DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 7, 2016

Mr. Perry Banner, Community Development Manager
City of Lawndale
14717 Burin Avenue
Lawndale, CA 90260

Dear Mr. Banner:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Lawndale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on February 1, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No. 1 – 2009 Tax Allocation Bonds in the amount of $802,719. The Agency erroneously requested $802,719 for the July 1, 2016 through December 31, 2016 (ROPS A period), which is beyond what is needed for this obligation. Therefore, the Agency requested to reduce the amount of Redevelopment Property Tax Trust Fund (RPTTF) for the ROPS A period by $12,813.

- Item No. 32 – Bond Cooperation Agreement in the amount of $2,350,000 funded with Bond Proceeds. The Agency requested to reduce Bond Proceeds funding to zero and retire the obligation. As such, Bond Proceeds has been reduced by $1,100,000 for the ROPS A period and $1,250,000 for the January 1, 2017 through June 30, 2017 (ROPS B period).

- Item No. 34 – 2000 Financing Agreement in the amount of $145,340 for the fiscal year. The Agency erroneously requested $72,670 for the ROPS A period, which is beyond what is needed for this obligation. Therefore, the Agency requested to reduce the amount of RPTTF for the ROPS A period by $20,421.

- Item No. 38 – Housing administrative cost allowance in the amount of $150,000. Finance continues to deny this item. Pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions. Because the housing entity to the former RDA of the City of Lawndale (City) is the City-formed Housing Authority (Authority), and the

Authority operates under the control of the City, the Authority is considered the City under Dissolution Law (ABx1 26 and AB 1484).

The Agency contends that the City designated the Authority, as a separate legal entity from the City, to retain the housing functions pursuant to HSC section 34176 (b) (3) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of "city" includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. HSC section 34167.10 (a) defines "city" for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is included in the City's CAFR, which identifies the Authority as a component unit of the City and states that the City is financially accountable for the component units.

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that "the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts." Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for $150,000 of housing entity administrative allowance.

Except for the item denied in whole or the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is $2,499,378 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the ROPS B period based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 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 determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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 (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 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.

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

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Ken Louie, Finance Director, City of Lawndale
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 1,448,556	$ 984,056	$ 2,432,612
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	**1,573,556**	**1,109,056**	**$ 2,682,612**
Adjustment to Agency Requested RPTTF (Item Nos. 1 and 34)	(33,234)	0	(33,234)
Adjustment to Agency Requested Administrative RPTTF	0	0	0
Total RPTTF adjustments	**(33,234)**	**0**	**$ (33,234)**
Total RPTTF requested	**1,415,322**	**984,056**	**2,399,378**
Denied Item			
Item No. 38	(75,000)	(75,000)	(150,000)
Total RPTTF authorized	**1,340,322**	**909,056**	**$ 2,249,378**
Total Administrative RPTTF authorized	**125,000**	**125,000**	**$ 250,000**
Total RPTTF approved for distribution	**1,465,322**	**1,034,056**	**$ 2,499,378**