



May 15, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 10, 2015. 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 Finance on February 26, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 10, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 29, 2015.

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 determinations being disputed.

- 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. Finance continues to partially approve this item. Additional information and documents provided by the Agency during the Meet and Confer process did not support that the denied portion of this item is an enforceable obligation of the Agency. Therefore, as previously determined, 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. Finance continues to deny these items. Additional information and documents provided by the agency during the Meet and Confer process did not support that these items are an enforceable obligation. Therefore, as previously determined, 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. Finance continues to partially approve this item. Additional information and documents provided by the Agency during the Meet and Confer process did not support that the denied portion of this item is an enforceable obligation of the Agency. Therefore, as previously determined, 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. Finance continues to deny \$82,844 of this item and reclassifies the remaining \$50,279 to RPTTF. Additional review during the Meet and Confer process indicates that in the July through December 2014 (ROPS 14-15A) period the Agency was approved \$369,132 in administrative costs. However, this amount was not distributed by the county auditor controller and not received by the Agency so the Agency used \$133,123 of the remaining \$469,717 Due Diligence Review (DDR) balances identified in the January through June 2015 (ROPS 14-15B) Meet and Confer determination letter dated December 17, 2014. Then, for the ROPS 14-15B period, the Agency was approved to expend \$386,873 from remaining DDR balances. Based on this information and supporting documentation, Finance has determined that the Agency experienced a funding shortfall. Accordingly, the shortfall of \$50,279 (\$469,717 - \$386,873 - \$133,123) is approved for RPTTF on this ROPS.

Finally, Finance reminds the Agency that per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments exceed the amounts authorized by Finance or the amounts distributed by the county auditor controller. Please ensure the proper expenditure authority is received from your Oversight Board and Finance prior to making payments on enforceable obligations from funding sources not previously approved.

In addition, per Finance's letter dated April 10, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

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.

The Agency's maximum approved RPTTF distribution for the reporting period is \$11,486,151 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	13,214,596
Total RPTTF requested for administrative obligations	396,438
Total RPTTF requested for obligations on ROPS	\$ 13,611,034
Total RPTTF requested for non-administrative obligations	13,214,596
<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)
<u>Reclassified Item</u>	
Item No. 17	50,279
	50,279
	\$ 11,336,463
<u>Cash Balances - Item reclassified to Other Funds/Reserve Balances</u>	
Item No. 2	(112,130)
Total RPTTF authorized for non-administrative obligations	\$ 11,224,333
Total RPTTF requested for administrative obligations	396,438
<u>Reclassified Item(s)</u>	
Item No. 17	(50,279)
	(50,279)
<u>Denied Item</u>	
Item No. 17	(82,844)
	(82,844)
Total RPTTF authorized for administrative obligations	\$ 263,315
Total RPTTF authorized for obligations	\$ 11,487,648
ROPS 14-15A prior period adjustment	(1,497)
Total RPTTF approved for distribution	\$ 11,486,151

Please refer to the ROPS 15-16A 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 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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

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