



May 17, 2013

Mr. Otis Ginoza, Deputy City Manager
City of Lawndale
14717 Burin Avenue
Lawndale, CA 90260

Dear Mr. Ginoza:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 27, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lawndale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to Finance on February 14, 2013, for the period of July through December 2013. Finance issued a ROPS determination letter on March 27, 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 April 29, 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 13 housing set-aside payment in the amount of \$221,281 is disallowed at this time. Finance continues to deny funding for this item at this time. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the Low and Moderate Income Housing Fund (LMIHF) shall not be made prior to the 2013-14 fiscal year. The Agency contends that Finance's interpretation of HSC section 34176 is contrary to the language of the statute because it specifically authorizes repayment to commence in the 2013-14 fiscal year. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these deferred amounts is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B). HSC section 34176 (e) (6) (B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of housing deferred set-aside loans beginning with ROPS 14-15A. As such, this line item is not an enforceable obligation and will not be eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

- Item 18 for the Hawthorne and Manhattan Development Site agreement in the amount of \$35,000 is disallowed. Finance continues to deny this item. This agreement is between the City of Lawndale (City) and Overland Pacific & Cutler, Inc. and the Agency is not a party to the agreement. Additionally, the mobile home park is currently owned by the City. The Agency contends the former Redevelopment Agency (RDA) had an agreement to use the City's consultants. Additionally, the Agency contends that the mobile home park may be transferred back to the Agency and this is a contingent expense. However, pursuant to HSC section 34171 (d) (2), arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Furthermore, ABx1 26 and AB 1484 only allows agencies to maintain reserves in the amount required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds as referenced in HSC section 34177 (b). The statute does not currently recognize all anticipated obligations, thus creation of a contingent account for the maintenance costs is not permissible. Therefore, this line item is not an enforceable obligation and not eligible for funding on the ROPS.
- Items 10 and 14 – Use of bond proceeds. The Agency requested to adjust the amounts requested for Items 10 and 14 to \$2.9 million and \$6 million, respectively. The Agency received a Finding of Completion on April 12, 2013. Therefore, Finance is approving the request to change the dollar amount that may be expended from the 2009 bond proceeds in the ROPS 13-14A period.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,171,953 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 1,268,234
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 13	221,281
Total approved RPTTF for enforceable obligations	<u>\$ 1,046,953</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>125,000</u>
Minus: ROPS II prior period adjustment	<u>-</u>
Total RPTTF approved for distribution:	\$ 1,171,953

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 that was self-reported by the Agency and the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment. Please refer to the worksheet used by the CAC to determine the audited prior period adjustment for the Agency:

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

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%2013-14A%20Forms%20by%20Successor%20Agency/)

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Ken Louie, Finance Director, City of Lawndale
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office