

Board Meeting of
July 18, 2012

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

SUBJECT: Review and Discuss Five Year Cash Flow Projection

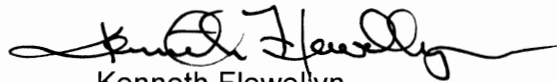
RECOMMENDATION

Recommendation that the Oversight Board accept and file the five (5) year cash flow projection for the period covering July 1, 2012 through December 31, 2017

BACKGROUND AND ANALYSIS

At the May 16, 2012 Oversight Board meeting, discussions were held relating to funding for an operating budget for the Oversight Board administrative cost. Staff reported that there was insufficient funding to establish a budget due primarily because of the implementation of ABX-1 26 which resulted in a change (reduction) in the allocation of property tax by Los Angeles County to the City of Torrance Successor Agency. Additionally, staff reported that there were three major property tax refunds in the RDA project area which also reduced property tax revenues by approximately \$1.2 million. At the conclusion of the meeting, the Board requested that staff return with an item forecasting cash flow over the next five years.

Respectfully submitted,



Kenneth Flewellyn
Assistant Finance Director

Attachments:

- A) 5 year Cash Flow Projection
- B) July 12, 2012 Letter from the Department of Finance
- C) July 11, 2012 Letter from the Department of Finance
- D) July thru December 2012 DOF Approved ROPS
- E) Three Years of Property Tax Receipts.

	<u>FY12-13</u>	<u>FY13-14</u>	<u>FY14-15</u>	<u>FY15-16</u>	<u>FY16-17</u>
RPTTF Transfer from County, June 1		<u>1,725,355.20</u>	<u>1,759,862.31</u>	<u>1,795,059.55</u>	<u>1,830,960.75</u>
Cash balance at the beginning of fiscal year, July 1	<u>61,762.11</u>	<u>1,077,903.31</u>	<u>2,329,663.62</u>	<u>4,213,218.18</u>	<u>6,183,833.92</u>
Debt Service due July 1	(176,072.00)	-			
Bond Admin	(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)
Debt Service due September 1	<u>(2,278,378.00)</u>	<u>(2,347,764.00)</u>	<u>(1,833,338.00)</u>	<u>(1,867,167.00)</u>	<u>(2,337,509.00)</u>
Total Enforceable Obligation	<u>(2,461,450.00)</u>	<u>(2,354,764.00)</u>	<u>(1,840,338.00)</u>	<u>(1,874,167.00)</u>	<u>(2,344,509.00)</u>
Cash balance as of December 31	<u>(2,399,687.89)</u>	<u>(1,276,860.69)</u>	<u>489,325.62</u>	<u>2,339,051.18</u>	<u>3,839,324.92</u>
RPTTF Transfer from County, January 16 - estimate	<u>2,500,000.00</u>	<u>2,550,000.00</u>	<u>2,601,000.00</u>	<u>2,653,020.00</u>	<u>2,706,080.40</u>
Debt Service due March 1	<u>(747,764.00)</u>	<u>(703,338.00)</u>	<u>(672,167.00)</u>	<u>(639,198.00)</u>	<u>(604,438.00)</u>
Total Enforceable Obligation	<u>(747,764.00)</u>	<u>(703,338.00)</u>	<u>(672,167.00)</u>	<u>(639,198.00)</u>	<u>(604,438.00)</u>
Cash Balance at the end of fiscal year, June 30	<u>(647,451.89)</u>	<u>569,801.31</u>	<u>2,418,158.62</u>	<u>4,352,873.18</u>	<u>5,940,967.32</u>
<u>Other obligations on ROPS (except debt service):</u>					
Honda loan	(1,775,337.00)	-			
Honda loan - interest	(48,000.00)	(48,000.00)	(48,000.00)	(48,000.00)	(48,000.00)
Admin cost - audit	(250,000.00)	(250,000.00)	(250,000.00)	(250,000.00)	(250,000.00)
City advance - principal	<u>(12,075,682.00)</u>				
	<u>(20,938,514.78)</u>	<u>(4,571,263.37)</u>	<u>185,474.24</u>	<u>4,020,214.35</u>	<u>6,290,478.64</u>



