DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. ▪ GOVERNOR

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May 16, 2014

Mr. Keith C. Metzler, Assistant City Manager
City of Victorville
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, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Victorville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on March 3, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 4, 2014. 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 May 8, 2014.

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 No. 22 – Southern California Logistics Airport Authority (SCLAA) Loan Repayment for the Old Town Project Area in the amount of $6,908,227. Finance continues to deny this item. The Agency requests $100,000 for the 6-month period; however, Finance initially denied this item due to the lack of an Oversight Board (OB) resolution approving the amendment to the note. Finance understands that this is a five year loan with a $6.9 million balloon payment due July 2014. During the Meet and Confer process, the agency stated that the Oversight Board (OB) is currently in the process of restructuring the loan agreement because they will not receive sufficient Redevelopment Property Tax Trust Fund (RPTTF) distribution during the July through December 2014 (ROPS 14-15B) period to pay this obligation. In addition, the Agency stated that they should receive RPTTF this period because the loan agreement specifically allows pre-payment of the loan without penalties or premiums.

  HSC 34171(d) (1) (B), states that loans borrowed by the former Redevelopment Agency (RDA) are legally required to be repaid pursuant to a required repayment schedule. Finance notes that the repayment schedule for this loan is the upcoming balloon payment due in ROPS 14-15B. Therefore, we continue to deny the request for RPTTF this period because the repayment requested this ROPS period is not on the repayment schedule. Finance does not question the enforceability of the obligation, just the unscheduled payment requested this period.

- Item Nos. 26 and 36 – SCLAA Bond Fiscal Agent and Arbitrage Fees totaling $40,000. The Agency requests $100,565 for the 6-month period; however, Finance initially denied these items because no documentation was provided to support the amounts claimed. During the Meet and Confer, the Agency provided the indentures for the SCLAA bonds to support the pledge of the Victor Valley Economic Development Authority Joint Powers Authority funding as security for the bonds. Therefore, Finance approves the SCLAA bond-related fees.

- Item Nos. 37 through 39 – Various Pass-Through Payments totaling $5,693,848. Finance continues to deny these items. The Agency requests $100,565 for the 6-month period; however, Finance initially denied these items because no documentation was provided to support the amounts claimed. During the Meet and Confer, the Agency did not provide any additional documents to support their claim. The Agency submitted demand letters from the San Bernardino County Superintendent of Schools, (SBCSS), Victor Valley Community College District (VVCCD), and Victor Elementary School District (VESD), requesting payment for underfunded pass-throughs for fiscal years 2004-05 through 2010-11. However, without the 1993 Cooperative Agreements establishing the pass-through obligations, it is unclear what funds, if any, are owed to SBCSS, VVCCD, and VSD. To the extent the Agency can provide the 1993 Cooperative Agreements to support the requested funding, the Agency may be able to obtain RPTTF funding on future ROPS.

- Item Nos. 40 through 42 – SBCSS, VESD, and VVCCD Pass-Through Payments totaling $11,013. Finance continues to deny these items. The Agency requests $100,565 for the 6-month period; however, Finance initially denied these items because no documentation was provided to support the amounts claimed. During the Meet and Confer, no additional documents were provided to support these items. The Agency submitted demand letters from SBCSS, VESD, and VVCCD, requesting payment for underfunded pass-throughs for fiscal years 2008-9 through 2010-11 based on a Los Angeles Unified School District court decision. However, the Agency is not named as a party to the court decision and has not shown that the requested payments are binding. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.

In addition, per Finance's letter dated April 4, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 20 – Property Disposition Contract Services in the amount of $300,000 is not an enforceable obligation. It is our understanding the Agency is requesting funding in anticipation of implementing its Long-Range Property Management Plan once approved by Finance. However, the Agency was unable to provide documentation to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as executed contracts or vendor invoices to support the requested funding, the Agency may be able to obtain Redevelopment Property Tax Trust Fund (RPTTF) funding on future ROPS.

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 was authorized to receive RPTTF in the amount of $1,082,861 for Fall 2014 debt service payments in the January through June 2014 (ROPS 13-14B) period. The Agency received a total of $3,173,323 from the San Bernardino County Auditor-Controller (CAC) for the ROPS 13-14B period.

HSC section 34183 (2) (A) states debt service payments must receive first payment priority from RPTTF allocated from the CAC. Therefore, as authorized for ROPS 13-14B, $1,082,861 should be available as Reserve Funds for the Fall 2014 debt service payments requested on ROPS 14-15A.

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

- Item No. 1 – Various Tax Allocation Bonds debt service payments totaling $2,142,862 for payments due July through December 2014. These items were determined to be enforceable obligations for the ROPS 14-15A period. The Agency requested $2,142,862 from RPTTF; however, Finance is reclassifying $1,082,861 to Reserve Balances that were requested and retained from ROPS 13-14B. Finance specifically approved payment for the debt service reserve for the July through December 2014 payments. Therefore, the actual funding needed is only $1,060,001 ($2,142,862 – $1,082,861). As a result, Finance approves RPTTF in the amount of $1,060,001 and Reserve Balances in the amount of $1,082,861, totaling $2,142,862.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 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 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 items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 $2,452,967 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		9,355,888
Total RPTTF requested for administrative obligations		134,801
Total RPTTF requested for obligations	**$**	**9,490,689**
Total RPTTF requested for non-administrative obligations		**9,355,888**
Denied Items		
Item No. 20		(150,000)
Item No. 22		(100,000)
Item No. 37		(196,396)
Item No. 38		(1,295,787)
Item No. 39		(4,201,665)
Item No. 40		(381)
Item No. 41		(8,128)
Item No. 42		(2,504)
		(5,954,861)
Total RPTTF for non-administrative obligations		**3,401,027**
Cash Balances - Item reclassified to other funding sources		
Item No. 1		(1,082,861)
		(1,082,861)
Total RPTTF authorized for non-administrative obligations	**$**	**2,318,166**
Total RPTTF authorized for administrative obligations	**$**	**134,801**
Total RPTTF authorized for obligations	**$**	**2,452,967**
ROPS 13-14A prior period adjustment		0
Total RPTTF approved for distribution	**$**	**2,452,967**

Please refer to the ROPS 14-15A 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, 2014. 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 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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Lesyenia Marin, Management Specialist, City of Victorville
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office