



Transmitted via e-mail

April 14, 2020

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

2020-21 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, 2020 through June 30, 2021 (ROPS 20-21) to the California Department of Finance (Finance) on January 30, 2020. Finance has completed its review of the ROPS 20-21.

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. 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 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 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 the RDA. Therefore, the requested amount of \$1,500,000 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 42 – City-Successor Agency Loan in the total outstanding amount of \$402,261 is not approved. Pursuant to HSC section 34173 (h), the city that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for the payment of administrative costs or enforceable obligations only to the extent that the successor agency receives an insufficient distribution from the RPTTF to pay approved enforceable obligations in the ROPS. Such loans must be approved by the OB.

The Agency has submitted OB Resolution No. 2020-03 (Resolution) on March 26, 2020. However, Finance has not completed its review of the Resolution. Therefore, the requested amount of \$402,261 is not eligible for RPTTF funding at this time. Pending Finance's determination of the Resolution, the Agency may be able to request funding on a future ROPS.

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, 2017 through June 30, 2018 (ROPS 17-18) period. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF authorized includes the prior period adjustment (PPA) resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,465,300, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2020 through December 31, 2020 period (ROPS A period), and one distribution for the January 1, 2021 through June 30, 2021 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 20-21 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 items adjusted, Finance is not objecting to the remaining items listed on the ROPS 20-21. If the Agency disagrees with our determination with respect to any items on the ROPS 20-21, 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/

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 20-21. 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 deemed denied until the matter is resolved.

The ROPS 20-21 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 20-21 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 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 Kylie Oltmann, Supervisor, or Michael Painter, 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 2020 through June 2021 | | | |
|--|-------------------|---------------------|-------------------------|
| | ROPS A | ROPS B | ROPS 20-21 Total |
| RPTTF Requested | \$ 2,615,425 | \$ 3,842,074 | \$ 6,457,499 |
| Administrative RPTTF Requested | 125,000 | 125,000 | 250,000 |
| Total RPTTF Requested | 2,740,425 | 3,967,074 | 6,707,499 |
| RPTTF Requested | 2,615,425 | 3,842,074 | 6,457,499 |
| <u>Adjustment(s)</u> | | | |
| Item No. 41 | (1,500,000) | 0 | (1,500,000) |
| Item No. 42 | (402,261) | 0 | (402,261) |
| | (1,902,261) | 0 | (1,902,261) |
| RPTTF Authorized | 713,164 | 3,842,074 | 4,555,238 |
| Administrative RPTTF Authorized | 125,000 | 125,000 | 250,000 |
| ROPS 17-18 prior period adjustment (PPA) | (339,938) | 0 | (339,938) |
| Total RPTTF Approved for Distribution | \$ 498,226 | \$ 3,967,074 | \$ 4,465,300 |