



October 29, 2012

Mr. Ernesto Marquez, City Administrator  
City of Hawaiian Gardens  
21815 Pioneer Blvd.  
Hawaiian Gardens, CA 90716

Dear Mr. Marquez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hawaiian Gardens successor agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 23, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

On October 3, 2012, Finance issued a letter stating your maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution amount is \$1,058,241. It has come to our attention \$89,364 of excess administrative cost was inadvertently deducted twice. Based on a recalculation, Finance has determined the correct amount is \$1,147,605. Therefore, we are issuing a revised letter to reflect this change.

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 obligation(s):

- Item No. 5 – SERAF loan repayments in the amount of \$2.4 million. HSC section 34176 (e) (6) (B) states that loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. Therefore, this line item is not an enforceable obligation and will not be eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.
- Item No. 6 – SB 211 tax sharing in the amount of \$201,000. It is our understanding this item is for pass-through payments. Per HSC section 34183 (a) (1), the county auditor-controller will make the required pass-through payment starting with the July through December 2012 ROPS. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding on this ROPS.
- Item No. 7 – City loan in the amount of \$5.6 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, unless issued within two years of the Agency's creation date or for issuance of indebtedness to third-party investor or bondholders. The Agency was established in 1969; therefore, this loan is not an enforceable obligation at this time. Upon receiving a finding of Completion from

Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Administrative costs claimed exceed the allowance by \$89,364. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. The Los Angeles Auditor Controller's Office distributed \$89,364 of administrative costs for the July through December 2012 period, thus leaving a balance of \$160,636 available for the January through June 2013 period. Although \$250,000 is claimed for administrative cost, only \$160,636 is available. Therefore, \$89,364 of excess administrative cost is not allowed.

Except for item(s) denied in whole or in part as enforceable obligation(s) as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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: \$1,147,605 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 1,685,889
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item No. 5	497,920
Item No. 6	201,000
Item No. 7	0*
Total approved RPTTF for enforceable obligations	\$ 986,969
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	160,636
<b>Total RPTTF approved:</b>	<b>\$ 1,147,605</b>

\* No payments requested for the reporting period

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 2,661,110
Total RPTTF for the period January through June 2013	986,969
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 3,648,079</b>
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	250,000
Administrative allowance for the period of July through December 2012	89,364
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 160,636</b>

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the 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.

Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



For

**STEVE SZALAY**  
Local Government Consultant

cc: Mr. David Sung, Finance Director, City of Hawaiian Gardens  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller