



Transmitted via e-mail

May 15, 2020

Jason Simpson, Director of Administrative Services
City of Lake Elsinore
130 South Main Street
Lake Elsinore, CA 92530

2020-21 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2020. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Lake Elsinore Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2020 through June 30, 2021 (ROPS 20-21) to Finance on January 31, 2020. The Agency requested a Meet and Confer on one of the determinations made by Finance. The Meet and Confer was held on April 28, 2020.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determination being disputed:

Item No. 33 – Interim Stadium Management Agreement (Agreement) in the amount of \$3,508,137. Finance continues to partially approve this item. During the Meet and Confer, the Agency contended this amount is needed to cover expenditures previously approved. Specifically, the requested amount includes \$1,703,276 of Redevelopment Property Tax Trust Fund (RPTTF) for capital repairs, which was indeed previously approved and distributed during ROPS 18-19 and expended during ROPS 19-20.

However, it is our understanding the Agency did not incur an RPTTF shortfall, which would have prevented the Agency from meeting this obligation within the required term of the Agreement. Further, pursuant to HSC section 34177 (l) (3), the ROPS shall be forward looking to the next fiscal year. Accordingly, the Agency should only request funding for expenditures it expects to incur going forward, and the previously approved and expended \$1,703,276 is not eligible for funding.

According to the Seventh Amendment to the Agreement, other costs for this item consist of annual maintenance fees of \$256,260, interim management fees of \$473,601, and capital repairs of \$1,075,000, totaling \$1,804,861. Therefore, Finance continues to approve \$1,804,861 in RPTTF funding, and \$1,703,276 (\$3,508,137 - \$1,804,861) is not eligible for funding for the ROPS 20-21 period.

In addition, per Finance's letter dated April 15, 2019, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- Item No. 3 – Tax Allocation Revenue Bonds, 2010 Series C debt service. The Agency requested \$2,220,611 from RPTTF and \$697,500 from Reserve Balances in error. According to the debt service schedule provided by the Agency, the amount requested for the July 1, 2020 through December 31, 2020 (ROPS 20-21A) period should be \$2,220,326 in RPTTF and that an increase of \$1,110,448 in bond reserves was necessary. Therefore, to accurately reflect the correct debt service payment, Finance made an adjustment in the amount of \$285 to decrease the requested RPTTF amount of \$2,220,611 to \$2,220,326 and an increase of \$1,110,448 in Reserve Balances for the ROPS 20-21A period.
- Item No. 12 – Summerly Disposition and Development Agreement. The Agency requested \$1,276,507 from RPTTF in error. According to documentation provided by the Agency, the amount requested of \$386,905 for ROPS 20-21A should be \$286,905. Therefore, with the Agency's concurrence, Finance made an adjustment in the amount of \$100,000 to decrease the total requested amount of \$1,276,507 to \$1,176,507 in RPTTF funding.
- Item No. 20 – Housing Fund Loan in the amount of \$6,324,317 is partially allowed. The Agency has determined that the amount of RPTTF requested in the January 1, 2021 through June 30, 2021 (ROPS 20-21B) period should be reduced by \$2,558,553. Therefore, Finance has adjusted the total requested amount of \$6,324,317 to \$3,765,764.
- Item No. 46 – Third Lien Tax Allocation Bonds, Series 2018B debt service. The Agency requested a total of \$157,675 from RPTTF in error. According to the debt service schedule, the amount requested for the ROPS 20-21A period should be \$77,913, not \$79,763. Therefore, to accurately reflect the correct debt service payment, Finance made an adjustment of \$1,850 (\$79,763 - \$77,913) to decrease the total requested amount of \$157,675 to \$155,825 in RPTTF funding.
- Item No. 48 – Subordinated Tax Allocation Refunding Bonds, Series 2019A debt service. The Agency requested RPTTF funding for debt service payments due for the 12-month period. Based upon our review, the bond indenture requires all tax revenues to be deposited until the full year's bond debt service is covered. Therefore, debt service payments requested in the amount of \$678,750 in RPTTF funding is approved.

The Agency requested the amount of bond reserves for the ROPS 20-21A period be increased by \$85,000 to properly reflect payments reserved from the ROPS 19-20 period. Therefore, with the Agency's concurrence, Finance made an adjustment of \$85,000 to increase the requested amount of Reserve Balances to accurately reflect the required debt service payment amount.

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, 2017 through June 30, 2018 (ROPS 17-18) period. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF authorized includes the prior period adjustments (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 \$14,104,116, 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 20-21A period), and one distribution for the January 1, 2021 through June 30, 2021 period (ROPS 20-21B 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.

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 Joshua Mortimer, Supervisor, or Satveer Ark, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Grant Yates, Executive Director, City of Lake Elsinore
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	\$ 9,079,927	\$ 9,124,596	\$ 18,204,523
Administrative RPTTF Requested	190,865	190,865	381,730
Total RPTTF Requested	9,270,792	9,315,461	18,586,253
RPTTF Requested	9,079,927	9,124,596	18,204,523
<u>Adjustments</u>			
Item No. 3	(285)	0	(285)
Item No. 12	(100,000)	0	(100,000)
Item No. 20	0	(2,558,553)	(2,558,553)
Item No. 33	(1,703,276)	0	(1,703,276)
Item No. 46	(1,850)	0	(1,850)
	(1,805,411)	(2,558,553)	(4,363,964)
RPTTF Authorized	7,274,516	6,566,043	13,840,559
Administrative RPTTF Authorized	190,865	190,865	381,730
ROPS 17-18 prior period adjustment (PPA)	(118,173)	0	(118,173)
Total RPTTF Approved for Distribution	\$ 7,347,208	\$ 6,756,908	\$ 14,104,116