



May 16, 2014

Mr. Kenneth Flewellyn, Assistant Finance Director
City of Torrance
3031 Torrance Blvd
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 8, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Torrance Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 27, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 8, 2014. 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 17, 2014.

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 item being disputed.

- Item Nos. 20 through 37 – City and County loan repayments totaling \$69,533,637. Finance continues to deny these items at this time. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) The Agency has received a Finding of Completion; and (2) The Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on March 21, 2013. However, OB Resolution No. 2014-01, finding the loan agreements between the City of Torrance, Los Angeles County, and the former Redevelopment Agency were for legitimate redevelopment purposes, was denied in our letter dated April 8, 2014 because the Agency did not provide executed loan agreements or other documentation demonstrating the amounts and terms of the loans. While the Agency provided promissory notes for Items 31 through 34 during the meet and confer, only one of the promissory notes was fully executed. In addition, the Agency must have an approved OB resolution finding the loans were for legitimate redevelopment purposes before these items can be placed on the ROPS for repayment. Therefore, these items are not eligible for RPTTF funding at this time.

In addition, per Finance's letter dated April 8, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 18 and 19 – Loans from the Low and Moderate Income Housing Fund (LMIHF) totaling \$1,873,725 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, these line items are 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 these items on future ROPS.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 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 as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is \$1,757,842 as summarized in the following table:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	73,262,900
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 73,387,900
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Total RPTTF requested for non-administrative obligations	73,262,900
<u>Denied Items</u>	
Item No. 18	(1,633,409)
Item No. 19	(240,316)
Item No. 20	(79,708)
Item No. 21	(11,412,155)
Item No. 22	(10,946,780)
Item No. 23	(332,942)
Item No. 24	(2,343,293)
Item No. 25	(3,125,639)
Item No. 26	(10,812,115)
Item No. 27	(5,915,534)
Item No. 28	(3,517,248)
Item No. 29	(3,054,128)
Item No. 30	(311,638)
Item No. 31	(1,597,955)
Item No. 32	(1,484,409)
Item No. 33	(293,491)
Item No. 34	(226,818)
Item No. 35	(109,087)
Item No. 36	(345,349)
Item No. 37	(13,625,348)
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	(71,407,362)
Total RPTTF authorized for non-administrative obligations	\$ 1,855,538
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,980,538
ROPS 13-14A prior period adjustment	(222,696)
Total RPTTF approved for distribution	\$ 1,757,842

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 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A 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 14-15B.

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

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

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. 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 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 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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant 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