improvements in the amount of $1,555,298 is not an obligation of the Agency. It is our understanding this agreement entered into on April 23, 2003, is between Victorville and Adelanto, and the former RDA is not a party to the contract. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). 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 Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is $9,352,497 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of January through June 2016		
Total RPTTF requested for non-administrative obligations		60,753,410
Total RPTTF requested for administrative obligations		250,000
Total RPTTF requested for obligations on ROPS 15-16B	**$**	**61,003,410**
Total RPTTF requested for non-administrative obligations		**60,753,410**
Denied Items		
Item No. 18		(7,471,125)
Item No. 19		(6,830,819)
Item No. 20		(13,999,789)
Item No. 21		(21,120,815)
Item No. 22		(673,067)
Item No. 23		(1,555,298)
		(51,650,913)
Total RPTTF authorized for non-administrative obligations	**$**	**9,102,497**
Total RPTTF requested for administrative obligations		**250,000**
Total RPTTF authorized for administrative obligations	**$**	**250,000**
Total RPTTF authorized for obligations	**$**	**9,352,497**
ROPS 14-15B prior period adjustment		0
Total RPTTF approved for distribution	**$**	**9,352,497**

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

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 January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was 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 statutes. 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.

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, Victor Valley Economic Development Authority
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

Exhibit C

MEET AND CONFER REQUEST FORM

Instructions: Please fill out this form in its entirety to initiate a Meet and Confer session. Additional supporting documents may be included with the submittal of this form—as justification for the disputed item(s). Upon completion, email a PDF version of this document (including any attachments) to:

Redevelopment_Administration@dof.ca.gov

The subject line should state "[Agency Name] Request to Meet and Confer". Upon receipt and determination that the request is valid and complete, the Department of Finance (Finance) will contact the requesting agency within ten business days to schedule a date and time for the Meet and Confer session.

To be valid, all Meet and Confer requests must be specifically related to a determination made by Finance and submitted within the required statutory time frame. The requirements are as follows:

- **Housing Asset Transfer** Meet and Confer requests must be made within five business days of the date of Finance's determination letter per HSC Section 34176 (a) (2).
- **Due Diligence Review** Meet and Confer requests must be made within five business days of the date of Finance's determination letter, and no later than **November 16, 2012 for** the Low and Moderate Income Housing Fund due diligence review per HSC Section 34179.6 (e).
- **Recognized Obligation Payment Schedule (ROPS)** Meet and Confer requests must be made within five business days of the date of Finance's determination letter per HSC Section 34177 (m) and (o).

Agencies should become familiar with the Meet and Confer Guidelines located on Finance's website. Failure to follow these guidelines could result in termination of the Meet and Confer session. Questions related to the Meet and Confer process should be directed to Finance's Dispute Resolution Coordinator at (916) 445-1546 or by email to Redevelopment_Administration@dof.ca.gov.

AGENCY (SELECT ONE):

☒ Successor Agency ☐ Housing Entity

AGENCY NAME: Victor Valley Economic Development Authority

TYPE OF MEET AND CONFER REQUESTED (SELECT ONE):

☐ Housing Assets Transfers ☐ Due Diligence Reviews ☐ ROPS Period 15-16B

DATE OF FINANCE'S DETERMINATION LETTER: November 13th, 2015

REQUESTED FORMAT OF MEET AND CONFER SESSION (SELECT ONE):

☒ Meeting at Finance ☐ Conference Call ☐ Combination Meeting/Conference Call

DETAIL OF REQUEST

A. Summary of Disputed Issue(s) *(List only the item number and description from the ROPS)*

Item # 18-	Payment of defaulted amounts owed for bonds related to Item #2
Item # 19-	Payment of reserve shortfalls related to Item #2
Item # 20-	SCLA operational shortfalls as provided for in Sections 3, 4(ii)(c)(k)(l)(m) and 8 of the JPA
Item # 21-	SCLA capital expenditures as provided in Sections 3, 4(ii)(c)(k)(l)(m) and 8 of the JPA
Item # 22-	Adelanto repayment of JPA Section 34 amounts.
Item # 23-	April 23rd, 2003 Cooperative Agreement- City of Adelanto

B. Background/History *(Provide relevant background/history, if applicable.)*

The Victor Valley Economic Development Agency (VVEDA) was formed in 1989 pursuant to a Joint Exercise of Powers Agreement (JPA) under government code section 6500 to provide a regional agency response for the reuse of George Air Force Base (GAFB), now known as the Southern California Logistics Airport (SCLA). Being in such a unique position, VVEDA was, and its Successor Agency is, different from other redevelopment and successor agencies, and VVEDA's agreements and delegations of authority should therefore be considered during dissolution.

