



April 16, 2014

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

Dear Ms. Emmich:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hawthorne Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 3, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item No. 8 – Tax rebates in the amount of \$5,400,000. While this obligation is an enforceable obligation, Finance's ROPS 13-14A Meet and Confer letter dated May 17, 2013 states \$510,975 is reasonable and eligible for funding. Therefore, \$39,025 is not approved for RPTTF funding on this ROPS.
- Item No. 10 – City Agency General Fund Loan for July 1, 2012 through December 31, 2012 in the amount of \$124,652. OB Resolution No. 2014-15, approving an agreement for reimbursement of administrative and other expenses between the Agency and the City of Hawthorne (City) and authorizing repayment of a City loan in the amount of \$124,652, was denied in our letter dated April 15, 2014. The Agency received \$125,000 in RPTTF funds for the shortfall related to Item No. 10 during ROPS III period. As such, this item is not eligible for funding.
- Item No. 22 – Fiscal Agent Fees for 1998 Tax Allocation Bond. The Agency inadvertently did not request funding for this item. Subsequent to the ROPS submittal, the Agency provided a letter from US Bank illustrating a \$2,200 annual fee. Therefore, Finance has increased the RPTTF amount by \$2,200.
- Item Nos. 26 and 27 – Fiscal Agent Fee payments totaling \$30,000 is partially denied. While these fees are enforceable obligations, the letters from US Bank illustrate the annual amount per line item is \$2,200 and \$2,750, respectfully. Therefore, the excess of \$25,050 is not an enforceable obligation and not eligible for RPTTF funding.

- Item No. 28 – City Agency General Fund Loan for July 1, 2012 through December 31, 2012 in the amount of \$401,379. OB Resolution No. 2014-18, approving an agreement for reimbursement of contractual obligation for tax increment rebates, was denied in our letter dated April 15, 2014. The City loaned the Agency \$401,379 to pay the Oceangate Properties Tax Rebate contractual obligation for the ROPS II period. However, the obligation is not listed on ROPS II. Further, the Agency received all funding related to the ROPS II shortfall. Specifically, in addition to the \$125,000 received for Item No. 10 during ROPS III, the Agency also received \$1,601,121 for Item No. 16 – RPTTF shortfall during ROPS 13-14A. As such, this item is not eligible for funding.

In addition, Finance noted the following:

The Agency deleted the obligations for Item Nos. 17 through 21 and replaced them with existing or new obligations on this ROPS. Although Item Nos. 18 through 21 have been retired and were excluded from the ROPS Detail form, these item numbers remain unavailable to use, as it is assigned to that specific retired obligation indefinitely. For consistency purposes between ROPS periods, Item Nos. 17 through 21 were restored to the original format listed on the ROPS template and the new or existing obligations were assigned sequential numbers as follows:

- Item No. 17 – Hawthorne Boulevard Property Fund
- Item No. 18 – Professional Services - Redevelopment/Successor Agency
- Item No. 19 – Professional Services - Redevelopment/Successor Agency
- Item No. 20 – Agency Professional Services – Finance
- Item No. 21 – Agency Professional Services – Legal
- Item No. 22 – Fiscal Agent Fees
- Item No. 23 – Fiscal Agent Fees
- Item No. 24 – Fiscal Agent Fees
- Item No. 25 – Fiscal Agent Fees
- Item No. 26 – Fiscal Agent Fees
- Item No. 27 – Fiscal Agent Fees
- Item No. 28 – City Agency General Fund Loan to cover Oceangate Properties Tax Rebates

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

The Agency's maximum approved Redevelopment Property Tax Trust Fund distribution for the reporting period is \$2,872,937 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	3,711,607
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 3,836,607
Agency requested adjustment to non-administrative obligations Item No. 22	2,200
Total Agency requested adjustments	\$ 2,200
Total RPTTF requested for non-administrative obligations	3,713,807
<u>Denied Item</u>	
Item No. 8	(39,025)
Item No. 10	(124,652)
Item No. 26	(12,800)
Item No. 27	(12,250)
Item No. 28	(401,379)
	(590,106)
Total RPTTF authorized for non-administrative obligations	\$ 3,123,701
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 3,248,701
ROPS 13-14A prior period adjustment	(375,764)
Total RPTTF approved for distribution	\$ 2,872,937

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. 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 section 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 HSC section 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 Kylie Oltmann, Supervisor or Veronica Green, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

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