



April 3, 2019

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

Dear Ms. Lopez:

Subject: 2019-20 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 of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 28, 2019. Finance has completed its review of the ROPS 19-20.

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

Item No. 41 – 2011 City Loan Consolidation Agreement in the total outstanding amount of \$59,458,425 is not allowed. Pursuant to HSC section 34191.4 (b), loan agreements between the former 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 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 Hawthorne Redevelopment Agency (RDA) in the amount of \$59,485,425 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 and the Agency was unable to show there was a transfer of funds from the City to RDA. Therefore, the requested amount of \$1,500,000 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF).

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 3 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

Except for the item adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, 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 of 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/](http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$5,945,163 as summarized in the Approved RPTTF Distribution table on Page 3 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 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 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied 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 RPTTF is the same as the amount of property tax increment available prior to the enactment of 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 RPTTF.

Please direct inquiries to Kylie Oltmann, Supervisor, or Nicole Prisakar, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

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

Attachment

Approved RPTTF Distribution			
For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 3,537,110	\$ 3,745,128	\$ 7,282,238
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	3,662,110	3,870,128	7,532,238
RPTTF Requested	3,537,110	3,745,128	7,282,238
<u>Adjustment</u>			
Item No. 41	(1,500,000)	0	(1,500,000)
RPTTF Authorized	2,037,110	3,745,128	5,782,238
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Authorized for Obligations	2,162,110	3,870,128	6,032,238
Prior Period Adjustment	(87,075)	0	(87,075)
Total RPTTF Approved for Distribution	\$ 2,075,035	\$ 3,870,128	\$ 5,945,163