



May 17, 2013

Mr. Kenneth Flewellyn, Assistant Finance Director  
City of Torrance  
3031 Torrance Boulevard  
Torrance, CA 90503

Dear Mr. Flewellyn:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 6, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Torrance Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to Finance on February 21, 2013, for the period of July through December 2013. Finance issued a ROPS determination letter on April 6, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on April 29, 2013.

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 items being disputed.

- Prior Period Adjustment – The Agency contends that the \$39,402 prior period adjustment reported by the County Auditor Controller (CAC) pursuant to HSC section 34186 (a) should be reversed since insufficient funds were received from the Redevelopment Property Tax Trust Fund (RPTTF) in the July through December 2012 (ROPS II) period. However, on the Prior Period Estimated Obligations vs. Actual Payments for the ROPS II period, the Agency reported expenditures for Items 12 and 14 through 17, which were not approved by Finance on the ROPS II. Therefore, the Agency did not have the authority pay for those items not approved by Finance on the ROPS II. Finance agrees and the CAC maintains that the prior period adjustment of \$39,402 is appropriate.

Furthermore, Finance notes that the Agency was allowed to retain \$3,192,500 through the Low and Moderate Income Housing Fund Due Diligence Review. On the Prior Period Estimated Obligations vs. Actual Payments for ROPS II, the Agency reported total expenditures of \$2,624,603. However, only \$2,582,952 was for enforceable obligations approved by Finance. The CAC had distributed \$1,691,525 from the RPTTF for the ROPS II period, which resulted in the Agency expending \$891,427 (\$2,582,952 - \$1,691,525) of the retained balances during the ROPS II period.

For the January through June 2013 (ROPS III) period, Finance approved \$2,747,802, and the CAC distributed \$1,718,849 from the RPTTF and made a \$48,000 prior period adjustment for the January through June 2013 (ROPS I) period. This resulted in a \$980,953 (\$2,747,802 - \$1,718,849 - \$48,000) shortfall in the ROPS III period to be covered by the retained balances.

For the July through December 2013 ROPS (ROPS 13-14A) period, Finance has approved \$2,591,214, and the CAC estimates \$2,503,884 will be available for distribution from the RPTTF and has made a \$39,402 prior period adjustment for the ROPS II period. This will result in an estimated \$212,330 shortfall in the ROPS 13-14A period to be covered by the retained balances. Therefore, after all projected shortfalls in RPTTF funding are covered, the Agency should have a remaining balance of \$1,107,790 (\$3,192,500 - \$891,427 - \$980,953 - \$212,330) in retained funds to be used in future periods on approved enforceable obligations.

Finance notes that HSC section 34177 (a) (3) states that only those payments listed in the approved ROPS may be made from the funding source specified in the ROPS. However, HSC section 34177 (a) (4) goes on to state that with prior approval from the oversight board, the successor agency can make payments for enforceable obligations from sources other than those listed in the ROPS. In the future, the Agency should obtain prior oversight board approval when making payments for enforceable obligations from a funding source other than those approved by Finance.

In addition, per Finance's ROPS letter dated April 6, 2013, the following items not disputed by the Agency continue to be denied:

- Item No. 12 – Landscaping contract in the amount of \$25,000. This contract is between the City of Torrance and ValleyCrest Landscape Maintenance, Inc. and the former RDA is not a party to the contract. Therefore, this line item is not an enforceable obligation and not eligible for RPTTF funding on the ROPS.
- Item Nos. 16 and 17 – Senior housing subsidy for Coleman Court and Ocean Terrace totaling \$21,250. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Torrance housing successor assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding on the ROPS.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,676,812 as summarized on the following page:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 2,624,964
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 12	12,500
Item 16	12,250
Item 17	9,000
Total approved RPTTF for enforceable obligations	\$ 2,591,214
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	125,000
Minus: ROPS II prior period adjustment	(39,402)
<b>Total RPTTF approved for distribution:</b>	<b>\$ 2,676,812</b>

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency and the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment. Please refer to the worksheet used by the CAC to determine the audited prior period adjustment for the Agency:

<http://www.dof.ca.gov/redevelopment/ROPS/view.php>

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

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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.

To the extent proceeds from bonds issued after December 31, 2010, exist and are not encumbered by an enforceable obligation pursuant to 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.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Wendy Wu, Accountant, City of Torrance  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office