DEPARTMENT OF FINANCE

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November 21, 2012

Steven Mandoki, City Manager
City of Lawndale
14717 Burin Avenue
Lawndale, CA 90260

Dear Mr. Mandoki

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lawndale Successor Agency (Agency) submitted a revised Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on October 11, 2012 for the periods of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

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 an enforceable obligation:

- Item No. 7 – Pass through payments in the amount of $304,871. Per HSC section 34183 (a) (1), the county auditor-controller will make the required pass through payments starting with the July through December 2012 ROPS. Therefore, these items are not enforceable obligations and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 8– City loans totaling $728,000. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. While it appears this debt may have occurred in the first two years of the RDA's existence, HSC section 34171 (d) (1) (B) requires the existence of a binding repayment schedule or other mandatory loan terms. Therefore, this obligation is not enforceable until the oversight board and Finance approves a repayment schedule. Further, the Agency is requesting the total outstanding debt be repaid in this ROPS period. This contradicts HSC section 34177 (a) (5) which prohibits the acceleration of payments and/or lump-sum payments.

- Item No. 15 and 17 – City loans totaling $15 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders.

Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Item No. 9 – Hopper Park I Bank Loan in the amount of $704,739. It is our understanding the agreements are between the City and a third party and the Agency is not a party to the agreement. Therefore, this item is not enforceable obligation and not eligible for RPTTF funding.

- Item No. 10 – Lawndale Community Center project in the amount of $2.9 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. Upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then, they are not enforceable obligations and not authorized for payment.

- Item No. 11 and 12 – Commercial Rehab Program totaling $72,778. Although no funding is requested in the current ROPS period, it is our understanding contracts were entered into after June 27, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Further these items were previously denied in Finance's letter dated May 27, 2012 for the ROPS period January through June 2012. Therefore, these items are not enforceable obligations and are not eligible for funding.

- Item No. 14 – Bond proceeds in the amount of $6.6 million. Although no funding is requested in the current ROPS period, item no. 14 is not an enforceable obligation. It is our understanding no contracts are in place for this line item. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, this line item is not an enforceable obligation and not eligible for funding at this time. To the extent bond proceeds are the anticipated funding source for these projects, upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then, they are not enforceable obligations and not authorized for payment.

- Item No. 19 through 23 – Mobile Home Park Closure project totaling $515,894. Although no funding is requested in the current ROPS period, it is our understanding no contracts are in place or contracts were executed after June 27, 2011. To the extent bond proceeds are the anticipated funding source for these projects, upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then, they are not enforceable obligations and not authorized for payment.

- Item No. 27 – Successor Housing Administrative Cost in the amount of $12,598. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Lawndale assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for funding.

- Claimed administrative costs exceed the allowance by $4,350. HSC section 34171 (b) limits the fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. As a result, the Agency is eligible for $250,000 for administrative expenses. The Los Angeles Auditor Controller's Office distributed $150,000 of administrative costs for the July through December 2012 period, thus leaving a balance of $100,000 available for the January through June 2013 period. Although $100,000 is claimed for administrative costs, Item No. 4 for audit fees in the amount of $4,350 is considered an administrative expense and should be counted towards the cap. Therefore, $4,350 of excess administrative cost is not allowed.

Except for item denied in whole or in part as an enforceable obligation 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/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $680,079 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	1,629,347
Less: Six-month total for item(s) denied or reclassified as administrative cost		
Item 4*		4,350
Item 7		304,871
Item 8		728,242
Item 9		11,805
Total approved RPTTF for enforceable obligations	$	580,079
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		100,000
Total RPTTF approved:	$	680,079

*Reclassified as administrative cost

Administrative Cost Calculation		
Total RPTTF for the period July through December 2012	$	1,823,364
Total RPTTF for the period January through June 2013		580,079
Total RPTTF for fiscal year 2012-13:	**$**	**2,403,443**
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or $250,000)		250,000
Administrative allowance for the period of July through December 2012		150,000
Allowable RPTTF distribution for administrative cost for ROPS III:	**$**	**100,000**

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/.

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,

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STEVE SZALAY
Local Government Consultant

cc: Mr. Otis Ginoza, Deputy City Manager, City of Lawndale
Mr. Ken Louie, Finance Director, City of Lawndale
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office