

November 10, 2015

Ms. Sophie L. Smith, Economic Development Division Head
City of Victorville
14343 Civic Drive
Victorville, CA 92392

Dear Ms. Smith:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Victorville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 29, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 7 and 8 – Foxborough Rail Property Maintenance Costs totaling \$105,400 for ROPS 15-16B and total outstanding obligation in the amount of \$4,489,805 are not allowed. The Agency claims it is responsible for railroad track maintenance and repairs for railroad tracks which lie on land owned by the City of Victorville (City). However, the Agency was unable to provide adequate documentation to support the amounts claimed. The Agency provided a schedule of operating costs; however, the schedule illustrates the costs of maintenance based on a 50 year-schedule, and not actual maintenance costs. Additionally, the Industry Track Agreement (Agreement) between the Agency and Burlington Northern and Sante Fe Railway Company allows the Agreement to be terminated with 30 day notice, or assigned. Therefore, as the Agency will no longer own an interest in the property, funding for these line items will no longer be necessary, and this item is not eligible for Redevelopment Property Tax Trust Funds (RPTTF).
- Item No. 48 – Unfunded Redevelopment Agency (RDA) Employee Liabilities in the amount of \$249,494 are not allowed. It is our understanding employees of the former RDA were transferred to the City upon dissolution. This obligation is in relation to accrued sick leave and vacation benefits for the former RDA employees. While pension payments, obligations and other obligations conferred through a collective bargaining agreement are enforceable obligations if these employees are transferred to the entity assuming the housing functions of the RDA, it is unclear if these employees work for the City or the Housing Entity. Additionally, the Agency did not provide documentation to show how much is needed during the six month period. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

Finances notes the Agency made significant changes to the payee with regards to Item No. 20. Therefore, the Agency should retired Item No. 20 and created a new line item as Item No. 49 to reflect the changes to the item.

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 Redevelopment Property Tax Trust Fund (RPTTF) approved in the table below only reflects the Agency's self-reported prior period adjustment, as adjusted by Finance.

During our review of Agency's self-reported prior period adjustment, Finance noted the Agency reported incorrect amounts of Available RPTTF for the ROPS 14-15B. The Agency reported Available RPTTF in the amount of \$3,871,134 for enforceable obligations and \$163,842 for administrative expenses, for a total of \$4,034,976. However, the Agency received RPTTF in the amount of \$3,871,134 by the CAC. The Agency also had a \$1,098,530 prior period adjustment from the ROPS 13-14B period, for total Available RPTTF in the amount of \$4,969,664.

The Agency reported Actual RPTTF expenditures for enforceable obligations and administrative expenses in the amount of \$4,835,475. In addition, the Agency exceeded the authorized amount of RPTTF for Item No. 3 in the amount of \$5,252. To the extent the Agency exceeds the RPTTF amount authorized on any item, the amount of the over-expenditure does not offset the prior period adjustment. Therefore, the Agency has \$139,441 in remaining RPTTF that should be used as a prior period adjustment during the ROPS 15-16B period.

In addition, Finance noted the Agency's expenditures exceeded Finance's authorization for the following items:

- Other Funds totaling \$40,914 – Item No. 12, \$12,486; Item No. 13, \$12,382; Item No. 14, \$1,665; and Item No. 27, \$14,381.

Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) 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.

The Agency's maximum approved RPTTF distribution for the reporting period is \$6,041,106 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	6,285,441
Total RPTTF requested for administrative obligations	250,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 6,535,441
Total RPTTF requested for non-administrative obligations	6,285,441
Denied Item	
Item No. 7	(5,400)
Item No. 8	(100,000)
Item No. 48	(249,494)
	(354,894)
Total RPTTF authorized for non-administrative obligations	\$ 5,930,547
Total RPTTF requested for administrative obligations	250,000
Total RPTTF authorized for administrative obligations	\$ 250,000
Total RPTTF authorized for obligations	\$ 6,180,547
Self-reported ROPS 14-15B prior period adjustment (PPA)	(46,784)
Finance adjustment to ROPS 14-15B PPA	(92,657)
Total ROPS 14-15B PPA	(139,441)
Total RPTTF approved for distribution	\$ 6,041,106

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>

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, 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.

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Please direct inquiries to Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Keith C. Metzler, Assistant City Manager, City of Victorville
Ms. Linda Santillano, Property Tax Manager, San Bernardino County