DEPARTMENT OF FINANCE

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November 13, 2015

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

Dear Mr. Metzler:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the Victor Valley Economic Development Authority (VVEDA) 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 October 1, 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. 18 and 19 – Victor Valley Economic Development Agency (VVEDA) Joint Powers Authority (JPA) Agreement, Pass-Through Distributions to the City of Victorville (Victorville) totaling 14,301,944 are not allowed. It is our understanding these items represent defaulted debt service amounts and funds needed to replenish reserves for the Southern California Logistics Airport Authority (SCLAA) bonds.

  As stated in the Official Statement for the Bonds, payments of SCLAA bonds are not secured by the VVEDA JPA. Instead, the SCLAA and Victorville are ultimately responsible for the payment of the SCLAA bonds. However, a portion of funds payable to Victorville as a member of the JPA are used to pay a portion of the SCLAA Bonds. As such, Finance's approval of Redevelopment Property Tax Trust Funds (RPTTF) from VVEDA to the Victorville is limited to the increment generated by Victorville/SCLLA's respective project areas, which is requested in Item No.2. Finance has approved applicable amounts owing by the VVEDA JPA to Victorville in an amount which Victorville then owes towards the fulfillment of debt service payment for the SCLAA bonds on all previous ROPS. Therefore, these items are not enforceable obligations and are not eligible for RPTTF.

- Item No. 20 – JPA Agreement, Pass-Through Distributions to Victorville in the amount of $13,999,789 is not an enforceable obligation. The Agency claims this item represents accumulated operational shortfalls due to Victorville pursuant to the JPA Agreement (Agreement). However, the Agreement does not obligate the Agency to reimburse

Victorville for these types of costs. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

- Item No. 21 – JPA Agreement Pass-Through Distributions to Victorville in the amount of $21,120,815 is not allowed. 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 is not eligible for RPTTF funding.

- Item No. 22 – JPA Agreement in the amount of $673,067 is not allowed. It is our understanding this item represents amounts due to VVEDA from the City of Adelanto (Adelanto) for its proportional share of start-up costs pursuant to the JPA Agreement. Pursuant to the Agreement, the source of funding for this obligation is the tax increment attributed to Adelanto's portion of the VVEDA project area. However, due to dissolution, Adelanto no longer receives pass-through tax increment from VVEDA. Therefore, there is no available funding for this item.

- Item No. 23 – Cooperative Agreement for Street Improvements in the amount of $1,555,298 is not an obligation of the Agency. It is our understanding this agreement entered into on April 23, 2003, is between Victorville and Adelanto, and the former RDA is not a party to the contract. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.

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 RPTTF approved in the table below only reflects the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is $9,352,497 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		60,753,410
Total RPTTF requested for administrative obligations		250,000
Total RPTTF requested for obligations on ROPS 15-16B	**$**	**61,003,410**
Total RPTTF requested for non-administrative obligations		**60,753,410**
Denied Items		
Item No. 18		(7,471,125)
Item No. 19		(6,830,819)
Item No. 20		(13,999,789)
Item No. 21		(21,120,815)
Item No. 22		(673,067)
Item No. 23		(1,555,298)
		(51,650,913)
Total RPTTF authorized for non-administrative obligations	**$**	**9,102,497**
Total RPTTF requested for administrative obligations		**250,000**
Total RPTTF authorized for administrative obligations	**$**	**250,000**
Total RPTTF authorized for obligations	**$**	**9,352,497**
ROPS 14-15B prior period adjustment		0
Total RPTTF approved for distribution	**$**	**9,352,497**

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.

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

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Marc Puckett, Treasurer, Victor Valley Economic Development Authority
Ms. Linda Santillano, Property Tax Manager, San Bernardino County