



REPORT TO CITY COUNCIL

To: Honorable Mayor and Members of the City Council

From: Jason Simpson, City Manager

Prepared by: Barbara Leibold, City Attorney

Date: September 12, 2024

Subject: Amended Recognized Obligation Payment Schedule (ROPS 24-25B) for the Period January 1, 2025 through June 30, 2025

Recommendation

1. Find that the adoption of the Amended ROPS FY 24-25 is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15061(b)(3) of the State CEQA Guidelines; and
2. Adopt A RESOLUTION OF THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF LAKE ELSINORE, CALIFORNIA, APPROVING THE AMENDED RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS 24-25B) FOR JANUARY 1, 2025 THROUGH JUNE 30, 2025

Background

The former Redevelopment Agency for Lake Elsinore ("Former Agency") was formed, existed, and exercised its powers pursuant to the Community Redevelopment law (California Health and Safety Code section 33000 et seq.).

Pursuant to Assembly Bill No. 1X 26, as modified by Assembly Bill No. 1484 enacted on June 27, 2012, and as further modified by Senate Bill No. 107 passed September 22, 2015, which added or amended Parts 1.8 and 1.85 to Division 24 of the Health and Safety Code ("Dissolution Act"), the Former Agency was dissolved on February 1, 2012 and the Successor Agency of the Redevelopment Agency of the City of Lake Elsinore ("Successor Agency") was vested with all authority, rights, powers, duties and obligations of the Former Agency.

Successor Agency staff has prepared the proposed Amended Recognized Obligation Payment Schedule (24-25B) for the period of January 1, 2025 through June 30, 2025 ("Amended ROPS FY 24-25B"), substantially in the form attached as Exhibit A to the Successor Agency Resolution and incorporated herein by this reference.

No new enforceable obligations are included in the Amended ROPS FY 24-25B that were not included in the previously adopted ROPS.

Pursuant to Sections 34177 and 34180(g) of the Health and Safety Code, the Amended ROPS FY 24-25B must be submitted to the Countywide Oversight Board for approval. The Amended ROPS FY 24-25B has been submitted to the Riverside Countywide Oversight Board (“RCOB”) for consideration and approval at its September 19, 2024 meeting.

Discussion

The Amended ROPS FY 24-25B requests additional Redevelopment Property Tax Trust Fund (“RPTTF”) monies for the following enforceable obligations:

A. ROPS Line Item 20 – Housing Fund Loan

Pursuant to a Housing Fund Loan Agreement dated as of December 1, 1995, by and between the Former Agency and the Lake Elsinore Public Financing Authority, the Former Agency made a loan from the Housing Fund to the Project Areas to repay a portion of certain prior obligations and fund other redevelopment activities in the Project Areas (the “Interfund Loans”). The Interfund Loans are reflected on the Agency’s ROPS on Line Item 20 (referred to therein as the “Housing Fund Loan”). DOF approved allocations of RPTTF to pay down the Interfund Loans (aka “Housing Fund Loan”) in the Agency’s ROPS III, 13-14A, 13-14B, and 14-15A. Commencing with the Recognized Obligation Payments Schedule for the second half of Fiscal Year 2014-15 (ROPS 14-15B), DOF reversed its position and determined that the Interfund Loans (aka “Housing Fund Loan”) were not enforceable obligations payable from RPTTF. Ultimately, the dispute was litigated, and the Successor Agency prevailed.

In the action entitled City of Lake Elsinore and Successor Agency of the Redevelopment Agency of the City of Lake Elsinore v. Michael J. Cohen, et al., Case Number 34-2017-80002762, the court upheld and confirmed the enforceability of the Interfund Loans (aka “Housing Fund Loan”). In accordance with the Judgment, the Oversight Board and DOF have again approved an allocation of RPTTF for Line Item 20 commencing ROPS 19-20B.

The Successor Agency is permitted to request RPTTF to make payments under the Interfund Loans (aka “Housing Fund Loan”) to the City in its capacity as the successor to the Former Agency’s housing functions and assets. Because payments on the Interfund Loans are expressly subordinate to all other enforceable obligations of the Successor Agency, the amount of the payment on the Interfund Loan requested in each ROPS period consists of the difference between the RPTTF expected to be available for payment of enforceable obligations for that period, and the amount of other enforceable obligations as listed on the ROPS.

As enforceable obligations of the former Redevelopment Agency have been retired and property values in the former Redevelopment Project Areas have increased, the availability of RPTTF allocated to repayment of the Housing Fund Loan has accelerated. The availability of RPTTF surpassed the projected repayment schedule, and the Housing Fund Loan was paid in full during the ROPS 24-25A period with a surplus of \$1,167,522. These funds, combined with the

\$3,423,460 initially requested in the ROPS 24-25B period, have resulted in a negative adjustment in the attached Amended ROPS 24-25B in the amount of \$4,590,982.

