



Transmitted via e-mail

May 17, 2021

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City of Murrieta
1 Town Square
Murrieta, CA 92562

2021-22 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 30, 2021. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Murrieta Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2021 through June 30, 2022 (ROPS 21-22) to Finance on January 29, 2021. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 13, 2021.

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 determinations being disputed:

- Item No. 42 – Loan Payable to the City of Murrieta-Housing total outstanding balance of \$4,133,635. Finance continues to partially approve this item. During the Meet and Confer, the Agency contends certain prior principle payments should not have been applied to the total outstanding balance. Finance applied principal repayments in accordance to a repayment schedule provided in a staff report accompanied with Oversight Board (OB) Resolution 2016-3. The Agency was unable to provide any new information or supporting documentation to support principal payments were not made and to overturn the outstanding balance as calculated by Finance.

In addition, after further review of the outstanding balance, it has been determined that principle payments were applied throughout the life of loan prior to dissolution. However, pursuant to HSC section 34191.4 (b) (3), interest on the remaining outstanding principal amount of the loan shall be recalculated from the date of origination of the loan on a quarterly basis, at a simple interest rate of three percent and repayments shall be applied first to principal, and second to interest. Therefore, the original loan amount of \$3,870,000 was reduced by principal paid prior to dissolution in the amounts of \$469,169, \$431,983, and \$439,461, totaling \$1,340,613. The remaining principal to recalculate as of the date of origination is \$2,529,387 (\$3,870,000 - \$1,340,613). After application of prior ROPS funding approved for this loan has been applied to the principal balance, Finance has calculated the ROPS 21-22 beginning total outstanding balance as \$2,367,033. As such, the revised total outstanding loan balance reported on the Agency's ROPS Detail Form has been reduced by \$1,766,602 to \$2,367,033.

Further, 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 County Auditor-Controller's (CAC) report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2020-21 are \$2,684,652 and \$5,312,711, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 21-22 period is \$1,314,030. Therefore, of the \$4,133,635 requested, \$2,819,605 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. The Agency may be eligible for additional funding on subsequent ROPS.

In addition, per Finance's letter dated March 30, 2021, we continue to make the following determination on the next page, not contested by the Agency during the Meet and Confer review:

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the 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, 2018 through June 30, 2019 (ROPS 18-19) period. The ROPS 18-19 prior period adjustment (PPA) will offset the ROPS 21-22 RPTTF distribution. The CAC's review of the PPA form submitted by the Agency resulted in no prior period adjustment.

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,386,403, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2021 through December 31, 2021 period (ROPS A period), and one distribution for the January 1, 2022 through June 30, 2022 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 21-22 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 21-22. 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 21-22 form submitted by the Agency and this determination letter will be posted on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

This determination is effective for the ROPS 21-22 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 Mathew Rios, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Jennifer Terry, Financial Analyst, City of Murrieta
Pam Elias, Chief Accountant, Property Tax Division, Riverside County

Approved RPTTF Distribution July 2021 through June 2022			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 2,215,403	\$ 4,744,557	\$ 6,959,960
Administrative RPTTF Requested	121,048	125,000	246,048
Total RPTTF Requested	2,336,451	4,869,557	7,206,008
RPTTF Requested	2,215,403	4,744,557	6,959,960
<u>Adjustment(s)</u>			
Item No. 42	0	(2,819,605)	(2,819,605)
RPTTF Authorized	2,215,403	1,924,952	4,140,355
Administrative RPTTF Authorized	121,048	125,000	246,048
Total RPTTF Approved for Distribution	\$ 2,336,451	\$ 2,049,952	\$ 4,386,403

ICC: Rios, Vermillion, Takagi-Galamba, McAllister, McCormick, Whitaker

Final Path: J:\Audits and Review\ROPS 21-22 Letters PDF

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