



Transmitted via e-mail

March 25, 2022

Sheila Poisson, Finance Director
City of Torrance
3031 Torrance Boulevard
Torrance, CA 90503

2022-23 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Torrance Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2022 through June 30, 2023 (ROPS 22-23) to the California Department of Finance (Finance) on January 27, 2022. Finance has completed its review of the ROPS 22-23.

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

- Item No. 49 – Loan from the City of Torrance loan in the amount of \$925,119 is partially allowed. HSC section 34191.4 (b) (3) (A) allows repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the preceding fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the Los Angeles County Auditor-Controller's (CAC) report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2021-22 are \$48,000 and \$1,841,207, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 22-23 period is \$896,604. Therefore, of the \$925,119 requested, \$28,515 (\$925,119 – \$896,604) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. The Agency may be eligible for additional funding on subsequent ROPS.

Additionally, the total outstanding amount of \$1,881,758 is overstated. The Agency should update the outstanding loan balance to reflect amounts the Agency previously received to make loan repayments as approved on the ROPS. After applying the repayments in the amount of \$2,037,390, the recalculated total outstanding loan balance should be \$1,294,499. As such, Finance has reduced the outstanding loan balance on the Agency's ROPS Detail Form by \$587,259. Additionally, we are approving loan repayments in the amount of \$896,604 from RPTTF for this current ROPS period; therefore, the outstanding loan balance on the subsequent ROPS Detail Form should be updated accordingly.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2019 through June 30, 2020 (ROPS 19-20) period. The ROPS 19-20 prior period adjustment (PPA) will offset the ROPS 22-23 RPTTF distribution. The amount of RPTTF authorized includes the PPA resulting from the CAC's review of the PPA form submitted by the Agency, as adjusted by Finance. Specifically, Finance, with CAC's concurrence, adjusted the actual amount of RPTTF expenditures by \$1,866. This adjustment resulted in a PPA of \$5,993.

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,034,820, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2022 through December 31, 2022 period (ROPS A period), and one distribution for the January 1, 2023 through June 30, 2023 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 22-23 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the adjusted items, Finance approves the remaining items listed on the ROPS 22-23 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 22-23, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days from the date of this letter. The Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 22-23. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 22-23 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 22-23 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Joshua Mortimer, Supervisor, or Austin Lange, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Ian Dailey, Assistant Finance Director, City of Torrance
Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

Approved RPTTF Distribution July 2022 through June 2023			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 2,559,063	\$ 260,265	\$ 2,819,328
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	2,684,063	385,265	3,069,328
RPTTF Requested	2,559,063	260,265	2,819,328
<u>Adjustment(s)</u>			
Item No. 49	(24,000)	(4,515)	(28,515)
RPTTF Authorized	2,535,063	255,750	2,790,813
Administrative RPTTF Authorized	125,000	125,000	250,000
ROPS 19-20 prior period adjustment (PPA)	(5,993)	0	(5,993)
Total RPTTF Approved for Distribution	\$ 2,654,070	\$ 380,750	\$ 3,034,820