B. ROPS Line Item 22 – Legal Services

Legal Services to the Successor Agency relating to general matters, including the preparation and reporting of the annual and amended ROPS, are included in the Successor Agency's Administrative Budget. Legal Services related to the implementation of specific enforceable obligations, primarily the Stadium and the Summerly DDA, are reflected in Line Item 22. Without exception since the first ROPS, the actual cost of these specialized legal services has been less than projected, and the amount of requested RPTTF has been reduced over time.

The Successor Agency has engaged in renewed negotiations involving the Interim Stadium Management Agreement (Line Item 33), Stadium Operations Contracts (Line Items 29, 30, and 31), and Stadium Operation and Maintenance (Line Item 32). These negotiations are anticipated to continue during the remainder of the 2024-2025 Fiscal Year and result in updated documentation requiring significant legal services. Consequently, the Successor Agency is requesting an additional \$35,000 to cover these costs.

C. ROPS Line Item 33 – Stadium Interim Management Agreement

Since the dissolution of the former Redevelopment Agency of the City of Lake Elsinore, the use of property tax increment to maintain the Lake Elsinore Diamond Stadium ("Diamond Stadium") has been listed on the Successor Agency ROPS (Line Item 33) and recognized as an enforceable obligation by the former Oversight Board to the Successor Agency, the Riverside Countywide Oversight Board, and the Department of Finance ("DOF").

Based on prior actions, the Successor Agency is well-versed in the history of the Diamond Stadium and the underlying "Stadium Operations Contracts" (Line Items 29, 30, and 31) and the Stadium Interim Management Agreement as amended annually (Line Item 33). Under the terms of the Interim Management Agreement, the Successor Agency is responsible for the capital repair needs of the Diamond Stadium. An estimated Capital Repairs Budget is included in each amendment to the Interim Management Agreement, including the Sixth and Seventh Amendments governing the 2020-2021 fiscal year.

Because of the scope of some of these repairs, supply chain challenges, the need to schedule around the baseball season, and the compliance obligations inherent in public works contracts, RPTTF monies allocated for Capital Repairs cannot always be fully expended during the ROPS period. This was the case in Fiscal Year 2020-2021, and the PPA for that period reflects unexpended funds in the amount of \$307,824.

While Capital Repairs were completed in accordance with the Interim Management Agreement, the schedule of completion and final payment for some of the Capital Repairs was carried over to the 2021-2022 fiscal year, and repairs were paid for with RPTTF allocated in subsequent years for future approved projects. In order to recover the RPTTF allocated for approved and completed projects but "swept" as a result of the 20-21 PPA, the Successor Agency is requesting the \$307,824 be reallocated to Line Item 33.

In addition, the 2024 Stadium Audit, completed in accordance with Major League Baseball requirements, reports that the field is noncompliant with MLB specifications due to variances in specific gradient grading categories. As a result, the Stadium field must be graded and replaced. The estimated cost is \$300,000. This amount (\$300,000) plus the reallocation of Line Item 33 funds swept in the 20-21 PPA (\$307,824) is reflected in the request for an additional total amount of \$607,824.

D. ROPS Line Item 45 – Arbitrage Fees

Pursuant to SEC requirements, the Successor Agency is required to perform arbitrage calculations on all tax-exempt bonds commencing on the fifth year after issuance and every five years thereafter.

The original estimate for these services for the ROPS 24-25 period was \$9,000. Based on updated estimates provided by the Successor Agency's financial advisor, the cost for these professional services will be \$12,500. Therefore, the Successor Agency is requesting an additional \$3,500 for Line Item 45 on the Amended ROPS 24-25B.

CEQA Exemption

Pursuant to the California Environmental Quality Act (CEQA), based upon a review of the evidence and information presented on the matter as it relates to the adoption of the Amended ROPS FY 24-25B, the Successor Agency has determined that such approval is categorically exempt from CEQA pursuant to Section 15061(b)(3) of the State CEQA Guidelines because there is no possibility that the activities in question will have a significant impact on the environment and the amendment is merely the adoption of annual budget; it will not require any construction activities and will not lead to any direct or reasonably foreseeable indirect physical environmental impacts.

Fiscal Impact

The total additional RPTTF requested on Amended ROPS 24-25B is \$646,324 to pay for increased costs under Line Items 22 (Legal Services), 33 (Interim Stadium Management Agreement), and 45 (Arbitrage fees). However, this amount is offset by the \$4,590,982 reduction in RPTTF for Line Item 20 (Housing Fund Loan), resulting in a net decrease of RPTTF for the ROPS 24-25B period of \$3,944,658.

Approval of the Amended ROPS 24-25B by the Successor Agency, Countywide Oversight Board, and the Department of Finance will reduce RPTTF distributed to the Successor Agency in the amount of \$3,944,658 which will result in the same amount of property taxes available for distribution to the affected taxing entities, including the City of Lake Elsinore. The City's estimated share of property taxes resulting from this reduction in RPTTF is approximately \$628,778.

Attachments

Amended ROPS FY 24-25B

Attachment 1- Resolution
Exhibit A- Amended ROPS FY 24-25B