The JPA was created to effectuate redevelopment and reuse of the former GAFB and areas in proximity thereto in accordance with the Victor Valley Redevelopment Project Area (Project Area). Pursuant to Health and Safety Code Section 33492.40, VVEDA was provided with the exclusive authority to exercise powers of a redevelopment agency within the Project Area. Accordingly, the VVEDA JPA defined tax increment as one of the main Sources of Funds (Section 31- VVEDA JPA) and set forth the application of said tax increment within the Project Area.

Among the more significant provisions of the VVEDA JPA, VVEDA delegated authority to Victorville, and Victorville assumed the delegation of authority, for matters concerning SCLA which included "all of the powers afforded to VVEDA by this Agreement" (Section 8-VVEDA JPA). Victorville did so relying on provisions of the JPA that provided it with, among other things, tax increment generated from the Project Area. Relying on provisions contained in Sections 8, 31, 34, and 38, Victorville (through SCLA) incurred several contractual obligations, including bonds, which relied on VVEDA's pledge of tax increment revenues generated from the Project Area to ultimately satisfy said obligations.

The delegation of authority provided to Victorville in the VVEDA JPA occurred prior to the effective date of AB x1 26. Victorville's (through SCLA) obligations identified in the 15-16B ROPS occurred well before the effective date of AB x1 26. Absent delegation of authority provided for in Section 8 of the JPA the contractual obligations would have remained with VVEDA and effectively would exist today as VVEDA obligations. Therefore, obligations undertaken by Victorville or any of the VVEDA Member Jurisdictions pursuant to the delegation of authority provisions in the VVEDA JPA must be considered enforceable obligations of VVEDA. A Department of Finance (DOF) denial effectively impairs the respective Member Jurisdiction Contract.

The assignment of VVEDA's contractual obligations and SCLA's assumption of VVEDA's contractual obligations is further set forth in that certain Assignment Agreement By and Between the Victor Valley Economic Development Authority and Southern California Logistics Airport Authority dated as of October 13, 2000 (the "Assignment Agreement").

All of the bonds in question were issued prior to AB x1 26 and secured by a pledge of tax increment from both the Victorville portion of the VVEDA project area (as subsequently amended) and the amount of tax increment pledged to SCLA by each of the VVEDA member jurisdictions (i.e., Victorville, County of San Bernardino, Hesperia, Adelanto, and Apple Valley, hereafter referred to as tax increment generated within the SCLA portion of the project area) pursuant to the instructions in the JPA. On ROPS 15-16B, the Successor Agency requested revenues under items #18 and #19 to:

1) Repay bond debt service payments on subordinate bonds that could not be paid for several years due to insufficient tax increment revenues generated in the Project Area due to significant reductions in property values and property taxes during the Great Recession in 2008-2013, and
2) Replenish the reserve fund, as legally required in both the Official Statement and Bond Indenture.

The Successor Agency provided the back up documentation on the reserve accounts and amounts due on unpaid bond payments to DOF during the ROPS 15-16B review.

C. Justification *(Must be specific and include attachments/documentation to support the Agency's position. Please tie each attachment to the specific line item listed above that it supports.)*

Item #18 & 19- DOF is denying repayment totaling $14,301,944 of defaulted debt service payment and reserve fund replenishment associated with SCLA Bonds. In its 15-16A Meet and Confer determination letter dated May 15, 2015, DOF stated that the excess more than the debt service due "is not eligible for RPTTF funding on this ROPS." Based on the language in the 15-16A M&C determination, the Successor Agency requested only the current debt service due for item 2 on the 15-16B ROPS and intended to fund items 18 and 19 with the remainder of tax increment generated by Victorville and SCLA's project areas. However, DOF stated in its current determination letter dated November 13, 2015 that "approval of RPTTF from WEDA to Victorville is limited to the increment generated by Victorville and SCLA's respective project areas, which is requested in Item No. 2."

Items 18 and 19 represent payment of defaulted amounts and reserve shortfalls owed for the same bonds for which item 2 provides the current debt service payment, as recognized and approved by DOF in its Final and Conclusive Determination dated November 12, 2014. The obligation of SCLA (assigned to Victorville) to pay past due debt service on the bonds and to replenish the reserve accounts under the Indentures clearly meet the definition of "enforceable obligation" under Health and Safety Code Section 34171 as defined to include "any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency." As such, the defaulted amounts and reserve shortfalls are obligated by tax increment generated by Victorville and SCLA's respective project areas in the same way as current debt service.

In at least one previous ROPS period (14-15B), Victorville and SCLA received less than the tax increment generated within their project areas despite the fact that there were unpaid debt service payments and the current amount of bond reserves does not meet the requirement of the indenture. Victorville (as the authority delegated by VVEDA for matters concerning SCLA) should receive all of the tax increment generated within the Victorville and SCLA project areas to pay the current debt service, pay previous unpaid debt service, and replenish the reserve balance until previously unpaid debt service payments are made and the reserve balance meets the amount required by the indenture. Any alternative distribution is a violation of the bond indenture.

