

April 6, 2016

Mr. Marc Puckett, Assistant Town Manager - Finance and Administration  
Town of Apple Valley  
14975 Dale Evans Parkway  
Apple Valley, CA 92307

Dear Mr. Puckett:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Town of Apple Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 28, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No. 14 – Low and Moderate Income Housing Fund (LMIHF) loan repayment for the purposes of the Educational Revenue Augmentation Fund in the total outstanding obligation amount of \$528,819 is partially allowed. HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the San Bernardino County Auditor-Controller's report, the amounts distributed to the taxing entities for fiscal year 2012-13 and 2015-16 are zero and \$621,536, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for 2016-17 is \$310,768. Therefore, the excess amount, \$218,051 (\$528,819 - \$310,768) is not eligible for funding from Redevelopment Property Tax Trust Funds (RPTTF) on this ROPS.

- Item No. 29 – Redevelopment Agency Obligations paid via Advanced Funds in the total outstanding obligation amount of \$3,281,514 is not allowed. Finance continues to deny this item. As stated in our previous determination letters, this item is related to an alleged negative cash balance of the former Redevelopment Agency (RDA). During the Low and Moderate Income House Fund (LMIHF) and Other Funds and Accounts (OFA) Due Diligence Reviews (DDRs) required pursuant to HSC section 34179.6, it is our understanding the former RDA commingled its LMIHF and OFA funds.

In doing so, the former RDA pulled funding from its commingled account to pay for various obligations. The Agency claims that some of the commingled LMHF amounts were used to pay for non-housing obligations, resulting in a negative balance in the OFA DDR totaling \$3,281,514.

The Agency provided a Contract between the Town of Apple Valley (Town) and a third party dated September 26, 2006 to support the requested amount. However, the former RDA was not a party to this contract. Further, the Agency provided a Promissory Note and resolutions made by the Apple Valley Public Financing Authority. However, these documents do not support the amount requested on the ROPS. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding of \$3,281,514.

Except for the items denied in whole or in part, or for the item that has been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,946,718 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

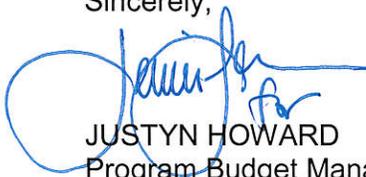
<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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 Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Mr. Orlando Acevedo, Economic Development Manager, Town of Apple Valley  
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

**Attachment**

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2016 through June 2017</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>Total</b>
Requested RPTTF (excluding administrative obligations)	\$ 4,563,308	\$ 1,632,975	\$ 6,196,283
Requested Administrative RPTTF	125,000	125,000	250,000
<b>Total RPTTF requested for obligations on ROPS 16-17</b>	<b>4,688,308</b>	<b>1,757,975</b>	<b>\$ 6,446,283</b>
<b>Total RPTTF requested</b>	<b>4,563,308</b>	<b>1,632,975</b>	<b>6,196,283</b>
<u>Denied Items</u>			
Item No. 14	(218,051)	0	(218,051)
Item No. 29	(3,281,514)	0	(3,281,514)
<b>Total RPTTF authorized</b>	<b>1,063,743</b>	<b>1,632,975</b>	<b>\$ 2,696,718</b>
<b>Total Administrative RPTTF authorized</b>	<b>125,000</b>	<b>125,000</b>	<b>\$ 250,000</b>
<b>Total RPTTF approved for distribution</b>	<b>1,188,743</b>	<b>1,757,975</b>	<b>\$ 2,946,718</b>