



November 10, 2015

Mr. Rickey Manbahal, Finance Manager
City of Hawthorne
4455 West 126th Street
Hawthorne, CA 90250

Dear Mr. Manbahal:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Hawthorne Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on October 1, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item No. 8 – Oceangate Properties Tax rebates in the amount of \$550,000 is partially allowed. In our ROPS 13-14A Meet and Confer letter dated May 17, 2013, Finance determined the estimate of \$510,975 is reasonable and eligible for funding. The Agency has not provided sufficient documentation to justify an increase to the previously determined amount of \$510,975. As such, only \$510,975 of the \$550,000 requested for the tax rebates is payable for this ROPS period. Therefore, the excess \$39,025 is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item Nos. 26, 27, 29, and 30 – Bond debt service payments and fiscal agent fees totaling \$16,082,791 is not allowed. The Agency requests a total of \$660,237 in Other Funds and \$7,000 in RPTTF for these obligations for the six-month period. It is our understanding the bonds were issued by the former redevelopment agency in accordance with the Gateway Center Disposition and Development Agreement and the Oceangate Properties Owner Participation Agreement. However, the principal and interest payments for the bonds issued and the fiscal agent fees associated with the bonds are payable from special funds. Since the Agency is not the administrator to the special funds, these are not enforceable obligations and not eligible for RPTTF funding on the ROPS. The Agency concurs and has requested to retire the items.
- Item No. 33 – City loan repayment in the amount of \$35,000 is not allowed. The loan was denied in our letter dated November 2, 2015. Pursuant to HSC 34173 (h) (1) 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 insufficient distribution from the RPTTF, or other approved sources of funding are insufficient, to pay approved enforceable obligations in the recognized obligation payment schedule period. The Agency has not incurred a shortfall therefore, this loan is not necessary. As such, this is not an enforceable obligation and not eligible for RPTTF funding on this ROPS.

In addition, with the Agency's concurrence Finance has moved the requested six-month amount of \$111,881 from Item No. 32 – Short term Cash Flow Loan to Item No. 31 – Gateway DDA Tax Increment Payment. As such, the amount of RPTTF requested has not changed.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (2). However, Finance notes the oversight board has approved an amount that appears excessive given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to use adequate discretion when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). The amount of RPTTF approved in the table on the following page includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, you 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 at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet and confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,808,109 as summarized in the Approved RPTTF Distribution table on the next page:

Approved RPTTF Distribution For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	2,844,537
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 2,969,537
Total RPTTF requested for non-administrative obligations	2,844,537
<u>Denied Items</u>	
Item No. 8	(39,025)
Item No. 26	(3,500)
Item No. 27	(3,500)
Item No. 33	(35,000)
	(81,025)
Total RPTTF authorized for non-administrative obligations	\$ 2,763,512
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,888,512
ROPS 14-15B prior period adjustment	(80,403)
Total RPTTF approved for distribution	\$ 2,808,109

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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 January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was 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 (l). 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 statutes. 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 Agency in the RPTTF.

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Please direct inquiries to Kylie Oltmann, Supervisor, or Zuber Tejani, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

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