



May 15, 2015

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

Dear Mr. Dobrenen:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Cudahy Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on March 3, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 14, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 30, 2015.

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 determinations being disputed.

- Item Nos. 30 through 32 – Emergency Loans totaling \$352,000 are not enforceable obligations. Finance continues to deny these items. Finance previously determined that pursuant to Oversight Board (OB) resolution Nos. 15-02, 15-03, and 15-04, these loan agreements between the City of Cudahy and the Agency were for the preparation of the Long Range Property Management Plan (LRPMP), management and oversight of the Agency's LRPMP, and legal guidance on the preparation and finalization of the LRPMP. As these types of obligations are enforceable, Finance approved these loans in our April 13, 2015 OB determination letter, noting these loans were subject to further review and approval once placed on the ROPS.

The Agency was unable to support the amounts claimed. The Agency referred to the OB resolutions for these loan agreements as support. However, these documents are insufficient to support the requested amount because the resolutions do not illustrate the actual costs or whether those specific costs are enforceable obligations. To the extent the Agency can provide suitable documentation, such as the vendor invoices describing the tasks completed to support the requested funding, the Agency may be able to obtain Redevelopment Property Tax Trust Fund (RPTTF) on future ROPS.

During the Meet and Confer process, the Agency continued to contend that these costs are necessary to comply with mandates set forth in the State Controller Office's (SCO) Asset Transfer Review Report (Report) dated April 15, 2014. As stated in the Agency's July through December 2015 (ROPS 14-15B) Meet and Confer determination letter dated December 17, 2015, per the SCO's Report, the former redevelopment agency transferred assets in April 2011 totaling approximately \$21 million to the Cudahy Economic Development Commission (EDC). Upon the transfer of these assets, the EDC entered into various agreements to sell and/or develop the assets. The Agency claims that in order to return the assets to the Agency, the contracts for the sale and/or development of the assets must be canceled. However, the Agency is not the current owner of the properties and any costs incurred resulting from the unallowable transfer to the EDC (including the cost to recover the assets) is not the responsibility of the Agency. Therefore, these items do not meet the definition of an enforceable obligation and is therefore not eligible for RPTTF through the ROPS process.

In addition, per Finance's letter dated April 14, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item Nos. 25, 28 and 29 – Fees for professional and legal services related to Agency assets totaling \$352,000 are duplicate obligations. Funding for these obligations is also requested under Item Nos. 30 through 32 – Emergency Loans. Therefore, these items are not needed and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is \$1,478,697 as summarized in the Approved RPTTF Distribution table on the following page:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	2,060,097
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 2,185,097</b>
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<b>Total RPTTF requested for non-administrative obligations</b>	<b>2,060,097</b>
<u>Denied Items</u>	
Item No. 25	(20,000)
Item No. 28	(227,000)
Item No. 29	(105,000)
Item No. 30	(20,000)
Item No. 31	(227,000)
Item No. 32	(105,000)
	<hr/> (704,000)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 1,356,097</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 1,481,097</b>
ROPS 14-15A prior period adjustment	(2,400)
<b>Total RPTTF approved for distribution</b>	<b>\$ 1,478,697</b>

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 15-16A review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was able to support the amounts reported except the RPTTF beginning cash balances and expenditures. Finance will continue to work with the Agency after the ROPS 15-16A review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16B.

Please refer to the ROPS 15-16A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2015. This determination only applies to items where funding was requested for the six-month period. 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 that was available prior to the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Cheryl Murase, Principal, City of Cudahy  
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County  
California State Controller's Office

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