



Transmitted via e-mail

March 25, 2022

Felice Lopez, Director of Finance
City of Hawthorne
4455 West 126th Street
Hawthorne, CA 90250

2022-23 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Hawthorne Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2022 through June 30, 2023 (ROPS 22-23) to the California Department of Finance (Finance) on January 27, 2022. Finance has completed its review of the ROPS 22-23.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 41 – 2011 City Loan Consolidation Agreement in the total outstanding amount of \$59,458,425 is not allowed. It is our understanding this item is currently under litigation. Pursuant to HSC section 34191.4 (b), loan agreements between the former Hawthorne Redevelopment Agency (RDA) and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion and (2) the Agency's Oversight Board (OB) approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on April 26, 2013. However, OB Resolution No. 2018-03, approving the repayment of two loans made by the City of Hawthorne (City) to the former RDA in the amount of \$59,458,425 as an enforceable obligation and finding the loan was for legitimate redevelopment purposes, was denied in our letter dated March 9, 2018. The Cooperation Agreement states the City will provide the RDA with staff assistance, supplies, and facilities of the City to the former RDA. Under dissolution law, reimbursements for City personnel and use of City facilities would not be considered a loan eligible for repayment. Further, the Agency did not provide loan agreements to evidence its obligation to repay the City and the Agency was unable to show there was a transfer of funds from the City to the RDA. Therefore, the total requested amount of \$2,000,000 from the Redevelopment Property Tax Trust Fund (RPTTF) is not eligible for funding.

- Item Nos. 43, 44, and 45 – City-Successor Agency Loan in the total outstanding amounts of \$7,385, \$380,591, and \$572,155, respectively, totaling \$960,131, are not allowed. Pursuant to HSC section 34173 (h), the City may loan funds to the agency for administrative costs or enforceable obligations when the Agency receives an insufficient distribution from the RPTTF, or other approved sources of funding are insufficient, to pay approved enforceable obligations in the ROPS period. However, OB Resolution Nos. 2021-01, 2021-02, and 2021-03, approving the repayment of three loans made between the Agency and the City were denied in our determination letter dated March 12, 2021. The Los Angeles County-Auditor Controller (CAC) reports the Agency received RPTTF distributions equal to the amounts approved for ROPS 15-16, 16-17, and 17-18. In addition, it is our understanding these items were fully funded by the City's General Fund and the City intends to retroactively recover the funds. Therefore, the requested amounts of \$7,385, \$380,591, and \$572,155, totaling \$960,131, from RPTTF is not allowed.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2019 through June 30, 2020 (ROPS 19-20) period. The ROPS 19-20 prior period adjustment (PPA) will offset the ROPS 22-23 RPTTF distribution. The amount of RPTTF authorized includes the PPA resulting from the CAC's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,013,692, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2022 through December 31, 2022 period (ROPS A period), and one distribution for the January 1, 2023 through June 30, 2023 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 22-23 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the adjusted items, Finance approves the remaining items listed on the ROPS 22-23 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 22-23, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days from the date of this letter. The Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 22-23. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 22-23 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 22-23 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Joshua Mortimer, Supervisor, or Mayra Cavazos, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Venetia Castrillo, Accountant, City of Hawthorne
Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Approved RPTTF Distribution July 2022 through June 2023			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 3,635,975	\$ 3,543,439	\$ 7,179,414
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	3,760,975	3,668,439	7,429,414
RPTTF Requested	3,635,975	3,543,439	7,179,414
<u>Adjustment(s)</u>			
Item No. 41	(2,000,000)	0	(2,000,000)
Item No. 43	(7,385)	0	(7,385)
Item No. 44	(380,591)	0	(380,591)
Item No. 45	(572,155)	0	(572,155)
	(2,960,131)	0	(2,960,131)
RPTTF Authorized	675,844	3,543,439	4,219,283
Administrative RPTTF Authorized	125,000	125,000	250,000
ROPS 19-20 prior period adjustment (PPA)	(455,591)	0	(455,591)
Total RPTTF Approved for Distribution	\$ 345,253	\$ 3,668,439	\$ 4,013,692