



August 30, 2013

Mr. Hector Rodriguez, City Manager  
City of Cudahy  
5220 Santa Ana Street  
Cudahy, CA 90201

Dear Mr. Rodriguez:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes the California Department of Finance's (Finance) Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) determination letter dated June 25, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Cudahy Successor Agency (Agency) submitted an oversight board approved LMIHF DDR to Finance on May 30, 2013. Finance issued a LMIHF DDR determination letter on June 25, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer Session was held on July 23, 2013.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance is revising some of the adjustments made in our previous LMIHF DDR determination letter. Specifically, we are revising the following adjustment:

- Assets legally restricted for bond debt service payments in the amount of \$1,628,811 were initially denied because no documentation was provided to support the amounts held by the fiscal agent. During the Meet and Confer process, the Agency provided supporting documentation for bond reserves held in the amount of \$1,580,591. However, the Agency was unable to support the remaining \$86,886. The unsupported amount is comprised of a \$48,220 variance between the June 30, 2012 trustee statement and the DDR amount reported under Procedure 6 and a \$38,666 plug figure. As such, Finance is revising the previous \$1,628,811 adjustment to \$86,886.
- The Agency's request to retain \$1,486,333 in LMIHF funding for the 2012-2013 fiscal year was originally denied because Finance approved the obligations to be funded with Redevelopment Property Tax Trust Funds (RPTTF) for the Recognized Obligation Payment Schedule (ROPS) II and III periods, not LMIHF. The Agency contends the amounts requested are for housing bond debt service payments. While the Agency did request RPTTF to fund these obligations, the amount of RPTTF distributed from the County Auditor-Controller (CAC) for the ROPS II and III periods was insufficient to cover the debt service payments. Therefore, Finance will allow the request to retain \$1,486,333 in LMIHF to ensure debt service payments are not jeopardized.

As a result of the revisions made to the LMIHF DDR through the Meet and Confer process, the Agency's LMIHF balance shows as a negative (see table below). Therefore, the available LMIHF balance available for distribution to the affected taxing entities has been revised to zero.

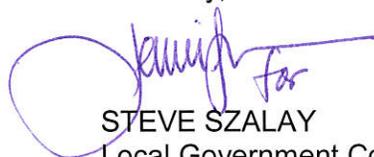
<b>LMIHF Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ (1,396,026)
Finance Adjustments	
Add:	
Assets legally restricted not supported	\$ 86,886
<b>Total LMIHF available to be distributed:</b>	<b>\$ (1,309,140)</b>

This is Finance's final determination of the LMIHF balances available for distribution to the taxing entities. HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient.

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter and Finance's Housing Assets Transfer letter dated September 5, 2012 do not in any way eliminate the Controller's authority.

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

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Angela Bustamante, City Clerk, City of Cudahy  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office