



Transmitted via e-mail

April 14, 2021

Steven Dobrenen, Finance Director
City of Cudahy
5220 Santa Ana Street
Cudahy, CA 90201

2021-22 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Cudahy Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2021 through June 30, 2022 (ROPS 21-22) to the California Department of Finance (Finance) on February 1, 2021. Finance has completed its review of the ROPS 21-22.

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

- Item No. 13 – City of Cudahy (City) Reimbursement in the total outstanding amount of \$524,916 is not allowed. This item was denied in Finance's determination letter dated April 6, 2018 and continues to be denied. Pursuant to HSC section 34191.4 (b), loan agreements between the former Redevelopment Agency (RDA) and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) the Agency's Oversight Board (OB) approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on October 18, 2013. However, the OB has not yet approved the loan as an enforceable obligation or made a finding the loan was for legitimate redevelopment purposes. Therefore, the loan is ineligible for funding at this time and the ROPS 21-22 request of \$524,916 in Redevelopment Property Tax Trust Fund (RPTTF) funding is not approved. To the extent the Agency receives OB and Finance approval, the Agency may be able to request funding for this item on a future ROPS.

- Item Nos. 55 and 56 – Emergency Loans in the total outstanding amounts of \$30,000 and \$115,000, totaling \$145,000, are not allowed. These loans were denied in our OB determination letter dated April 9, 2021. It is our understanding the City loans were for appraisals and demolition of unoccupied and unsafe structures, debris disposal, and abatement of hazardous materials for various Agency owned properties. Pursuant to HSC 34173 (h) (1), the City may loan funds to the Agency for administrative costs or enforceable obligations when the Agency receives an insufficient distribution from RPTTF, or other approved sources of funding are insufficient, to pay approved enforceable obligations in the ROPS period.

The County Auditor-Controller (CAC) reports the Agency received a RPTTF distribution equal to the amount Finance approved for the July 2020 through July 2021 ROPS period. Consequently, the Agency had sufficient funds in the Redevelopment Obligation Retirement Fund. In addition, pursuant to HSC section 34177.3 (b) the Agency may create enforceable obligations to conduct the work of winding down the redevelopment agency, which does not include demolition cost. Therefore, the requested amount of \$145,000 (\$30,000 + \$115,000) from RPTTF is not allowed.

- On the ROPS 21-22 form, the Agency reported cash balances and activity for the period July 1, 2018 through June 30, 2019 (ROPS 18-19). According to our review, the Agency has approximately \$532,800 from Other Funds available to fund enforceable obligations on the ROPS 21-22. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF funding. This item does not require payment from property tax revenues; therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 52 – Taxable Tax Allocation Refunding Bonds, Series 2018 in the amount of \$1,851,305 is partially reclassified. Finance is approving RPTTF in the amount of \$1,318,505 and the use of Other Funds in the amount of \$532,800, totaling \$1,851,305.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the OB has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the ROPS 18-19 period. The ROPS 18-19 prior period adjustment (PPA) will offset the ROPS 21-22 RPTTF distribution. The amount of RPTTF authorized includes the PPA resulting from the CAC's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,561,703, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2021 through December 31, 2021 period (ROPS A period), and one distribution for the January 1, 2022 through June 30, 2022 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 21-22 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the adjusted items, Finance does not object to the remaining items listed on the ROPS 21-22. If the Agency disagrees with our determination with respect to any items on the ROPS 21-22, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days from the date of this letter. The Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 21-22. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 21-22 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 21-22 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted 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 law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Kylie Oltmann, Supervisor, or Kassie Pas, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Cheryl Murase, Principal, HdL Coren & Cone, City of Cudahy
Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Approved RPTTF Distribution July 2021 through June 2022			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 1,539,991	\$ 984,930	\$ 2,524,921
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	1,664,991	1,109,930	2,774,921
RPTTF Requested	1,539,991	984,930	2,524,921
<u>Adjustment(s)</u>			
Item No. 13	(524,916)	0	(524,916)
Item No. 52	(532,800)	0	(532,800)
Item No. 55	(30,000)	0	(30,000)
Item No. 56	(57,500)	(57,500)	(115,000)
	(1,145,216)	(57,500)	(1,202,716)
RPTTF Authorized	394,775	927,430	1,322,205
Administrative RPTTF Authorized	125,000	125,000	250,000
ROPS 18-19 prior period adjustment (PPA)	(10,502)	0	(10,502)
Total RPTTF Approved for Distribution	\$ 509,273	\$ 1,052,430	\$ 1,561,703