DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 17, 2015

Mr. Keith C. Metzler, Executive Director
Victor Valley Economic Development Authority
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, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Victor Valley Economic Development Authority (VVEDA) Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on October 1, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 13, 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 November 30, 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 Nos. 2, 18 and 19 – VVEDA Joint Powers Authority (JPA) Agreement, Pass-Through Distributions to the City of Victorville (Victorville). During the meet and confer, the Agency clarified these items are related to various bonds issued by the Southern California Logistics Airport Authority (SCLAA) and the amounts being requested on the ROPS, as follows:

    - Item No. 2 is for debt service due during the ROPS 15-16B period.
    - Item No. 18 is for payment of defaulted amounts owed for bonds related to Item No. 2.
    - Item No. 19 is for payment of reserve shortfalls related to Item No. 2.

  Finance previously approved Item No. 2 in the amount of $8,378,161; however, Finance denied Item Nos. 18 and 19 as we determined the amounts are unnecessary as the amounts had been funded on previous ROPS. Based on additional review during the meet and confer, Finance has determined that, to the extent funding is approved for Item 2, 18 or 19, such amounts are only allowed funding from former tax increment generated from the George Air Force Base (GAFB) Parcels. With that limitation, Finance approves funding all three line items from the GAFB Parcels on the ROPS 15-16B.

In addition, it is our expectation that VVEDA will distribute to Victorville all funds generated from the GAFB Parcels, and only the GAFB Parcels, for payment on the current and past due debt service. It is also our expectation that Victorville will, in turn, forward all funds received from VVEDA directly to the bond trustee to satisfy current and past due debt service, as well as, replenish the bond reserves previously drawn down. Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed Redevelopment Property Tax Trust Fund (RPTTF) funding. Therefore, Item No. 2 has first priority for payment. Additionally, for Item No. 2, we note that the debt service due during the ROPS 15-16B period is $7,033,345. As such, the remaining amount approved for this item should be used to fund reserves for payment of debt service due in the following period.

Please note that this determination is applicable only to the ROPS 15-16B period. During the meet and confer process, we determined, among other things, the SCLAA bond documents reference a pledge of funds from three other sources. However, the Agency has not provided the additional documents necessary for us to complete our review of the bonds. We will continue to work with the Agency to determine the sources of funding that should be used to fund the debt service of these bonds and the appropriate amounts to be paid.

- Item No. 20 – JPA Agreement, Pass-Through Distributions to Victorville in the amount of $13,999,789. Finance continues to deny this item. The Agency claims this item represents accumulated operational shortfalls due to Victorville pursuant to the JPA Agreement (Agreement). However, the Agreement does not obligate the Agency to reimburse Victorville for these types of costs. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

- Item No. 21 – JPA Agreement Pass-Through Distributions to Victorville in the amount of $21,120,815. Finance continues to deny this item. The Agency claims this item represents accumulated capital improvement expenditures due to Victorville pursuant to the JPA Agreement. However, the Agreement does not obligate the Agency to reimburse Victorville for expenses Victorville incurred. In addition, the Agreement does not specify the terms of repayment for expenses incurred by Victorville. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

- Item No. 22 – JPA Agreement in the amount of $673,067. Finance continues to deny this item. It is our understanding this item represents amounts due to VVEDA from the City of Adelanto (Adelanto) for its proportional share of start-up costs pursuant to the JPA Agreement. Pursuant to the Agreement, VVEDA was to use a portion of its tax increment it received to off-set its own start-up costs. This item was an internal accounting issue for VVEDA and is not an enforceable obligation.

- Item No. 23 – Cooperative Agreement for Street Improvements in the amount of $1,555,298. Finance continues to deny this item. It is our understanding this agreement entered into on April 23, 2003, is between Victorville and Adelanto, and the former RDA is not a party to the contract. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.

In addition, per Finance's letter dated November 13, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). 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 Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. The Agency's maximum approved RPTTF distribution for the reporting period is $23,654,441 as summarized in the Approved RPTTF Distribution table on the next page:

Approved RPTTF Distribution For the period of January through June 2016		
Total RPTTF requested for non-administrative obligations		60,753,410
Total RPTTF requested for administrative obligations		250,000
Total RPTTF requested for obligations on ROPS 15-16B	**$**	**61,003,410**
Total RPTTF requested for non-administrative obligations		**60,753,410**
Denied Items		
Item No. 20		(13,999,789)
Item No. 21		(21,120,815)
Item No. 22		(673,067)
Item No. 23		(1,555,298)
		(37,348,969)
Total RPTTF authorized for non-administrative obligations	**$**	**23,404,441**
Total RPTTF requested for administrative obligations		**250,000**
Total RPTTF authorized for administrative obligations	**$**	**250,000**
Total RPTTF authorized for obligations	**$**	**23,654,441**
ROPS 14-15B prior period adjustment		0
Total RPTTF approved for distribution	**$**	**23,654,441**

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

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, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Marc Puckett, Treasurer, Victor Valley Economic Development Authority
Ms. Linda Santillano, Property Tax Manager, San Bernardino County