Council Meeting of
June 19, 2012

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

SUBJECT: Community Development – Approve revised Recognized Obligation Payment Schedules for 2012.

RECOMMENDATION

Recommendation of the Community Development Director that City Council, acting as the Successor Agency to the former Redevelopment Agency of the City of Torrance, 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

As a part of redevelopment dissolution bill ABX1-26, Successor Agencies are required to approve a draft Recognized Obligation Payment Schedule (ROPS) every six months. The ROPS details all of the debt payments and enforceable obligations to be made during a given six-month fiscal period. The Successor Agency to the former Redevelopment Agency of the City of Torrance (Agency) adopted a draft ROPS for the periods of January through June, and July through December, on February 28th and April 3rd, 2012, respectively. In compliance with the legislation, these ROPS were then brought before the Oversight Board for approval on April 27th, and subsequently forwarded to the State Department of Finance (DOF) and County Auditor-Controller (County A-C) on April 30th, 2012.

Health and Safety Code Section 34179(h) grants the DOF three business days to notify an Agency of its intention to review one or more of the enforceable obligations listed on the ROPS. Following this notice, the DOF has ten days to inform the Agency which items it interprets to be non-enforceable as per Health and Safety Code 34171(d). In an email received on May 3rd and a subsequent letter to staff dated May 11th, the DOF identified items on each ROPS that they believe are not qualified as enforceable obligations (Attachment C): 1) the administrative expenses on January-June 2012 ROPS exceeded the allowable $250,000 by $20,198; 2) the fiscal year 2012-13 payments of $6.7 million on the two City Advances to the former Redevelopment Agency is not enforceable because they loans were not made within the two years of the creation of the Redevelopment Agency. A letter from the DOF dated May 25, 2012 informed the Agency that, aside from the items noted in their letter dated May 11, 2012, the remainder of the ROPS was approved (Attachment D). The respective allocation to the Redevelopment Property Tax Trust Fund was issued on June 1, 2012.

Staff has revised the January-June ROPS to reflect an administrative budget not to exceed $250,000 (Attachment A). However, staff disagrees with the DOF's interpretation that the City Advances made to the former Redevelopment Agency are not enforceable. 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 2012-13, 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. In addition, staff has included additional items on the ROPS in order to reflect standing contracts not originally listed on the ROPS (Attachment B). These obligations include the Downtown landscaping contract, parking lot maintenance, and Southern California Edison street lighting costs. As more information becomes available, staff will continue to update the Successor Agency. If the Agency approves both revised ROPS, they will then be brought before the Oversight Board on June 20th with a recommendation for approval.

Staff recommends the City Council, acting as the Successor Agency to the former Redevelopment Agency of the City of Torrance, approve the revised Recognized Obligation Payment Schedules for the periods of January through June and July through December 2012. The amended schedules will be posted on the City's website and submitted to the County Auditor-Controller, State Controller, and State Department of Finance before being brought to the Oversight Board for final approval.

Respectfully submitted,

JEFFERY W. GIBSON
COMMUNITYDEVELOPMENT DIRECTOR

By _____
Gregg Lodan, AICP
Planning Manager

CONCUR:

_____
Jeffery W. Gibson
Community Development Director

_____
LeRoy J. Jackson
City Manager

Attachments:

A) Revised Recognized Obligation Payment Schedule (January – June 2012)
B) Revised Recognized Obligation Payment Schedule (July – December 2012)
C) Correspondence from the DOF (5/11/12)
D) Correspondence from the DOF (5/25/12)

Finance Director's Note:
It is important to note that the State is inconsistent on what they have allowed to remain on the ROP's. The DOF has disallowed all of the City's advances for the "Industrial" Project area, which was created in 1983, because the advances occurred more than two years from the creation of the Redevelopment Agency in 1964. However, the DOF has allowed the County's (pass through) agreements for the "Downtown" Project area, which was not created until 1979, also well after the State's two year interpretation.

Eric E. Tsao
Finance Director

Name of Redevelopment Agency: Redevelopment Agency of the City of Torrance

Project Area(s) Skypark, Downtown and Industrial - combined

Attachment A

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						
							January	February	March	April	May	June	Total
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	$ 401,881.25			$ 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 1992-2011 (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	$ -	$ 250,000.00	$ 48,000.00	$ 1,262,449.88

ATTACHMENT A

Name of Redevelopment Agency: Redevelopment Agency of the City of Torrance

Project Area(s) Skypark, Downtown and Industrial - combined

ATTACHMENT B

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						
							July	August	September	October	November	December	Total
1	2001 Tax Allocation Refunding Bonds (Skypark)	Bank of New York	Bonds issued to fund non-housing project	$ 176,072.03	RPTTF	$ 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	RPTTF	$ 576,007.00			$ 406,051.25				$ 406,051.25
3	Industrial Series B&C Bond (Industrial)	Bank of New York	Non-housing improvements	$ 34,245,492.00	RPTTF	$ 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	RPTTF	$ 2,000.00	$ 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	RPTTF	$ 5,000.00	$ 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	RPTTF	$ 1,775,337.00	$ 1,775,337.00						$ 1,775,337.00
7	American Honda Interest (Industrial)	Honda	OPA Developer agreement	$ 48,000.00	RPTTF	$ 48,000.00							
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	$ 31,524.00
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	$ 82,404.00
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	$ 11,076.00
11	City Advance 1982 (Industrial)	City of Torrance	Non-housing improvements	$ 57,516.90	RPTTF	$ 57,516.90	$ 57,516.90						$ 57,516.90
12	City Advance 1985 (Industrial)	City of Torrance	Non-housing improvements	$ 49,438,665.31	RPTTF	$ 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	RPTTF								
14	County Pass Thru-Deferred Interest (Downtown)	City of Torrance	County Pass-Through Tax Inc Agreement	$ 376,969.57	RPTTF								
15	Professional/Technical Service (Downtown)	City of Torrance	landscaping contract	$ 22,000.00	RPTTF	$ 22,000.00	$ 1,833.33	$ 1,833.33	$ 1,833.33	$ 1,833.33	$ 1,833.33	$ 1,833.35	$ 11,000.00
16	Professional/Technical Service (Downtown)	City of Torrance	sales tax reimbursement - DTMA	$ 16,500.00	RPTTF	$ 16,500.00	$ 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	RPTTF	$ 4,800.00	$ 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	RPTTF	$ 10,600.00	$ 883.35	$ 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**	**$ 25,908.68**	**$11,043,206.13**

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ATTACHMENT B

ATTACHMENT C

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.

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

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**

ATTACHMENT D

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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

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