DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 17, 2016

Mr. Keith C. Metzler, Executive Director
Victor Valley Economic Development Authority
14343 Civic Drive
Victorville, CA 92392

Dear Mr. Metzler:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 13, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Victor Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 28, 2016. Finance issued a ROPS determination letter on April 13, 2016. 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 28, 2016.

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.7 – Administrative Cost Allowance (ACA) in the amount of $500,000. Per the Agency's request during the meet and confer and as discussed in Item No. 19 below, Finance is reducing the Agency's ACA funded from the Redevelopment Property Tax Trust Fund (RPTTF) in the ROPS 16-17A period by $7,975 to $242,025. As a result, for the ROPS 16-17 period, Finance is approving $492,025 in Administrative RPTTF and $7,975 in Other Funds.

- Item No. 19 – VVEDA Joint Powers Authority (JPA) Agreement, Pass-Through Distributions to the City of Victorville (Victorville) in the amount of $7,628,176. Finance previously reclassified $7,975 of the RPTTF funds requested to Other Funds due to available cash balances revealed during Cash Balance review. During the meet and confer, the Agency requested the $7,975 reclassification be applied toward Item No.7, instead (see Item No. 7 for details).

  Additionally, Finance reclassified $940,316 of the amount requested for this item. It is our understanding funds, in the amount of $940,316, from the High Desert Power Trust (HDPT) are available for the payment of debt service related to various bonds issued by the Southern California Logistics Airport Authority (SCLAA). This payment source is referred to as the Ground Lease Guaranty in the official statements to the various bonds.

Therefore, these funds must be used prior to Redevelopment Property Tax Trust Funds (RPTTF) pursuant to HSC section 34177 (l). WE note that the Agency did not contest this adjustment during the meet and confer. Based on the above, the final RPTTF amount authorized for this item is $6,679,885 ($7,628,176 - $7,975 - $940,316).

- Item No. 22 – JPA Agreement in the total outstanding obligation amount of $673,067. Finance continues to deny this item. Finance previously denied this item, because the claimed amounts due to VVEDA from the City of Adelanto (Adelanto) for its proportional share of start-up costs pursuant to the JPA Agreement was determined not to be an enforceable obligation. During meet and confer, the Agency continued to contest that this item is an enforceable obligation; however no new documentation was provided. Therefore, this item is not an enforceable obligation and the requested amount of $673,067 is not eligible for RPTTF funding.

- Item No. 23 – Cooperative Agreement for Street Improvements in the total outstanding obligation amount of $1,555,298 is not allowed. Finance continues to deny this item. It is our understanding this agreement entered into on April 23, 2003, is between Victorville and Adelanto; the former redevelopment agency is not a party to the contract. During meet and confer, the Agency continued to contest that this item is an enforceable obligation; however no new documentation provided. Therefore, as previously determined this line item is not an enforceable obligation and the requested amount of $1,555,298 is not eligible for RPTTF funding.

In addition, per Finance's letter dated April 28, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

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

- Item No. 21 – JPA Agreement Pass-Through Distributions to Victorville in the total outstanding obligation 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 the requested amount of $21,120,815 for the ROPS 16-17 period is not eligible for RPTTF funding.

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. 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 our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, the funding source for Item No. 19 has been reclassified to Other Funds and in the amount as specified above.

Except for the items denied in whole or in part or the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. The Agency's maximum approved RPTTF distribution for the reporting period is $39,239,694 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

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 Evelyn Suess, Dispute Resolution Supervisor, or Nicole Prisakar at (916) 445-3274.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Marc Puckett, Treasurer, City of Victor Valley
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 38,822,764	$ 38,214,190	$ 77,036,954
Requested Administrative RPTTF	250,000	250,000	$ 500,000
Total requested RPTTF on ROPS 16-17	$ 39,072,764	$ 38,464,190	**$ 77,536,954**
Denied Items			
Item No. 20	(6,999,895)	(6,999,894)	(13,999,789)
Item No. 21	(10,560,408)	(10,560,407)	(21,120,815)
Item No. 22	(336,534)	(336,533)	(673,067)
Item No. 23	(777,649)	(777,649)	(1,555,298)
	(18,674,486)	(18,674,483)	(37,348,969)
Reclassified Item			
Item No. 19	(940,316)	0	(940,316)
Total RPTTF authorized	19,207,962	19,539,707	**$ 38,747,669**
Total Administrative RPTTF requested	250,000	250,000	**500,000**
Reclassified Item			
Item No. 7	(7,975)	0	(7,975)
Total Administrative RPTTF after Finance adjustments	242,025	250,000	492,025
Total Administrative RPTTF authorized	242,025	250,000	**$ 492,025**
Total RPTTF approved for distribution	19,449,987	19,789,707	**$ 39,239,694**