

Victor Valley Economic Development Authority (VVEDA)
White Paper – DOF Letter Dated December 17th, 2015

ISSUE FOR CONSIDERATION

The December 17th, 2015 ROPS determination Letter (DOF Letter) to VVEDA approved the payment of debt service (Item No. 2), defaulted bond amounts (Item No. 18) and the payment of reserve shortfalls (Item No. 19) for Southern California Logistics Airport Authority (SCLAA) Bonds. However in doing so, the DOF Letter only allowed funding “from former tax increment generated from the George Air Force Base (GAFB) Parcels,” departing from a larger amount of tax increment that is actually defined as “Pledged Tax Revenues” for SCLAA Bonds.

ANALYSIS

In simple terms, and in the actual order described in the bond documents, SCLAA’s non-housing bonds describe the “Pledged Tax Revenues” to include:

- A. All tax increment revenue generated on property comprising the Airport (GAFB Parcels), net of housing set aside and pass-throughs.
- B. 50% of all tax increment generated from each Member community’s portion (including Victorville) of the VVEDA Project area, net of housing set aside and pass-throughs.
- C. An SCLA tenant Ground Lease Guarantee. (Not applicable to the DOF Letter or ROPS)
- D. The Victorville Pledge, which is the remaining 50% of the amount described in B, above, from Victorville’s portion of the VVEDA Project Area.

SCLAA obtained its authority to issue bonds relying on VVEDA’s tax increment pursuant to Sections 8, 31, 34 and 38 of the VVEDA Joint Powers Agreement (JPA) dated June 21, 2000.

The DOF Letter alters the way VVEDA is required to calculate the distribution of tax increment to Victorville to satisfy SCLAA non-housing bonds by not allowing for the pass through of items B & D above, which are a part of the Pledged Tax Revenues for the bonds.

The following is intended to illustrate the difference in calculation, based on funds distributed by the Auditor Controller for the 15-16B ROPS:

	<u>JPA/SCLA PLEDGE</u>	<u>GAFB PARCELS ONLY</u>
Amount available for SCLAA Bonds	\$13,230,890	\$2,075,490

The difference between the two calculations, \$11,155,400, though defined pursuant to bond indentures as Pledged Tax Revenues, effectively would not be allowed to fund items 2, 18 and 19 in the 15-16B ROPS period. The DOF Letter, as worded, forces the SCLAA Bonds to accelerate default on bonds that are not currently in default, in addition to preventing the ability to cure bonds that have already defaulted. The DOF Letter is also inconsistent with DOF’s Final and Conclusive determination dated November 12, 2014 where its stated understanding was that “tax increments generated from the Project Area,” not just the GAFB Parcels, are pledged for the payment of SCLAA bonds.

RESOLUTION SOUGHT

Victorville urges DOF to revise its letter, removing the limitation created by only allowing for funding of items 2, 18 and 19 from tax increment generated from only GAFB Parcels and allowing for the repayment of items 2, 18 and 19 from tax increments that are defined as Pledged Tax Revenues for the Bonds and consistent with funding provided from the VVEDA JPA.

January 20, 2016