



May 10, 2012

Lani Emmich, Finance Manager
City of Hawthorne
4455 West 126th Street
Hawthorne, CA 90250-4482

Dear Ms. Emmich:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Hawthorne submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 1, 2012, for the periods January through June, 2012 and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

January through June 2012 Period

- Item No. 10 through 13, 19, and 27, page 1, payable to the City of Hawthorne totaling \$3.6 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations. Additionally, loans between the entity that created the RDA and the former RDA are only enforceable if made within the first two years of the RDA's existence.
- Administrative costs of \$302,800. HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000. Five percent of the property tax allocated is \$83,759. Therefore, \$197,495 of the claimed \$447,495 is not an EO. The following items are administrative costs: page 1, items 7, 9 through 13, 16 through 18, 22 and 23.

July through December 2012 Period

- Item No. 9 through 12, page 1, payable to the City of Hawthorne totaling \$162,738 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations.
- Administrative costs of 93,034. HSC section 34171 (b) limits the administrative cost allowance to three percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$53,164. Therefore, \$93,034 of the claimed \$343,034 is not an EO. The following items are administrative expenses: page 1, items 8 through 13, 15 through 17, 21 and 22.

- Item No. 26, page 1 – Tax rebates in the amount of \$225,000. No documents were provided to substantiate this item as an established EO.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

Redevelopment_Administration@dof.ca.gov

Please direct inquiries to Robert Scott, Supervisor or Kylie Le, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Felicia Lopez, Accounting Supervisor, City of Hawthorne
Ms. Wendy Watanabe, Auditor, Los Angeles County