

Board Meeting of  
**May 16, 2012**

Honorable Chair and Members  
of the City of Torrance Oversight Board  
City Hall  
Torrance, California

**Members of the Board:**

**SUBJECT: Review Correspondence received from State Department of Finance and Los Angeles County Auditor-Controller**

**RECOMMENDATION**

Recommendation that the Oversight Board review and discuss correspondence received from the LA County Auditor-Controller and the State Department of Finance.

**BACKGROUND AND ANALYSIS**

Two items of correspondence were received since the Board's last meeting on April 27<sup>th</sup>, 2012. Both items concern the activities of the Successor Agency to the Redevelopment Agency of the City of Torrance (Successor Agency).

The first item for your review is an email received on May 3<sup>rd</sup>, 2012 to Ken Flewellyn, the Board's appointed Department of Finance (DOF) contact (Attachment A). This letter notes the receipt of the Successor Agency's Recognized Obligation Payment Schedule (ROPS) on April 30<sup>th</sup>, 2012, and notifies the Board of the DOF's review of one or more of the Enforceable Obligations listed. The ROPS for January-June and July-December of FY 2012 were reviewed and approved at the Board's meeting on April 27<sup>th</sup>. In accordance with ABX1-26 and Health and Safety Code 34179 (h), the DOF has three business days to request a review of any Oversight Board Action and allows for a ten-day review period. The DOF is still presently reviewing the ROPS documents, and staff will update the Board as new information becomes available.

The second item received is a letter from the LA County Auditor-Controller, dated May 3<sup>rd</sup>, 2012 (Attachment B). This letter clarifies the position of the County and DOF as to the reimbursement of legal fees for the Oversight Board, noting, "Legal counsel fees are part of the 5% or 3% administrative fees of the Successor Agency and... should be listed in that category [on the ROPS]." At its last meeting, the Board directed staff to obtain a proposal from the local firm Jenkins & Hogan, LLP for review (Item 6E). It should be noted that the 3% or 5% administrative budget is also subject to the availability of former tax increment after other enforceable obligations are paid.

Staff recommends that the Board review and discuss the correspondence received from the LA County Auditor-Controller and the State Department of Finance.

Respectfully submitted,

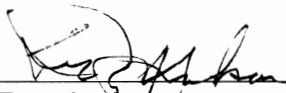
Brian Sunshine  
Assistant to the City Manager

CONCUR

  
\_\_\_\_\_  
Brian Sunshine  
Assistant to the City Manager

By   
\_\_\_\_\_  
Marina N. Martos  
Planning Assistant

NOTED

  
\_\_\_\_\_  
LeRoy Jackson  
City Manager

Attachments:

- A) Correspondence from State Department of Finance (5-03-12)
- B) Correspondence from LA County Auditor-Controller (5-03-12)

**From:** [Kenneth Phelan](#)  
**To:** [Carolyn](#); [Marina](#)  
**Cc:** [Carolyn](#); [Marina](#); [Ken](#)  
**Subject:** FW: ROPS Review - City of Torrance (Jan-June)  
**Date:** Wednesday, May 09, 2012 4:04:04 PM

Hi Marina and Carolyn;

I believe that the contents of this email should be placed on the agenda for discussions. Please give me a call

Thanks

Ken

**From:** Phelan, Kenneth (DHCS-A&I-FAB) [mailto:Kenneth.Phelan@dhcs.ca.gov]  
**Sent:** Thursday, May 03, 2012 9:20 AM  
**To:** Flewellyn, Ken  
**Cc:** kburns@auditor.lacounty.gov; Takagi-Galamba,Chikako@DOF; wendy.griffe@dof.ca.gov  
**Subject:** ROPS Review - City of Torrance (Jan-June)

Dear Mr. Ken Flewellyn,

On April 30, we received the Recognized Obligation Payment Schedule (ROPS) that was approved by your Oversight Board for the Redevelopment Agency of the City of Torrance. Health and Safety Code section 34179 (h) allows the California Department of Finance (Finance) three business day to request a review of an Oversight Board action.

This email serves as notice that we are requesting a review of one or more Enforceable Obligations contained in your ROPS for the period January through June 2012. Pending the resolution of the questions we have on these Enforceable Obligations, your ROPS shall not be effective.

Since, Finance is statutory obliged to operate within a 10-day review period, we will be contacting you shortly to obtain further clarification and supporting documentation for the Enforceable Obligations in question. We hope to work expeditiously with you to resolve these questions within the specified time frame.

Ken Phelan, Analyst  
Department of Finance  
915 L Street  
Sacramento, CA 95814

(510) 620-3083





**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE  
AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS  
JOHN NAIMO  
JAMES L. SCHNEIDERMAN  
JUDI E. THOMAS

May 3, 2012

ALL OVERSIGHT BOARD MEMBERS

**MISCELLANEOUS CLARIFICATIONS**

In order to expedite the process of the approval of the Recognized Obligation Payment Schedules ("ROPS") by Oversight Boards ("OS Board"), and in anticipation of the June 1, 2012 distribution of taxes to the taxing entities, we are sharing the following information, provided by the Department of Finance ("DOF"), on specific issues that have been raised by Oversight Boards or the DOF:


1. **ROPS Which Do Not Include January 2012.** The DOF has returned to the OS Board a ROPS as incomplete if it does not contain January 2012 in the schedule. Thus, in order to prevent further delays, please ensure that the first ROPS approved includes the months of January through June of 2012.
2. **Independent Counsel For Oversight Boards.** We understand certain OS Boards are making arrangements to hire independent legal counsel. A common question is where the independent counsel legal fees for the OS Board should appear on the ROPS. The DOF has informed us informally that these legal counsel fees are part of the 5% or 3% administrative fees of the Successor Agency and, as such, should be listed in that category. We further inquired as to whether the DOF will line out those fees if listed as a separate line item on the ROPS and the DOF has indicated that the DOF will line out the legal fees, to the extent that they exceed the allowable administrative budget. Thus, should the OS Board legal fees exceed the 5% or 3% administrative budget, the fees will not be allowed. Conversely, if they are within the administrative budget allowed, the legal fees will be allowed to remain as a separate line item on a ROPS.
3. **Housing Set-Aside Is Not A Continuing Obligation.** The low-moderate income housing set-aside is not a continuing obligation. Therefore, payments that would have been made for this purpose (if the redevelopment agency had continued to exist) should not appear on the ROPS. However, funds which

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would have been deposited into the Low-Mod Housing Fund to pay for *enforceable housing obligations*, such as payments for housing bond debt service, *should* be placed on the ROPS.

Thank you for your cooperation in ensuring the ROPS approval proceeds in a timely manner.

Very truly yours,



Wendy L. Watanabe  
Auditor-Controller

WLW:JN:mv

c: Each Supervisor  
All Cities/Successor Agencies in the County of Los Angeles