

Board Meeting of
June 20, 2012

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

SUBJECT: Approval of revised Recognized Obligation Payment Schedules

RECOMMENDATION

Recommendation that the Oversight Board approve the revised Recognized Obligation Payment Schedules (ROPS) for the periods of January through June and July through December 2012 in accordance with ABX1-26.

BACKGROUND AND ANALYSIS

Redevelopment dissolution bill ABX1-26 requires that Oversight Boards review and oversee the functions of Successor Agencies. One of the primary responsibilities of the Oversight Board is to approve a Recognized Obligation Payment Schedule (ROPS) for each six month period. On April 27th, 2012, the Board approved the Successor Agency to the City of Torrance Redevelopment Agency draft ROPS for the January through June and July through December 2012 periods. Following receipt of the approved ROPS, the State Department of Finance (DOF) informed the Successor Agency of its intent to review one or more items for compliance.

Staff received a letter from the DOF dated May 11th which identified items on both approved ROPS it deems to be un-enforceable (Attachment C). The January through June 2012 ROPS exceeded the allowable \$250,000 for administrative expenses by \$20,198. On the July through December 2012 ROPS, the DOF issued an opinion that the \$6.7 Million due in FY 2012 for two City Advances to the former Redevelopment Agency were not made within the first two years of the creation of the Redevelopment Agency, and therefore are not enforceable. A letter from the DOF received on May 25, 2012 informed the Agency that, aside from the items mentioned above, the remainder of the ROPS was approved and the respective allocation to the Redevelopment Property Tax Trust Fund would be issued on June 1, 2012 (Attachment D). Although the property tax increment was issued, there are still sufficient funds available for the Oversight Board to hire independent legal counsel.

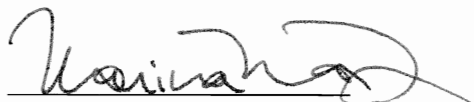
Staff revised the January through June ROPS with an administrative budget of \$250,000 (Attachment A). It should be noted that staff disagrees with the DOF's interpretation on the City Advances in question. The City of Torrance advanced a principal of \$12,075,682 plus accrued interest of \$37,420,500.21 totaling \$49,496,182.21, with approximately \$6.7 Million due in FY 2012, towards the Industrial Redevelopment Project Area (IRP) within two years of the creation of the IRP in 1983, which complies with Health and Safety Code Section 34171(d). Staff continues to list the \$6.7 Million payment

on the ROPS and has notified the DOF of its intent to contest this interpretation (Attachment B). In addition, staff amended the ROPS to include additional obligations of the former Redevelopment Agency that were not originally listed. These obligations include a landscaping contract for the Downtown Project Area, parking lot maintenance fees, and Southern California Edison street lighting costs.


Staff will continue to update the Oversight Board as more information becomes available. Pending the approval of the ROPS by the Successor Agency to the former Redevelopment Agency of the City of Torrance at its meeting on June 19th, staff recommends the Board approve the revised Recognized Obligation Payment Schedules for the periods of January through June and July through December 2012. The approved revised schedules will be posted on the Successor Agency's website and submitted to the County Auditor-Controller, State Controller, and State Department of Finance.

Respectfully submitted,

Brian Sunshine
Assistant to the City Manager

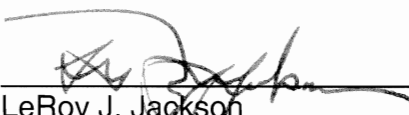
By 
Marina Martos
Planning Assistant

CONCUR:



Brian K. Sunshine
Assistant to the City Manager

NOTED:



LeRoy J. Jackson
City Manager

Attachments:

- A) Recognized Obligation Payment Schedule January through June 2012
- B) Recognized Obligation Payment Schedule January through June 2012
- C) Correspondence from the DOF (5/11/12)
- D) Correspondence from the DOF (5/25/12)

Name of Redevelopment Agency: Redevelopment Agency of the City of Torrance
 Project Area(s): Skypark, Downtown and Industrial - combined

