



May 17, 2013

Ms. Lani Emmich, Finance Manager  
City of Hawthorne  
4455 West 126th Street  
Hawthorne, CA 90250

Dear Ms. Emmich:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 26, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hawthorne Successor Agency (Agency) submitted a ROPS 13-14A to Finance on March 12, 2013 for the period of July through December 2013. 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 May 7, 2013.

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 items being disputed.

- Item No. 4 – 2006 Tax Allocation Bond in the amount of \$2 million. Finance was previously unable to determine whether this item meets the definition of an enforceable obligation. However, upon further review of bond documents submitted by the Agency as well as the City of Hawthorne's (City) Comprehensive Annual Financial Report for fiscal year 2011-2012, Finance was able to confirm this item is an enforceable long-term debt obligation of the Agency. Finance no longer objects to this item; therefore, this item is eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item Nos. 5 and 6 – Special Tax Refunding Bonds totaling \$21.8 million. Finance initially denied this item because the revenue pledged to repay the bonds was special tax revenues and not tax increment. During the meet and confer, the Agency confirmed that the bond indentures pledged special tax revenues and not tax increment for the payment of principal and interest on the bonds. The Agency agreed that the funding source should be other, not RPTTF. Finance approves the change in funding source from RPTTF to other. Therefore, these items are enforceable obligations and are eligible for other funding.
- Item No. 8 – Oceangate Properties Tax rebates in the amount of \$912,351. This item was previously denied because sufficient documentation was not provided to support the amount requested. During the meet and confer, the Agency explained that the amount consisted of \$510,975 due for September 2013 and \$401,379 for the September 2012

payment, which was paid by the City. Payment request and calculation documents were provided for the payment due 2012-13. After review of the documents provided, Finance has determined the estimate of \$510,975 is reasonable and eligible for funding.

According to the Agency, the City paid the September 2012 payment of \$401,379 because the Agency did not receive sufficient RPTTF for the ROPS II period. However, no loan agreement has been executed to establish repayment of this City loan as required by HSC section 34173 (h). In addition, Finance's review of ROPS III, Item No. 8 noted that the Agency was approved and received RPTTF funding of \$510,975 for payment of this item. Therefore, Finance continues to deny \$401,379 of the \$912,351 requested as an enforceable obligation and is not eligible for funding on the ROPS. Furthermore, prior to repayment of the city loan using the ROPS III RPTTF funding received, a loan agreement between the Agency and the City for the specific ROPS item and amount must be approved by the oversight board.

- Item No. 10 – City loan in the amount of \$124,652 for administrative expenses. This item was previously denied for RPTTF funding because the Agency did not provide documentation to support the City loan for the amount requested. No loan agreement has been executed to establish repayment of this City loan. In addition, Finance's review of ROPS III, Item No. 10 noted that the Agency was approved and received RPTTF funding of \$125,000 for payment of this item. Therefore, Finance continues to deny this item as an enforceable obligation and is not eligible for funding on the ROPS. Furthermore, prior to repayment of the city loan using the ROPS III RPTTF funds received, a loan agreement between the Agency and the City for the specific ROPS item(s) and amount must be approved by the oversight board.
- Item No.15 – Hawthorne Boulevard Property Fund in the amount of \$39,211. This item was previously denied as an enforceable obligation as sufficient documentation was not provided to support the amount requested for property maintenance. The Agency has provided sufficient support for \$19,721 of the requested \$24,221 for ROPS 13-14A period. Therefore, \$19,721 is approved as an enforceable obligation and eligible for funding.

For the remaining \$4,500, the Agency explained that the City loaned funds to the Agency to pay the amount due during the ROPS II period. However, no loan agreement has been executed to establish repayment of this City loan. In addition, Finance's review of ROPS II, Item No. 9, noted that this obligation was reclassified as administrative costs. The Agency did not receive sufficient RPTTF to cover administrative costs during ROPS II and the ROPS II administrative cost allowance was requested again on ROPS III, Item No. 10; which the Agency was approved for and received \$125,000 of RPTTF funding to pay this item. Therefore, \$4,500 of the \$24,221 requested for this ROPS period continues to be denied as an enforceable obligation and is not eligible for funding on the ROPS. Furthermore, prior to repayment of the City loan using the ROPS III RPTTF funds received, a loan agreement between the Agency and the City for the payment of specific ROPS item and amount must be approved by the oversight board.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's

determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$5,096,966 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 7,130,488
Minus: Fund source change from RPTTF to Other	
Item 5	661,875
Item 6	966,116
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 8	401,379
Item 10	124,652
Item 15	4,500
Total approved RPTTF for enforceable obligations	\$ 4,971,966
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	125,000
Minus: ROPS II prior period adjustment	-
<b>Total RPTTF approved for distribution:</b>	<b>\$ 5,096,966</b>

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the 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 above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14A_Forms_by_Successor_Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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 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 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 Beliz Chappuie, Supervisor or Cindie Lor, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Felice Lopez, Accounting Supervisor, City of Hawthorne  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office