



December 17, 2013

Mr. Marc Puckett, Assistant Town Manager of Finance & Administration
Town of Apple Valley
14955 Dale Evans Parkway
Apple Valley, CA 92307

Dear Mr. Puckett:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 6, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Apple Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 24, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 6, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 14, 2013.

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 items being disputed.

- Item Nos. 27 and 28 – Administrative Costs and 2007 Tax Allocation Bonds Shortage from the Recognized Obligation Payment Schedule for the period January through June 2013 (ROPS III), totaling \$114,375. Finance no longer denies these items; however, the correct amount should be \$114,782 (\$79,320 + \$35,462, respectively). Our review indicates the Agency was approved for \$2,216,155 in Redevelopment Property Tax Trust Fund (RPTTF) distribution for the January through June 2013 ROPS period (ROPS III). The County Auditor Controller only distributed \$1,515,988 to the Agency in RPTTF for ROPS III. In accordance with HSC section 34173 (h), the city that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs and enforceable obligations; therefore, we have determined this loan is an enforceable obligation eligible for RPTTF.

We note that the Agency requested \$78,375 for Item 27; however, the actual amount should be \$79,320. Likewise, the Agency requested \$36,000 for Item 28; however, the actual amount should be \$35,462. The summary table in the following section reflects the adjustments for the actual approved amounts.

- Item No. 29 – Apple Valley Road Way Improvements Phase 1B in the amount of \$3,281,514. This amount represents project costs attributable to the former

redevelopment agency's negative cash balance at June 30, 2012. As a result of the Other Funds and Account (OFA) Due Diligence Review (DDR), the Agency included this item on the ROPS for review. However, the contract provided by the Agency is an agreement between the Town of Apple Valley and a third party for the Apple Valley Road Improvements. The Agency is not a party to the August 22, 2007 contract. Therefore, this item is not an enforceable obligation of the Agency and not eligible for RPTTF funding.

- Item No. 30 – Town of Apple Valley Loan in the amount of \$147,000. It is our understanding this loan was used to make the remittance of the Low and Moderate Income Housing Fund Due Diligence Review (DDR) ordered amount. HSC section 34173 (h) states the city, county, or city and county that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion. During the meet and confer process, the Agency stated the loan was for administrative costs resulting from payment of the DDR. However, as funds from the DDR determination were to be paid from available funds, no loan was necessary to remit the payment to the CAC. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding. Additional information provided during the meet and confer does not support altering our previous determination.

An adjustment was made to the Fund Balances form based upon information provided by the Agency during our review. Although this adjustment has no effect on the amount of RPTTF the Agency receives, they will affect the Agency's fund balances for the funds sources involved. Additionally, the Agency did not report the distribution of RPTTF received from Victor Valley Economic Development Authority (VVEDA). According to the prior period payments for the ROPS III period, VVEDA reported a total distribution of \$1,328,899 of RPTTF to the Agency.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the 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 summary table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$1,735,273 as summarized on the following page:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	5,030,664
Total RPTTF requested for administrative obligations	132,716
Total RPTTF requested for obligations	\$ 5,163,380
Total RPTTF requested for non-administrative obligations	5,030,664
<u>Denied Items</u>	
Item No. 28 (\$36,000 - \$35,462)	(538)
Item No. 29	(3,281,514)
Item No 30	(147,000)
	<u>(3,429,052)</u>
Total RPTTF approved for non-administrative obligations	1,601,612
Total RPTTF requested for administrative obligations	132,716
<u>Denied Items</u>	
Item No. 27 (\$79,320 - \$78,375)	945
Total RPTTF for administrative obligations	133,661
Total RPTTF approved for obligations	1,735,273
ROPS III Prior Period Adjustment	-
Total RPTTF approved for distribution	1,735,273

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/.](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/)

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only 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 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

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ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

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 Sues, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Orlando Acevedo, Economic Development Manager, City of Apple Valley
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office