



April 9, 2019

Mr. Luke Watson, Senior Planner
City of Temecula
41000 Main Street
Temecula, CA 92589

Dear Mr. Watson:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Temecula Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 25, 2019. Finance has completed its review of the ROPS 19-20.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 35 – ROPS 18-19 period unfunded obligation in the total outstanding amount of \$377,296 is not allowed. The Agency requests \$377,296 for an unfunded debt service payment due to a cash balance reclassification of Redevelopment Property Tax Trust Fund (RPTTF) during ROPS 18-19. The Agency contends the balance reclassified in ROPS 18-19 was previous RPTTF distributed in ROPS 17-18 as reserves for debt service due in ROPS 18-19A. However, Finance's review of the Report of Cash Balance during ROPS 18-19 determined the Agency had \$48,883 in Reserve Balances and \$328,413 in Other Funds, totaling \$377,296; and the Agency concurred the balance was available for reclassification.

Further, the available cash balances reviewed during ROPS 18-19 only included cash balances from the fiscal year 2015-16, and did not include RPTTF distributed for ROPS 17-18 period. The Agency provided its fiscal year 2018-19 expenditure report and projected cash flow for the period of January through June 2018 to support funding was insufficient. However, these documents did not demonstrated funding was insufficient. Additionally, Finance notes that several "unfunded obligation" line items were denied during ROPS 18-19, in which the Agency claimed funding was necessary to make the Agency's cash accounts "whole" due to a continuing negative cash balance from prior period adjustments. Therefore, this item is not an enforceable obligation and the requested amount of \$377,296 from RPTTF funding is not allowed.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Mr. Luke Watson
April 9, 2019
Page 2

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 3 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

Except for the item adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items which are the subject of litigation disputing our previous or related determinations, the Agency 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 on our website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

The Agency's maximum approved RPTTF distribution for the reporting period is \$5,155,731 as summarized in the Approved RPTTF Distribution table on Page 3 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 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 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 RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in RPTTF.

Please direct inquiries to Cindie Lor, Supervisor, or Amy Xu, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Rudy Graciano, Revenue Manager, City of Temecula
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County

Attachment

| Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020 | | | |
|---|---------------------|---------------------|---------------------|
| | ROPS A Period | ROPS B Period | ROPS 19-20 Total |
| RPTTF Requested | \$ 3,616,487 | \$ 3,618,141 | \$ 7,234,628 |
| Administrative RPTTF Requested | 125,000 | 125,000 | 250,000 |
| Total RPTTF Requested | 3,741,487 | 3,743,141 | 7,484,628 |
| RPTTF Requested | 3,616,487 | 3,618,141 | 7,234,628 |
| <u>Adjustment</u> | | | |
| Item No. 35 | (377,296) | 0 | (377,296) |
| RPTTF Authorized | 3,239,191 | 3,618,141 | 6,857,332 |
| Administrative RPTTF Authorized | 125,000 | 125,000 | 250,000 |
| Total RPTTF Authorized for Obligations | 3,364,191 | 3,743,141 | 7,107,332 |
| Prior Period Adjustment | (1,951,601) | 0 | (1,951,601) |
| Total RPTTF Approved for Distribution | \$ 1,412,590 | \$ 3,743,141 | \$ 5,155,731 |