



November 14, 2013

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

Dear Mr. Watson:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Temecula Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 30, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item No.19 – 3rd and Front Owner Participation Agreement (OPA) in the amount of \$4,000,000 of bond proceeds. Finance continues to deny this item. Furthermore, HSC section 34191.4 (c) (2) (B) requires the proceeds of the bonds issued after December 31, 2010 to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.
- Item No. 21 – 6th Street Promissory Note in the amount of \$241,040. The Agency received a Finding of Completion on April 26, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). However, HSC section 34176 (e) (6) (B) specifies loan or deferral repayments shall not be made prior to fiscal year 2013-14. While ROPS 13-14B falls within fiscal year 2013-14, the repayment of these City loans is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A).

HSC section 34191.4 (b) (2) (A) allows maximum repayment amount in each fiscal year to be equal to one-half of the increase between the ROPS residual amounts distributed to the taxing entities in that fiscal year and the ROPS residual amounts distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for

fiscal year 2013-14 before requesting funding for this obligation. Therefore, this item is not eligible for funding at this time.

Finance made adjustments to the Prior Period Adjustments form to ensure consistency with the funding sources and amounts approved by Finance. HSC Section 34177 (a) (3) states that the Agency can only make payments listed on the ROPS, from the funds listed and authorized by Finance. Based upon a review of the Agency's Prior Period Adjustment form the following adjustments were made:

- Item Nos. 2 and 3 – Abbott Owner's Participation Agreement (OPA) in the amount of zero and \$305,590 should be \$438,524 and zero respectively. Therefore, these amounts have been adjusted by \$438,524 and \$305,590 to reflect the correct authorized amounts.
- Item No. 11 – 2011 Housing TAB Fiscal Year 2012/13 Debt Service in the amount of \$554,047 should be \$544,047. Therefore, the amount has been adjusted by \$10,000.
- Item No. 17 – CSUSM Campus Funding Agreement in the amount of \$186,960. Finance authorized \$186,960 in Reserves; however, Agency reported authorization of \$186,960 of Non-Admin RPTTF. Therefore, the funding source has been reclassified from RPTTF to Reserves.
- Item No. 19 – 3rd and Front OPA in the amount of \$4,000,000 of bond proceeds should be zero. Therefore, the amount has been adjusted from \$4,000,000 to zero.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Although the CAC submitted an audit of the Agency's self-reported prior period adjustments, Finance determined that additional adjustments were needed. Therefore, the amount of RPTTF approved in the below table includes the prior period adjustments resulting from Finance's adjustments to the Agency's self-reported prior period adjustments.

The Agency's maximum approved RPTTF distribution for the reporting period is \$ 2,726,543 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	4,027,363
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 4,152,363
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Total RPTTF requested for non-administrative obligations	4,027,363
Denied Items	
Item No. 21	(241,040)
Total RPTTF approved for non-administrative obligations	3,786,323
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Total RPTTF requested for administrative obligations	125,000
Total RPTTF approved for administrative obligations	125,000
Total RPTTF approved for obligations	3,911,323
Self-Reported ROPS III prior period adjustment (PPA)	(1,051,846)
Adjustment to ROPS III PPA	(132,934)
Total ROPS III PPA	(1,184,780)
Total RPTTF approved for distribution	\$ 2,726,543

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

Mr. Luke Watson
November 14, 2013
Page 4

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Beliz Chappuie, Supervisor or Anna Kyumba, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Howard', with a long horizontal stroke extending to the left.

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Rudy Graciano, Revenue Manager, City of Temecula
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office