EDMUND G. BROWN JR. • GOVERNOR

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

July 12, 2012

TO REDEVELOPMENT SUCCESSOR AGENCY REPRESENTATIVES

Subject: Request to Revise Recognized Obligations Payment Schedules and Requests for Reconsideration

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the California Department of Finance (Finance) has completed its review of Recognized Obligation Payment Schedules (ROPS) for the periods January through June 2012 and July through December 2012 and issued approval letters accordingly.

All distributions from the Redevelopment Property Tax Trust Fund (RPTTF) were required by law to be made on June 1, 2012 covering obligations for July 2012 through December 2012, as well as adjusting for property tax funding needs for the January through June 2012 period.

Pursuant to section 34183.5 (b)(2)(A), the county auditor-controller had to determine the amount, if any, that is owed by each successor agency to taxing entities based on ROPS approved by the Department. Therefore, the RPTTF amounts approved by Finance (as shown in Exhibit 12 at http://www.dof.ca.gov/assembly_bill_26-27/view/php) will remain final. Although we have continued to work diligently with each successor agency to review additional information and/or documentation related to disputed ROPS items, we are no longer accepting revised ROPS or requests to reconsider denied items nor making any revisions to existing requests. Any and all revised ROPS submitted to Finance for previous ROPS periods are hereby rejected. Requests to reconsider denied or disputed ROPS items will be addressed in our January through June 2013 ROPS review.

Please send any inquiries by email to: Redevelopment_Administration@dof.ca.gov.

Sincerely,



KRISTIN SHELTON
Program Budget Manager

cc: County Auditor-Controllers



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July 11, 2012

TO REDEVELOPMENT SUCCESSOR AGENCY REPRESENTATIVES

As part of our ongoing effort to work with Successor Agencies on the implementation of Assembly Bill 26, First Extraordinary Session (ABx1 26), the Department of Finance (Finance) would like to advise you of several new responsibilities and deadlines implemented by the recently enacted Assembly Bill 1484 (AB 1484, Chapter 26, Statutes of 2012). Specifically AB 1484 establishes a catch-up process for revenues distributed in 2011-12. Going forward AB 1484 expands the review time and creates a meet-and-confer process for future substantial's and processes. The measure also establishes incentives for compliance and penalties for noncompliance effective July 2012. These changes are described below, and Finance's website will continue to be updated to provide the most current information available.

2011-12 Catch-Up Process

AB 1484 establishes a catch-up process for the distribution of 2011-12 property taxes associated with the dissolution of redevelopment agencies. The timeline is short to ensure that the allocation of last year's revenues is quickly resolved.

- By July 9, 2012, county auditor-controllers must calculate the amount of residual property tax revenue that Successor Agencies owe to cities, counties, special districts and K-14 schools (collectively known as Affected Taxing Entities) for the period covered by the January 2012 through June 2012 Recognized Obligation Payment Schedule (ROPS). These calculations are based on the information reported by the Successor Agencies on the January 2012 through June 2012 ROPS.
- By July 12, 2012, Successor Agencies must remit to the county auditor-controller the residual property tax revenue identified in the aforementioned billing.
- By July 16, 2012, county auditor-controllers must distribute to the Affected Taxing Entities the residual property tax revenue remitted by the Successor Agencies.

2012-13 and Future Processes

AB 1484 extends the time available for Finance to review Successor Agency submittals. In addition, for each submittal, it creates the option of a meet-and-confer process for Agencies to appeal Finance decisions beginning with the first deliverable for 2012-13. These new procedures will provide significantly more opportunities to discuss the specific details of each Agency's submittals.

