



Transmitted via e-mail

April 15, 2020

Luke Watson, Director of Community Development
City of Temecula
41000 Main Street
Temecula, CA 92589

2020-21 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, 2020 through June 30, 2021 (ROPS 20-21) to the California Department of Finance (Finance) on February 4, 2020. Finance has completed its review of the ROPS 20-21.

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

- Item No. 4 – Supplemental Education Revenue Augmentation Fund Payment Reimbursement loan repayment in the amount of \$1,300,000 is partially allowed. HSC section 34191.4 (b) (3) (A) allows repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the preceding fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the Kern County County Auditor-Controller (CAC)'s report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2019-20 are \$756,753 and \$3,231,435, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 20-21 period is \$1,237,341. Therefore, of the \$1,300,000 requested, \$62,659 (\$1,300,000 - \$1,237,341) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. The Agency may be eligible for additional funding on subsequent ROPS.

- Item Nos. 28 and 29 – Unfunded Obligations in the total outstanding amounts of \$25,558 and \$144,254, respectively, from RPTTF funding are not allowed. The Agency requests funds to pay for previously unfunded debt service payments that were approved on the July 1, 2017 through June 30, 2018 ROPS period (ROPS17-18). The Agency received these funds as part of ROPS 17-18 distribution; no further amounts remain outstanding. Therefore these amounts are not allowed.

- Item No. 35 – Unfunded Obligations in the total outstanding amount of \$377,296 continues to be denied. The Agency requests \$377,296 for an unfunded debt service payment due to a cash balance reclassification of RPTTF during the period of July 1, 2017 through June 30, 2018 (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 18-19. 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; 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 the 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 insufficient funding. However, these documents did not demonstrate 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 (PPA). No additional documentation was received to support this request in ROPS 20-21; therefore, the requested \$377,296 is not allowed for RPTTF funding.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the ROPS 17-18 period. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF includes the PPA resulting from the CAC's review of the PPA form submitted by the Agency, as adjusted by Finance. Specifically, Finance increased the expenditures for Item Nos. 27 and 28 to \$25,558 and \$144,254, respectively. This reduced the PPA by \$169,812 from \$2,217,422 to \$2,047,610.

The Agency's maximum approved RPTTF distribution for the reporting period is \$5,390,713, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2020 through December 31, 2020 period (ROPS A period), and one distribution for the January 1, 2021 through June 30, 2021 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 20-21 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 20-21. If the Agency disagrees with our determination with respect to any items on the ROPS 20-21, 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 must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 20-21. 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 deemed denied until the matter is resolved.

The ROPS 20-21 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 20-21 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 the RPTTF is the same as the amount of property tax increment available prior to the enactment of the 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 the RPTTF.

Please direct inquiries to Mindy Patterson, Supervisor, or Dylan Newton, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

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

Approved RPTTF Distribution July 2020 through June 2021			
	ROPS A	ROPS B	ROPS 20-21 Total
RPTTF Requested	\$ 3,976,249	\$ 3,821,841	\$ 7,798,090
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	4,101,249	3,946,841	8,048,090
RPTTF Requested	3,976,249	3,821,841	7,798,090
<u>Adjustments</u>			
Item No. 4	0	(62,659)	(62,659)
Item No. 28	(25,558)	0	(25,558)
Item No. 29	(144,254)	0	(144,254)
Item No. 35	(377,296)	0	(377,296)
	(547,108)	(62,659)	(609,767)
RPTTF Authorized	3,429,141	3,759,182	7,188,323
Administrative RPTTF Authorized	125,000	125,000	250,000
ROPS 17-18 prior period adjustment (PPA)	(2,047,610)	0	(2,047,610)
Total RPTTF Approved for Distribution	\$ 1,506,531	\$ 3,884,182	\$ 5,390,713