DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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

November 17, 2015

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

Dear Mr. Dobrenen:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Cudahy Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on October 5, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item No. 23 – Administrative Reimbursement in the amount of $94,140 is not allowed. The Agency requested to decrease the six-month funding request from $230,448 to $94,140. As such the Redevelopment Property Tax Trust Fund (RPTTF) requested has been reduced by $136,308.

  Pursuant to HSC 34173 (h) (1) the city that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for the payment of administrative costs or enforceable obligations only to the extent that the successor agency receives insufficient distribution from the RPTTF, or other approved sources of funding are insufficient, to pay approved enforceable obligations in the recognized obligation payment schedule period. Finance verified a RPTTF shortfall occurred. However, since the Agency is repaying the City of Cudahy for funds loaned to cover a previous shortfall and has not submitted an oversight board (OB) action approving this loan repayment and no such action has been subject to a review by Finance, this line item which has been reduced to $94,140 is not eligible for RPTTF at this time.

- Item Nos. 25, 28 and 29 – Fees for professional and legal services related to Agency assets totaling $392,000 are duplicate obligations. The Agency requests $20,000, $116,000 and $105,000 for Item Nos. 25, 28 and 29 respectively for the six-month period. Funding for these obligations was also requested under Item Nos. 30 through 32 – Emergency Loans. Therefore, these items are not needed and not eligible for RPTTF funding.

- Item Nos. 27 and 33 – Legal Counsel totaling $20,000 and is not allowed. The Agency created Item No. 33 for an obligation already listed under Item No. 27. Therefore, Finance is retiring Item No. 33 and moving the requested amounts to Item No. 27. However, no documentation was provided to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as vendor invoices describing the tasks completed to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS.

- Item Nos. 30 through 32 – Emergency Loans totaling $352,000 continues to be denied. The Agency requests $20,000, $116,000 and $105,000 respectively for the six-month period. Finance approved these loans for the preparation, legal guidance, management and oversight of the Long Range Property Management Plan (LRPMP) in our OB Resolution Nos. 15-02, 15-03 and 15-04 letter dated April 13, 2015. Finance also noted these loans would be subject to further review and approval once placed on the ROPS.

  The Agency did not provide sufficient documentation to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as vendor invoices describing the tasks completed, to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS.

- Item Nos. 36 through 38 – Emergency Loans totaling $114,450 is not allowed. The Agency requests $20,000, 46,500, and 47,950 respectively for the six-month period. Finance's letter dated November 6, 2015 denied the Agency's OB Resolution Nos. 15-09, 15-12, and 15-14 approving loans for costs associated with preparation of the LRPMP.

  Pursuant to HSC 34173 (h) (1) the city that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for the payment of administrative costs or enforceable obligations only to the extent that the successor agency receives insufficient distribution from the RPTTF, or other approved sources of funding are insufficient, to pay approved enforceable obligations in the recognized obligation payment schedule period. Since the Agency has not yet incurred a shortfall, Item Nos. 36 through 38 is not allowed.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). 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 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 RPTTF distribution for the reporting period is $1,792,034 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of January through June 2016		
Total RPTTF requested for non-administrative obligations		2,513,932
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS 15-16B	**$**	**2,638,932**
RPTTF adjustment to non-administrative obligations		(136,308)
Total RPTTF adjustments	**$**	**(136,308)**
Total RPTTF requested for non-administrative obligations		**2,377,624**
Denied Items		
Item No. 23		(94,140)
Item No. 25		(20,000)
Item No. 27		(20,000)
Item No. 28		(116,000)
Item No. 29		(105,000)
Item No. 30		(20,000)
Item No. 31		(116,000)
Item No. 32		(105,000)
Item No. 36		(20,000)
Item No. 37		(46,500)
Item No. 38		(47,950)
		(710,590)
Total RPTTF authorized for non-administrative obligations	**$**	**1,667,034**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**1,792,034**
ROPS 14-15B prior period adjustment		0
Total RPTTF approved for distribution	**$**	**1,792,034**

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied 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 statutes. 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.

Please direct inquiries to Kylie Oltmann, Supervisor, or Zuber Tejani, Lead Analyst at (916) 445-1546.

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