



November 8, 2013

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 13-14B) to the California Department of Finance (Finance) on September 27, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 – Oceangate Properties Tax Rebates in the amount of \$ 912,354 is partially denied. It is our understanding the City paid the September 2012 payment of \$401,379 because the Agency did not receive sufficient RPTTF for the ROPS II period. However, no loan agreement has been executed to establish repayment of this City loan as required by HSC section 34173 (h). Therefore, Finance partially denies this item and \$401,379 out of \$912,351 is not eligible for funding on this ROPS.
- Item No. 10 – City loan in the amount of \$124,652 for administrative expenses. This item was previously denied for RPTTF funding because the Agency did not provide documentation to support the existence of an official City loan for the specific funding insufficiency. No loan agreement has been executed to establish repayment of this City loan. Finance's review of ROPS III, Item No. 10, found that the Agency was approved and received RPTTF funding of \$125,000 for payment of this item. Therefore, Finance continues to deny this item as an enforceable obligation and it is not eligible for funding on the ROPS.
- Item No. 16– Hawthorne Boulevard Property Fund in the amount of \$15,000. Item No. 16 is new to ROPS 13-14B, however, it appears to be duplicative to Item No. 15. In addition, no documentation was not provided to support the amount requested for property maintenance. Therefore, this item is not an enforceable obligation and not eligible for funding on the ROPS.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 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 below table 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 RPTTF distribution for the reporting period is \$2,183,120 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	3,263,396
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 3,388,396</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>3,263,396</b>
<u>Denied Items</u>	
Item No. 8	(401,379)
Item No. 10	(124,652)
Item No. 17	(15,000)
	<u>(541,031)</u>
<b>Total RPTTF approved for non-administrative obligations</b>	<b>2,722,365</b>
<b>Total RPTTF for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF approved for obligations</b>	<b>2,847,365</b>
ROPS III prior period adjustment	(664,245)
<b>Total RPTTF approved for distribution</b>	<b>\$ 2,183,120</b>

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. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund 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 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS\\_13-14B\\_Forms\\_by\\_Successor\\_Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14B_Forms_by_Successor_Agency/).

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. Finance's

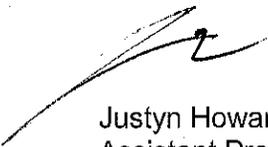
determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 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 Le, Supervisor or Michael Barr, 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, Los Angeles County Department of Auditor-Controller  
California State Controller's Office