The Successor Agency therefore requests that payments for defaulted amounts and reserve shortfalls be approved either as separate items (i.e., 18 and 19) or as part of item 2 so that Victorville (as the authority delegated by VVEDA for matters concerning SCLA) can use all of the tax increment generated by Victorville and SCLA's respective project areas to continue making current due payments and remedy defaulted payments and the reserve shortfall.

Item Nos. 20 and 21- DOF's denial of items 20 and 21 ignores the Delegation of Authority, described in Section 8 of the VVEDA JPA. Section 8 of the VVEDA JPA delegates authority and obligates Victorville and SCLA to manage, develop, and reuse the former GAFB. To facilitate the delegation of these responsibilities, Section 34 of the VVEDA JPA requires tax increment revenues generated by it to be distributed to Victorville and SCLA in an amount that is equivalent to the amount generated by Victorville and SCLA's respective project areas.

The JPA further requires Victorville and SCLA to accept responsibilities in satisfying Federal Aviation Administration and US Air Force obligations, including operational, maintenance, and development responsibilities. If not delegated to Victorville and SCLA, these responsibilities would have remained with VVEDA, which would have relied on the JPA to continue to serve as the funding mechanism for said enforceable obligations. Victorville and SCLA's acceptance of these responsibilities imposed by VVEDA were agreed to relying on revenues committed by VVEDA in Section 34 of the JPA. Accordingly, Victorville and SCLA have incurred costs associated in performing the responsibilities required by VVEDA in Section 8 of the VVEDA JPA.

Absent this funding obligation, Victorville and SCLA would not have been in a position to fulfill the delegation of responsibilities. Victorville and SCLA did so in good faith reliance on the VVEDA JPA serving as a mechanism to be a funding solution for its short term needs. Accordingly, Victorville and SCLA must be provided with RPTTF to compensate them for the operational deficiencies they incurred while attempting to satisfy VVEDA's obligations in Section 8 of the VVEDA JPA.

Item No. 22- The claim for repayment is from RPTTF generated from Adelanto's portion of the VVEDA Project Area, an amount calculated as separate and distinct from other members of the VVEDA Project area. The Third District California Court of Appeals issued an opinion on November 25th, 2014 stating in part "that AB x1 26 precludes Victor Valley from acting as a redevelopment agency", though it immediately clarified...."that Victor Valley may continue to exist as a joint powers authority ...." (Page 11 of opinion). Accordingly, the JPA remains a governing document of VVEDA, and VVEDA remains obligated to enforce the obligations contained in the JPA.

Pages 40 and 41 in Section 34 of the VVEDA JPA clearly identify Adelanto's obligation to reimburse VVEDA its start up costs with tax increment (now RPTTF) generated in Adelanto's project areas. Adelanto pledged repayment of VVEDA costs totaling $673,067 relying on its ability to generate tax increment over the life of the Redevelopment Plan. This amount was affirmed separately via resolution 10-001 and staff reconciliation dated June 16, 2010. The JPA and Resolution were approved prior to AB x1 26 and meet the definition provided for in Health and Safety Code Section 34171. Accordingly, this item must be approved for payment as an Enforceable Obligation.

Item No. 23- DOF's denial of the Cooperative Agreement ignores Section 34 of the VVEDA Joint Powers Agreement and Section 2.2 of the Cooperative Agreement between Victorville and Adelanto. Section 34 of the Joint Powers Agreement clearly establishes that

1) Tax increment revenues generated in Adelanto's portion of the Project Area shall be allocated to Adelanto for its use in its portion of the Project Area; and
2) Adelanto agreed in the Cooperative Agreement to reimburse Victorville for certain public improvement costs relying on the same money described in Section 34 of the JPA. Combined, both documents establish a delegated and exercised authority relying on funds that have now become RPTTF money. Both the JPA (which has been upheld by the Court of Appeal) and the Cooperative Agreement (which is a legally binding contract) were entered into prior to AB x1 26 and meet the definition of enforceable obligations provided for in Health and Safety Code Section 34171. Accordingly, this item must be approved for payment.

Agency Contact Information

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REQUEST TO MEET AND CONFER DATE: ________________ APPROVED ___ DENIED ___

REQUEST APPROVED/DENIED BY: ____________________________ DATE: __________________________

MEET AND CONFER DATE/TIME/LOCATION: ____

MEET AND CONFER SESSION CONFIRMED: ___ YES DATE CONFIRMED: _____________________________

DENIAL NOTICE PROVIDED: ___ YES DATE AGENCY NOTIFIED: _________________________________

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