DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 17, 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 November 13, 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 14-15B) to Finance on September 29, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 13, 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 November 25, 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. 23 – Southern California Logistics Airport Authority (SCLAA) Series 2005A, 2006, 2007, 2008A Tax Allocation Bonds in the amount of $7,131,848, payable from Other Funds. Finance no longer partially approves this item, rather, this item is denied in its entirety. First, the SCLAA bonds were issued by SCLAA, not the former Redevelopment Agency. The Redevelopment Agency has no obligation to these bonds. Further, our review of the Victor Valley Economic Development Authority (VVEDA) Joint Powers Authority agreement (JPA) indicates that the member agency to the JPA is the City of Victorville (City), not the former redevelopment agency (RDA). Therefore, the Agency should not be the recipient of the funds from VVEDA. For these reasons, Finance has determined that the SCLAA bonds are not an obligation of the Agency and are not enforceable obligations pursuant to HSC section 34171 (d).

- Item No. 44 – Victor Valley Economic Development Authority (VVEDA) Joint Powers Authority in the amount of $5,872,989, payable from Other Funds. Finance continues to deny this item. As stated above, the former RDA is not a party to the JPA and therefore, should not be the recipient of the funds from VVEDA.

In addition, per Finance's letter dated November 13, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of Redevelopment Property Tax Trust Funds (RPTTF) approved in the table below reflects the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to review by the county auditor-controller (CAC) and the State Controller. 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 prior period adjustment self-reported by the Agency, as adjusted by Finance, as follows:

- The Agency incorrectly reported expenditures for Item No. 30 – Victorville Redevelopment Agency Series 2002A, 2003A, 2003B, and 2006A Tax Allocation Bonds. The Agency requested debt service payments totaling $1,082,861 from RPTTF on the ROPS 13-14B (January through June 2014 period), for debt service that is payable during ROPS 14-15A (July through December 2014 period). Finance approved the request for the reserve payment; however the Agency did not properly report the creation of the reserve on the Report of Prior Period Adjustments worksheet. This resulted in an overstated prior period adjustment in the amount of $1,082,861. Therefore, Finance has reduced the self-reported amount from $2,181,391 to $1,098,530 ($2,181,391 - $1,082,861).

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is $8,469,286 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution **For the period of January through June 2015**		
Total RPTTF requested for non-administrative obligations		9,403,974
Total RPTTF requested for administrative obligations		163,842
Total RPTTF requested for obligations on ROPS	**$**	**9,567,816**
Total RPTTF requested for non-administrative obligations		**9,403,974**
Total RPTTF authorized for non-administrative obligations	**$**	**9,403,974**
Total RPTTF requested for administrative obligations		**163,842**
Total RPTTF authorized for administrative obligations	**$**	**163,842**
Total RPTTF authorized for obligations	**$**	**9,567,816**
Self-reported ROPS 13-14B prior period adjustment (PPA)		(2,181,391)
Finance adjustment to ROPS 13-14B PPA		1,082,861
Total ROPS 13-14B PPA		(1,098,530)
Total RPTTF approved for distribution	**$**	**8,469,286**

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. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. The Agency's beginning RPTTF balance as of January 1, 2014 was reported as ($201,073). Since the Agency received a prior period adjustment in the amount of $479,313 from the January through June 2013 period (ROPS III), this should have been the beginning RPTTF balance as of January 1, 2014.

After working with the Agency, Finance was unable to reconcile the $680,386 difference between the expected amount and the reported amount. As a result, Finance will continue to work with the

Agency after the ROPS 14-15B review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16A.

Please refer to the ROPS 14-15B 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 January 1 through June 30, 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 for whatever reason 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) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting 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