



October 24, 2014

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

Dear Mr. Flewellyn:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Torrance Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 15, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 13 and 15 – Professional/Technical Service and Light and Power costs totaling \$14,500 are not enforceable obligations. Upon further review, both items relate to property maintenance costs. According to the Sections 3.a and 3.b of the Fourth Implementation Agreement between the former redevelopment agency (RDA), the City of Torrance (City) and a third party, the City is responsible for reimbursing the third party for property maintenance costs and costs related to lighting operations and maintenance. Therefore, these items are not enforceable obligations of the Agency, and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 18 – Loan from the Low and Moderate Income Housing Fund (LMIHF) totaling \$700,000 is not allowed at this time. HSC section 34171 (d) (1) (G) requires the Agency to obtain an Oversight Board (OB) approved resolution adopting a repayment schedule for the amounts owed to the LMIHF and then submit the resolution to Finance pursuant to HSC section 34179 (h). However, the OB has not approved a loan repayment schedule. Therefore, this line item is not eligible for funding at this time. Once the OB approves a loan repayment schedule for these items and the corresponding OB action is approved by Finance, the Agency may request funding for the item on future ROPS.
- Item No. 38 – Housing Entity Administrative Cost Allowance in the amount of \$75,000 is denied. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the RDA elected to not assume the housing functions and that the housing functions were transferred to a local housing authority in the territorial

jurisdiction of the RDA. Here, however, the City elected to be the housing successor to the RDA and retained the housing assets by submitting the housing asset transfer form to Finance on July 31, 2012. Therefore, the City is not eligible for the housing successor administrative costs allowance of \$75,000.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$792,603 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	1,386,666
Total RPTTF requested for administrative obligations	200,000
Total RPTTF requested for obligations on ROPS	\$ 1,586,666
Total RPTTF requested for non-administrative obligations	1,386,666
<u>Denied Items</u>	
Item No. 13	(11,000)
Item No. 15	(3,500)
Item No. 18	(700,000)
	(714,500)
Total RPTTF authorized for non-administrative obligations	\$ 672,166
Total RPTTF requested for administrative obligations	200,000
<u>Denied Item</u>	
Item No. 38	(75,000)
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 797,166
ROPS 13-14B prior period adjustment	(4,563)
Total RPTTF approved for distribution	\$ 792,603

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. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. As a result,

Finance will continue to work with the Agency after the ROPS 14-15B review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16A.

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

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

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, 2015. This determination only applies 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 section 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Cindie Lor, Supervisor or Veronica Green, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

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