DEPARTMENT OF FINANCE

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915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 15, 2015

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 14, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Victorville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on March 03, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 14, 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. 46 – Fannie Mae Grant Funds Reimbursement in the amount of $30,985. Finance continues to deny this item. During the Meet and confer process the Agency explained that this item relates to a federal grant that were erroneously deposited into the Agency's low and moderate income housing fund account and remitted to the county auditor controller for distribution to the affected taxing entities through the Agency's Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR). The Agency is seeking to recover those funds and return them to the City of Victorville. However, this item does not meet the definition of an enforceable obligation as defined in HSC section 34171 (d) and therefore cannot be returned to the City via the ROPS process

In addition, per Finance's letter dated April 14, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

In addition, Finance noted the following during our review:

- On the ROPS 14-15A Prior Period Adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:
    - Other Funding totaling $2,232 – Item No. 10, $387 and Item No. 13, $1,845.

Per HSC section 34177 (a) (3), only those payments listed on the ROPS may be made by the Agency from the funds specified on the ROPS. However, these items were determined to be enforceable obligations for the ROPS 15-16A period. Therefore, Finance is increasing the Agency's authorization for the ROPS 15-16A period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. As these Other Funds were previously expended, the increase in authorization should not result in increased expenditures for the current ROPS period, but should merely allow the Agency to reconcile actual expenditures to the authorization.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your Oversight Board and Finance prior to making payments on enforceable obligations.

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.

Except for the item denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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 $7,573,663 as summarized in the Approved RPTTF Distribution table below:

| Approved RPTTF Distribution<br>For the period of July through December 2015 | | |
|---|---|---|
| Total RPTTF requested for non-administrative obligations | | 8,439,356 |
| Total RPTTF requested for administrative obligations | | 246,255 |
| **Total RPTTF requested for obligations on ROPS** | **$** | **8,685,611** |
| **Total RPTTF requested for non-administrative obligations** | | **8,439,356** |
| Denied Items | | |
| Item No. 46 | | (30,985) |
| **Total RPTTF authorized for non-administrative obligations** | **$** | **8,408,371** |
| **Total RPTTF requested for administrative obligations** | | **246,255** |
| **Total RPTTF authorized for administrative obligations** | **$** | **246,255** |
| **Total RPTTF authorized for obligations** | **$** | **8,654,626** |
| Total ROPS 14-15A PPA | | (1,080,963) |
| **Total RPTTF approved for distribution** | **$** | **7,573,663** |

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 15-16A review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was able to support the amounts reported except the beginning cash balance, as of June 30, 2014 was reported as $335,216. However, the Agency should have $1,098,530 cash, as of June 30, 2014 due to unexpended RPTTF funding from the January through June 2014 ROPS period (ROPS 13-14B). The Agency has stated that the discrepancy is due to inappropriate determinations with regards to the Agency's DDR reviews. Finance will continue to work with the Agency after the ROPS 15-16A review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional 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 15-16B.

Please refer to the ROPS 15-16A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS

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