RECOGNIZED OBLIGATION PAYMENT SCHEDULE - AMENDED
Per AB 26 - Section 34167 and 34169 (*)

Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation As of June 30, 2011	Payment Source	Total Due During 2011-12 Fiscal Year	Actual Amounts Expended as of 1/18/12	Payments by month						Total	
							January	February	March	April	May	June		
2001 Tax Allocation Refunding Bonds (Skypark)	Bank of New York	Bonds issued to fund non-housing project	528,216.10	RPTTF	\$ 352,145.00	\$ 352,144.07	\$ 176,072.00							\$ 176,072.00
Bond Series A (Downtown)	Bank of New York	Bonds issued to fund non-housing project	10,349,167.00	RPTTF	\$ 577,933.00	\$ 401,981.25	\$ 176,051.00							\$ 176,051.00
Industrial Series B&C Bond (Industrial)	Bank of New York	Bonds issued to fund non-housing project	36,049,263.00	RPTTF	\$ 2,416,098.00	\$ 1,803,770.63	\$ 612,326.88							\$ 612,326.88
Bond Admin Fee FY11-12 (Downtown)	Bank of New York	admin	2,000.00	RPTTF	\$ 2,000.00	\$ 1,722.50								\$ -
Bond Admin Fee FY11-12 (Industrial)	Bank of New York	admin	5,000.00	RPTTF	\$ 5,000.00	\$ 4,188.10								\$ -
Notes Payable, Developer (Industrial)	Honda	OPA Developer Agreement	1,775,337.00	RPTTF										\$ -
American Honda Interest (Industrial)	Honda	OPA Developer Agreement Interest	48,000.00	RPTTF	\$ 48,000.00								\$ 48,000.00	\$ 48,000.00
Admin Cost (Downtown)	Successor Agency	Successor Agency/Oversight Board	63,050.00	ADMIN	\$ 63,050.00			\$ 63,050.00						\$ 63,050.00
Admin Cost (Industrial)	Successor Agency	Successor Agency/Oversight Board	164,800.00	ADMIN	\$ 164,800.00			\$ 164,800.00						\$ 164,800.00
Admin Cost (Skypark)	Successor Agency	Successor Agency/Oversight Board	22,150.00	ADMIN	\$ 22,150.00			\$ 22,150.00						\$ 22,150.00
City Advance 1982 (Industrial)	City of Torrance	Non-housing improvements	56,298.00	RPTTF			\$ -							\$ -
City Advance 1985 (Industrial)	City of Torrance	Non-housing improvements	48,617,760.00	RPTTF			\$ -							\$ -
Advance from County 1982-2011 (Downtown)	County of Los Angeles	Pass-Through Agreement	20,250,074.00	RPTTF			\$ -							\$ -
County Pass- Thru Deferred Interest Downtown	County of Los Angeles	Pass-Through Agreement	896,940.00	RPTTF										\$ -
Total Obligations			\$ 118,828,055.10		\$ 3,651,176.00	\$ 2,563,706.55	\$ 176,072.00	\$ -	\$ 788,377.88	\$ -	\$ 48,000.00	\$ -	\$ -	\$ 1,262,449.88

RECOGNIZED OBLIGATION PAYMENT SCHEDULE - AMENDED
 Per AB 26 - Section 34167 and 34169 (*)

Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation As of January 31, 2012	Payment Source	Total Due During 2012-13 Fiscal Year	Payments by month												Total
						July	August	September	October	November	December							
1 2001 Tax Allocation Refunding Bonds (SkyPark)	Bank of New York	Bonds issued to fund non-housing project	\$ 176,072.03	RP TTF	\$ 176,072.00	\$ 176,072.00											\$ 176,072.00	
2 Bond Series A (Downtown)	Bank of New York	Bonds issued to fund non-housing project	\$ 9,947,285.75	RP TTF	\$ 576,007.00												\$ 406,051.25	
3 Industrial Series B&C Bond (Industrial)	Bank of New York	Non-housing improvements	\$ 34,245,492.00	RP TTF	\$ 2,450,135.00			\$ 1,872,326.88									\$ 1,872,326.88	
4 Bond Admin Fee FY11-12 (Downtown)	Bank of New York	Bond Admin Fees	\$ 2,000.00	RP TTF	\$ 2,000.00	\$ 167.00	\$ 167.00	\$ 167.00	\$ 167.00	\$ 167.00	\$ 167.00	\$ 167.00	\$ 167.00	\$ 167.00	\$ 167.00	\$ 167.00	\$ 1,002.00	
5 Bond Admin Fee FY11-12 (Industrial)	Bank of New York	Bond Admin Fees	\$ 5,000.00	RP TTF	\$ 5,000.00	\$ 416.00	\$ 416.00	\$ 416.00	\$ 416.00	\$ 416.00	\$ 416.00	\$ 416.00	\$ 416.00	\$ 416.00	\$ 416.00	\$ 416.00	\$ 2,496.00	
6 Notes Payable, Developer (Industrial)	Honda	OPA Developer agreement	\$ 1,775,337.00	RP TTF	\$ 1,775,337.00	\$ 1,775,337.00											\$ 1,775,337.00	
7 American Honda Interest (Industrial)	Honda	OPA Developer agreement	\$ 48,000.00	RP TTF	\$ 48,000.00												\$ 31,524.00	
8 Admin Cost	Successor Agency	Successor Agency/ Oversight Board	\$ 63,050.00	Admin	\$ 63,050.00	\$ 5,254.00	\$ 5,254.00	\$ 5,254.00	\$ 5,254.00	\$ 5,254.00	\$ 5,254.00	\$ 5,254.00	\$ 5,254.00	\$ 5,254.00	\$ 5,254.00	\$ 5,254.00	\$ 82,404.00	
9 Admin Cost	Successor Agency	Successor Agency/ Oversight Board	\$ 164,800.00	Admin	\$ 164,800.00	\$ 13,734.00	\$ 13,734.00	\$ 13,734.00	\$ 13,734.00	\$ 13,734.00	\$ 13,734.00	\$ 13,734.00	\$ 13,734.00	\$ 13,734.00	\$ 13,734.00	\$ 13,734.00	\$ 11,076.00	
10 Admin Cost	Successor Agency	Successor Agency/ Oversight Board	\$ 22,150.00	Admin	\$ 22,150.00	\$ 1,846.00	\$ 1,846.00	\$ 1,846.00	\$ 1,846.00	\$ 1,846.00	\$ 1,846.00	\$ 1,846.00	\$ 1,846.00	\$ 1,846.00	\$ 1,846.00	\$ 1,846.00	\$ 57,516.90	
11 City Advance 1982 (Industrial)	City of Torrance	Non-housing improvements	\$ 57,516.90	RP TTF	\$ 57,516.90	\$ 57,516.90											\$ 57,516.90	
12 City Advance 1985 (Industrial)	City of Torrance	Non-housing improvements	\$ 49,438,665.31	RP TTF	\$ 6,600,450.10	\$ 6,600,450.10											\$ 6,600,450.10	
13 Advance from County 1992-2011 (Downtown)	County of Los Angeles	County Pass-Through Tax Inc Agreement	\$ 20,770,044.43	RP TTF														
14 County Pass Thru-Deferred Interest (Downtown)	City of Torrance	County Pass-Through Tax Inc Agreement	\$ 376,969.57	RP TTF														
15 Professional/Technical Service (Downtown)	City of Torrance	landscaping contract	\$ 22,000.00	RP TTF	\$ 22,000.00	\$ 1,833.33	\$ 1,833.33	\$ 1,833.33	\$ 1,833.33	\$ 1,833.33	\$ 1,833.33	\$ 1,833.33	\$ 1,833.33	\$ 1,833.33	\$ 1,833.33	\$ 1,833.33	\$ 11,000.00	
16 Professional/Technical Service (Downtown)	City of Torrance	sales tax reimbursement - DTMA	\$ 16,500.00	RP TTF	\$ 16,500.00	\$ 1,375.00	\$ 1,375.00	\$ 1,375.00	\$ 1,375.00	\$ 1,375.00	\$ 1,375.00	\$ 1,375.00	\$ 1,375.00	\$ 1,375.00	\$ 1,375.00	\$ 1,375.00	\$ 8,250.00	
17 Light and Power (Downtown)	City of Torrance	Plaza del Prado parking structure lights	\$ 4,800.00	RP TTF	\$ 4,800.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 2,400.00	
18 Light and Power (Downtown)	Southern CA Edison	Downtown street lights	\$ 10,600.00	RP TTF	\$ 10,600.00	\$ 883.35	\$ 883.33	\$ 883.33	\$ 883.33	\$ 883.33	\$ 883.33	\$ 883.33	\$ 883.33	\$ 883.33	\$ 883.33	\$ 883.33	\$ 5,300.00	
TOTAL			\$ 117,146,282.99		\$ 11,994,418.00	\$ 8,635,284.68	\$ 25,908.66	\$ 2,304,286.79	\$ 25,908.66	\$ 25,908.66	\$ 25,908.66	\$ 25,908.66	\$ 25,908.66	\$ 25,908.66	\$ 25,908.68	\$ 25,908.68	\$ 111,043,206.13	



EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 11 2012

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

Dear Mr. Flewellyn:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Torrance (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 30, 2012, for the periods January through June 2012 and July through December 2012. Finance staff recently contacted you for further clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligations characteristics. Based on our application of the law, we do not believe the following items qualify as Enforceable Obligations (EO):

January through June 2012 ROPS

- Administrative expenses of \$20,198 (see Attachment A). The HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Therefore, \$20,198 of the claimed \$270,198 is not allowed.

July through December 2012 ROPS

- Item Nos. 11 and 12 – City advances totaling \$6.7 million. HSC section 34171 (d) (2) states that loans between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. It is our understanding the two City's advances were made in 1982 and 1983 whereas the RDA was created in the 1964.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

Department of Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

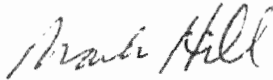
Mr. Flewellyn
May 11, 2012
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If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

Redevelopment_Administration@dof.ca.gov.

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Wendy Griffe, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Kristina Burns, Program Specialist III, Los Angeles County

Mr. Flewellyn
 May 11, 2012
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Attachment A
Administrative Cost Calculation
For the period January – June

Allowed Administrative Costs Calculation	
Total RPTTF Funding (Line items 1, 2, 3, 7, and 15)	1,032,648
Less: Administrative expenses (line item 15 on page 1)	20,198
Total funded from RPTTF:	1,012,450
5% of tax allocation:	50,622
Allowed Administrative Costs (Greater of 5% or \$250,000):	\$ 250,000

Line items Considered Administrative Costs			
Page	Item No.	Debt Obligation	
1	8	Administrative Cost (Downtown)	63,050
1	9	Administrative Cost (Industrial)	164,800
1	10	Administrative Cost (Skypark)	22,150
1		Administrative Costs from RPTTF	20,198
		Total:	270,198
		Administrative Cap:	250,000
		Amount Denied (Total - Administrative Cap):	\$ 20,198



DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 25, 2012

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

Dear Mr. Flewellyn:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Torrance Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 30, 2012 for periods of January to June 2012 and July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.


Except for items disallowed in whole or in part as enforceable obligations noted in Finance's letter dated May 11, 2012, Department of Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Please direct inquiries to Chikako Galamba-Takagi, Supervisor or Wendy Griffe, Lead Analyst at (916) 322-2985.

Sincerely,


MARK HILL
Program Budget Manager

cc: Ms. Kristina Burns, Program Specialist III, Office of the Los Angeles County Auditor