DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. ▪ GOVERNOR

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November 14, 2013

Ms. Sophie Smith, Economic Development Administrator
City of Victorville
18374 Phantom West
Victorville, CA 92394

Dear Ms. Smith:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Victorville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on October 01, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item No. 33 – Project Legal Costs in the amount of $40,000. Because the 2006 Marinita Development Memorandum of Understanding and the 2005 Bazpft Development and Disposition Agreement are not identified as enforceable obligations on the ROPS, the legal costs of $10,000 associated with these agreements are not enforceable obligations and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item Nos. 7 and 8 – Although enforceable, the operation costs for the Foxborough Rail Tracks totaling $35,400 are considered general administrative costs and have been reclassified. However, the total administrative cost allowance has not been exceeded for the fiscal year administrative cap pursuant to HSC section 34171 (b).

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to 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 provided financial records that displayed available Other Funds totaling $77,390.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 4 – Northgate Apartment Agreement in the amount of $5,500,000. The Agency requests $125,000 of RPTTF; however Finance is reclassifying $77,390 to Other Funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has $77,390 in Other Funds. Therefore, Finance is approving RPTTF in the amount of $$47,610 and the use of Other Funds in the amount of $77,390, totaling $125,000 for this item.

In addition, an adjustment as 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, this adjustment will affect the Agency's fund balances for the fund source involved. The following adjustment was made:

- Finance allowed the Agency to retain $4,041,599 in bond reserves during the Low and Moderate Income Housing Fund and Other Funds and Accounts Due Diligence Reviews; however, the amount was omitted from the Fund Balance form. The Agency agreed with this adjustment and will report bond reserve balances on future ROPS.

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 below 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 or for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 $3,173,323 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014		
Total RPTTF requested for non-administrative obligations		3,593,687
Total RPTTF requested for administrative obligations		146,339
Total RPTTF requested for obligations	**$**	**3,740,026**
Total RPTTF requested for non-administrative obligations		**3,593,687**
Denied Items		
Item No. 33		10,000
		10,000
Reclassified Items – From Non-Admin to Admin		
Item No. 7		5,400
Item No. 8		30,000
		35,400
Reclassified Items – From RPTTF to Other Funds		
Item No. 4		77,390
		77,390
Total RPTTF approved for non-administrative obligations		**3,470,897**
Total RPTTF requested for administrative obligations		**146,339**
Reclassified Items From Non-Admin to Admin		35,400
Total RPTTF approved for administrative obligations		**181,739**
Total RPTTF approved for obligations		**3,652,636**
ROPS III prior period adjustment		(479,313)
Total RPTTF approved for distribution	**$**	**3,173,323**

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/.

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, 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 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 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 Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Keith Metzler, Assistant City Manager, City of Victorville
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office