DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

December 18, 2012

Mr. Arnold Shadbehr, Interim City Manager
City of Hawthorne
4455 West 126th Street
Hawthorne, CA 90250

Dear Mr. Shadbehr:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated September 27, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hawthorne Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 17, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on September 27, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on Wednesday, October 17, 2012.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific item being disputed.

Item No. 12, Plaza Project Area Housing Fund Deferral Payment in the amount of $3.5 million – Finance continues to deny the item at this time. Finance denied the item as an enforceable obligation as the requirement to set aside 20 percent of tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. The Agency contends the item is an enforceable obligation because it is the repayment of the 20 percent set aside from loan deferrals from prior years. Although Finance agrees that the deferral repayment is an enforceable obligation, HSC section 34176 (e) (6) (B) states that loan or deferral owed to the Low and Moderate Income Housing Fund shall not be made prior to the 2013-14 fiscal year. Therefore, this line item is currently not an enforceable obligation.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $2,473,568 as summarized in the following table:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	2,223,568
Less: Six-month total for item(s) denied or reclassified as administrative cost		0
Total approved RPTTF for enforceable obligations	$	2,223,568
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		250,000
Total RPTTF approved:	$	2,473,568

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.

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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst at (916) 445-1546.

Sincerely,

Steve Szalay
Local Government Consultant

cc: Ms. Lani Emmich, Finance Manager, City of Hawthorne
Ms. Kristina Burns, Manager, County of Los Angeles
California State Controller's Office