- By August 1, 2012, Housing Successor Agencies must provide Finance a list of all housing assets transferred to it by the Successor Agency since February 1, 2012. A template for Housing Successor Agencies to use in reporting this information will soon be posted on the Finance website. AB 1484 provides Finance 30 days to review the list, and to question any transfers.

- By September 1, 2012, Successor Agencies must provide Finance with an Oversight Board-approved ROPS covering the January 2013 through June 2013 period. Finance will have 45 days to review the ROPS, and to object to any items that do not meet the definition of an Enforceable Obligation.
- By October 1, 2012, Successor Agencies must provide Finance an Oversight Board-approved Due Diligence Review that has been prepared by a licensed accountant. This Due Diligence Review will list all encumbered and unencumbered low-and-moderate income housing fund (low-mod fund) assets, and will state whether or not those assets are encumbered by Enforceable Obligations. Finance has until November 9, 2012 to finalize its review of the submittals, and to determine which low-mod fund assets are not encumbered by Enforceable Obligations.
- By January 15, 2013, Successor Agencies must provide Finance a second Oversight Board-approved Due Diligence Review that has been prepared by a licensed accountant. This Due Diligence Review will list all encumbered and unencumbered assets of the Successor Agency that are from sources other than the low-mod fund. The Due Diligence Review also will state whether or not those assets are encumbered by Enforceable Obligations. Finance has until April 1, 2013 to finalize its review of the submittals, and to determine which assets are not encumbered by Enforceable Obligations.

Incentives and Penalties

Once a Successor Agency has complied with the July payment process and the asset transfer provision, AB 1484 provides certain benefits to the Successor Agencies, and also to the cities and counties that operate those Agencies. These benefits are as follows:

- The city or county may be eligible to receive repayment of sums loaned to their former redevelopment agency (RDA) more than two years after the former RDA was created. Under ABx1 26, loans made by a city or county to its former RDA more than two years after it was created are generally ineligible for repayment.
- The city or county may be eligible to receive title to certain real properties of the former RDA, and use those properties for purposes outlined in the redevelopment plan of the former RDA. Under ABx1 26, those real properties must be liquidated, with the sales proceeds distributed to the Affected Taxing Entities.
- The Successor Agency may be eligible to use for their intended purpose the proceeds from certain bonds that were not contractually obligated before ABx1 26 was enacted. Under current law, those bond proceeds only can be used to defease the bonds.

To help ensure that counties, cities, special districts, schools, and community colleges are receiving the appropriate level of revenues, AB 1484 allows strict civil penalties to be imposed if Successor Agencies fail to remit revenues on time. These civil penalties are as follows:

- The city or county that operates the Successor Agency shall be subject to civil penalties equal to: (a) 10 percent of the residual property tax owed the Affected Taxing Entities and (b) a monthly penalty of 1.5 percent of the amount owed the Affected Taxing Entities while the payments are late.

-3-

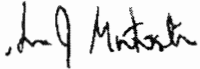
- The Successor Agency itself shall be subject to civil penalties equal to: (a) 10 percent of the residual property tax owed the Affected Taxing Entities and (b) a monthly penalty of 1.5 percent of the amount owed the Affected Taxing Entities while the payments are late.

The Successor Agency also would be prohibited from making any future ROPS payments while the owed amount is outstanding, other than those ROPS payments needed for bond debt service.

- The city or county that operates the Successor Agency shall be subject to interruption of their monthly Sales and Use Tax remittance from the Board of Equalization until the owed amounts are paid.

We hope this information is helpful. If you have follow up questions, you can reach Finance at (916) 445-1546.

Sincerely,



ANA MATOSANTOS
Director

cc: County Auditor-Controllers

icc: REYES, COHEN, ROCKWELL, JERUE, SHELTON, C. HILL, MONROE, STACY, FILE

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

RECOGNIZED OBLIGATION PAYMENT SCHEDULE
 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	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	\$ 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	\$ 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	\$ 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	\$ 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	\$ 1,846.00	\$ 1,846.00	\$ 11,076.00
11 Advance from County 1992-2011 (Downtown)	County of Los Angeles	County Pass-Through Tax Inc Agreement	\$ 20,770,044.43	RPTTF	\$ 20,770,044.43									
12 County Pass Thru-Deferred Interest (Downtown)	City of Torrance	County Pass-Through Tax Inc Agreement	\$ 376,969.57	RPTTF	\$ 376,969.57	\$ 4,167.00	\$ 4,167.00	\$ 4,167.00	\$ 4,167.00	\$ 4,167.00	\$ 4,167.00	\$ 4,167.00	\$ 4,167.00	\$ 25,002.00
13 Salaries FY11-12 (Downtown)	City of Torrance	Employee Salaries & Benefits Program Cost	\$ 50,000.00	RPTTF	\$ 50,000.00	\$ 4,167.00	\$ 4,167.00	\$ 4,167.00	\$ 4,167.00	\$ 4,167.00	\$ 4,167.00	\$ 4,167.00	\$ 4,167.00	\$ 25,002.00
TOTAL			\$ 67,646,200.78		\$ 5,332,551.00	\$ 1,976,993.00	\$ 25,584.00	\$ 2,303,962.13	\$ 25,584.00	\$ 25,584.00	\$ 25,584.00	\$ 25,584.00	\$ 25,584.00	\$ 4,383,291.13

AUDITOR-CONTROLLER, TAX DIVISION			
SUMMARY ANALYSIS OF TAX INCREMENT ALLOCATIONS			
TORRANCE - SKYPARK ACCT. No. 272.03			
Net TI Paid to Project			
	FY2009-2010	FY2010-2011	FY2011-2012
	Net Amount	Net Amount	Net Amount
Nov	124,736.70	122,020.26	127,565.87
Dec	169,996.29	163,569.50	158,728.48
Jan	22,871.80	24,941.30	25,486.90
Feb	50,842.20	29,148.60	
Mar	8,199.33	27,955.63	
Apr	128,181.03	117,279.22	
May	70,802.47	123,603.97	
June	0.00	0.00	
Jul	0.00	1,079.74	
Aug	0.00	(305.12)	
Total	575,629.82	609,293.10	311,781.25

AUDITOR-CONTROLLER, TAX DIVISION			
SUMMARY ANALYSIS OF TAX INCREMENT ALLOCATIONS			
TORRANCE - DOWNTOWN ACCT. No. 272.05			
Net TI Paid to Project			
	FY2009-2010	FY2010-2011	FY2011-2012
	Net Amount	Net Amount	Net Amount
Nov	58,664.03	58,561.14	81,046.78
Dec	227,628.89	218,353.61	240,480.03
Jan	36,668.81	35,895.12	40,847.84
Feb	102,184.41	105,369.75	
Mar	1,259.63	641.79	
Apr	144,446.11	144,577.79	
May	124,949.98	172,492.10	
June	4,103.05	4,745.84	
Jul	25,196.43	34,759.39	
Aug	796,631.32	742,581.07	
Total	1,521,732.66	1,517,977.60	362,374.65

AUDITOR-CONTROLLER, TAX DIVISION			
SUMMARY ANALYSIS OF TAX INCREMENT ALLOCATIONS			
TORRANCE - INDUSTRIAL ACCT. No. 272.06			
Net TI Paid to Project			
	FY2009-2010	FY2010-2011	FY2011-2012
	Net Amount	Net Amount	Net Amount
Nov	172,065.52	118,612.47	45,907.29
Dec	1,628,082.74	1,303,356.62	1,233,832.59
Jan	246,815.27	197,723.29	187,947.08
Feb	1,732,766.91	1,299,621.95	
Mar	27,438.72	38,358.58	
Apr	(48,870.60)	(23,753.53)	
May	1,071,000.63	481,823.83	
June	7,027.98	846.56	
Jul	(370,397.56)	363,428.69	
Aug	(739,150.51)	261,080.18	
Total	3,726,779.10	4,041,098.64	1,467,686.96