DEPARTMENT OF FINANCE

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April 17, 2014

Mr. Keith C. Metzler, Assistant City Manager
City of Victor Valley
14343 Civic Drive
Victorville, CA 92392

Dear Mr. Metzler:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Victor Valley Economic Development Authority Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 3, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item No. 1 – Joint Powers Authority Agreement (Agreement) disbursement to the Southern California Logistics Airport Authority (SCLAA) in the amount of $732,147,147. Pursuant to the Agreement, the SCLAA is not a member of the Joint Powers Authority and does not directly receive funding disbursements from the Agency. Therefore, this item does not belong on the ROPS and has been retired. Pursuant to the Agreement, the funding requested on the ROPS to be distributed to SCLAA is actually required to be distributed to the City of Victorville Successor Agency. As such, and at the Agency's direction, Finance has increased the requested Redevelopment Property Tax Trust Fund (RPTTF) funding for Item No. 2 – Joint Powers Authority Agreement (Agreement) disbursement to the City of Victorville Successor Agency.

- Item Nos. 14 through 16 (The Agency reported Item Nos. 8 through 10) – Statutory pass-through payments totaling $292,737. The Agency provided demand letters from Victor Elementary School District, San Bernardino County Superintendent of Schools, and Victor Valley Community College District that requested payments of underfunded pass-throughs for fiscal years 2008-9 through 2010-11 based on a Los Angeles Unified School District court decision. However, the Agency is not named as a party to the court decision and has not shown that the requested payments are binding. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount

that appears excessive, given the number and nature of the other obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

The Agency assigned retired line item numbers to new line items on the ROPS Analysis spreadsheet. As a result, Finance made the following corrections on ROPS 14-15A for consistency with prior ROPS:

- Item No. 8 – Statutory pass-through payment in the amount of $64,904 has been corrected to Item No. 14.

- Item No. 9 – Statutory pass-through payment in the amount of $34,079 has been corrected to Item No. 15.

- Item No. 10 – Statutory pass-through payment in the amount of $193,754 has been corrected to Item No. 16.

Items which no longer require funding should be classified as "retired" but retain the number assigned to the obligation on the ROPS. Furthermore, item numbers may only be used once and new obligations of the Agency should be listed with the next available sequential number. The item numbers referenced above reflect the corrected numbering sequence, as well as the Agency reported item numbers for record keeping purposes.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligation, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is $12,672,035 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		12,597,137
Total RPTTF requested for administrative obligations		369,132
Total RPTTF requested for obligations	**$**	**12,966,269**
Agency requested RPTTF adjustment to non-administrative obligations		
Item No. 2		5,870,694
Total Agency requested RPTTF adjustments	**$**	**5,870,694**
Total RPTTF requested for non-administrative obligations		**18,467,831**
Denied Items		
Item No. 1		(5,870,694)
Item No. 14		(64,904)
Item No. 15		(34,079)
Item No. 16		(193,754)
		(6,163,431)
Total RPTTF authorized for non-administrative obligations	**$**	**12,304,400**
Total RPTTF authorized for administrative obligations	**$**	**369,132**
Total RPTTF authorized for obligations	**$**	**12,673,532**
ROPS 13-14A prior period adjustment		(1,497)
Total RPTTF approved for distribution	**$**	**12,672,035**

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

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 July 1 through December 31, 2014. This determination only applies to items where 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 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 section 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 HSC section 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 Nichelle Thomas, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Marc Puckett, Assistant City Manager - Finance, City of Victor Valley
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office