



May 17, 2013

Ms. Sophie Escobar, Economic Development Administrator
City of Victorville Successor Agency
18374 Phantom West
Victorville, CA 92394

Dear Ms. Escobar:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 14, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Victorville Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 28, 2013 for the period of July through December 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on May 1, 2013.

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 item being disputed.

- Item No. 32 – Nuway Dry Cleaners Property Remediation in the amount of \$185,824. Finance continues to deny this item. Finance originally denied this item as the agreement is between the City of Victorville and a third party. The former redevelopment agency (RDA) is neither a party to the agreement nor responsible for payment.

The Agency contends that this item was the obligation of the Agency because the property was funded and purchased for redevelopment purposes. However, the property was incorrectly transferred to the City of Victorville and the RDA was not deeded the title. Even if the error had not occurred, payment would still not be an obligation of the Agency because the property was transferred to Housing Successor Agency in January 2013. As a property owned by the Housing Successor Agency, it is bound by HSC section 34176 (a) (1). Upon the transfer of the former RDA's housing functions to the new housing entity, HSC section 34176 requires that, "all rights, powers, duties obligations and housing assets,....shall be transferred" to the new Housing Entity. Only projects that meet the definition of an enforceable obligation and are encumbered on the Housing Asset Transfer form can be paid for by the Successor Agency. Liabilities of the Successor Agency are excluded from HSC 34176 (a) (1). Therefore, this item is not eligible for funding from Redevelopment Property Tax Trust Fund (RPTTF).

In addition, per Finance's ROPS letter dated April 14, 2013, the following items continue to be denied and were not contested by the Agency:

- Item No. 30 – Tax Allocation Bonds totaling \$2,093,986. It is our understanding that only \$1,082,861 is due during the ROPS 13-14B period, representing the interest payment. HSC section 34171(d)(1)(A) allows for a reserve, when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. That is not the situation here. Therefore, Finance is adjusting the requested RPTTF by \$1,011,125 to \$1,082,861 for the July 2013 through December 2013 period.
- Claimed administrative costs exceed the allowance by \$31,887. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. Although \$246,709 is claimed for administrative cost, Item Nos. 7 and 8, for the Foxborough Rail Project, in the amount of \$35,178, are considered administrative expenses and should be counted toward the cap. Therefore, \$31,887 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved RPTTF distribution for the reporting period is \$4,132,047 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 4,956,375
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 7*	5,178
Item 8*	30,000
Item 30	1,011,125
Item 32	28,025
Total approved RPTTF for enforceable obligations	\$ 3,882,047
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 4,132,047

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the 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 above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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 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 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 successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 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 Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Keith Metzler, Assistant City Manager, City of Victorville
Ms. Vanessa Doyle, Auditor Controller Manager, County of San Bernardino
California State Controller's Office