



Transmitted via e-mail

April 1, 2022

Jennifer Hennessy, Director of Finance
City of Temecula
41000 Main Street
Temecula, CA 92590

2022-23 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 July 1, 2022 through June 30, 2023 (ROPS 22-23) to the California Department of Finance (Finance) on February 1, 2022. Finance has completed its review of the ROPS 22-23.

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

- Item No. 4 - SERAF Payment Reimbursement in the amount of \$900,000 is partially allowed. HSC section 34191.4 (b) (3) (A) allows this 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 Riverside County Auditor-Controller's report, the amounts distributed to the taxing entities for fiscal year 2012-13 and 2021-22 are \$756,753 and \$2,143,797, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 22-23 period is \$693,522. As a result, of the \$900,000 requested, \$206,478 (\$900,000 – \$693,522) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. The Agency may be eligible for additional funding on a subsequent ROPS.
- Item Nos. 22 and 23 – Unfunded Obligations in the requested amounts of \$3,566,250 and \$2,091,944 respectively, continues to be denied. The Agency inadvertently requested RPTTF funding that was intended for Item No. 31 and 32 - Tax Allocation Refunding Bonds Series 2017A & B. Therefore, with the Agency's concurrence, Finance increased the requested amount for Item No. 31 from \$0 to \$3,566,250 and Item No. 32 from \$0 to \$2,091,944 to accurately reflect the required debt service amounts due.

- Based on our review of the prior period adjustment (PPA) form, Finance noted the Agency misspent a portion of excess funds. Specifically, the Agency spent more than what was authorized for the Administrative Cost Allowance for the ROPS 19-20 period. Finance authorized \$250,000 pursuant to the cap; yet a total of \$427,144 was reported. This is \$177,144 in excess of the maximum amount allowed pursuant to HSC section 34171 (b) (3). Further, pursuant to HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds and source specified on the ROPS, up to the amount authorized by Finance. Finance reminds the Agency that funds in excess of the amounts authorized on the ROPS cannot be expended. Any excess funds must be retained and expended once the Agency receives approval for their use on a future ROPS.
- 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.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2019 through June 30, 2020 (ROPS 19-20) period. The ROPS 19-20 PPA will offset the ROPS 22-23 RPTTF distribution. The amount of RPTTF authorized includes the PPA resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$6,864,838, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2022 through December 31, 2022 period (ROPS A period), and one distribution for the January 1, 2023 through June 30, 2023 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 22-23 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 adjusted items, Finance approves the remaining items listed on the ROPS 22-23 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 22-23, 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 from 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 22-23. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 22-23 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 22-23 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted 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 Todd Vermillion, Supervisor, or Mark-Anthony Lacy, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Jordan Snider, Accountant, City of Temecula
Jennifer Baechel, Property Tax Chief, Riverside County

Approved RPTTF Distribution July 2022 through June 2023			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 3,575,503	\$ 3,301,691	\$ 6,877,194
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	3,700,503	3,426,691	7,127,194
RPTTF Requested	3,575,503	3,301,691	6,877,194
<u>Adjustment(s)</u>			
Item No. 4	0	(206,478)	(206,478)
Item No. 22	(1,783,875)	(1,782,375)	(3,566,250)
Item No. 23	(1,042,628)	(1,049,316)	(2,091,944)
Item No. 31	1,783,875	1,782,375	3,566,250
Item No. 32	1,042,628	1,049,316	2,091,944
	0	(206,478)	(206,478)
RPTTF Authorized	3,575,503	3,095,213	6,670,716
Administrative RPTTF Authorized	125,000	125,000	250,000
ROPS 19-20 prior period adjustment (PPA)	(55,878)	0	(55,878)
Total RPTTF Approved for Distribution	\$ 3,644,625	\$ 3,220,213	\$ 6,864,838