DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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March 30, 2016

Mr. Art Gallucci, City Manager
City of Cerritos
18125 Bloomfield Avenue
Cerritos, CA 90703

Dear Mr. Gallucci:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Cerritos Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 28, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No. 4 – Magnolia Power Project B Series 2003 Lease Revenue Bonds Payments in the total outstanding amount of $19,092,941 continues to be denied. This item was previously denied in ROPS 13-14B, 14-15A, and 14-15B final determination letters. The Agency requests $859,968 for the ROPS 16-17 period. It is our understanding; the Agency executed a Cooperative Agreement with the City on June 23, 2005, which binds the Agency to the Bond Indenture. However, the agreement was not executed at the time of the issuance of the Bond Indenture. In addition this item is also subject to ongoing litigation and therefore, is not enforceable and not eligible for funding on this ROPS.

- Item No. 48 – Debt reserve requirement in the ROPS 16-17 amount of $115,000 is not allowed. The Agency requests $57,500 of RPTTF for the July 1, 2016 through December 31, 2016 (ROPS A period) period and $57,500 for the January 1, 2017 through June 30, 2017 (ROPS B period) period. The Agency provided a loan agreement with BNY Western Trust Company (Trustee) dated September 1, 2002; however, this document by itself is insufficient to support the requested amount. To the extent the Agency can provide suitable documentation, such as a Trustee letter or market value analysis to support the requested amounts, the Agency may be able to obtain RPTTF funding in the future.

- The claimed administrative costs exceed the allowance by $118,007.
  HSC section 34171 (b) (3) limits the fiscal year 16-17 Administrative Cost Allowance (ACA) to three percent of actual distributed RPTTF in the preceding fiscal year or $250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the

preceding fiscal year. As a result, the Agency's maximum ACA is $538,101 for the fiscal year 2016-17. Although $656,108 is claimed for administrative cost, only $538,101 is available pursuant to the cap. Therefore, $118,007 of excess administrative cost is not allowed.

Except for the items denied in whole or adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. 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 our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

Item No. 1 – 2002 Tax Allocation Revenue Bonds Series A in the amount of $327,190 for the ROPS 16-17 period. The Agency requests $301,498 of RPTTF in the ROPS A period; however, Finance is reclassifying $16,781 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period; however, the obligation does not require payment from property tax revenues. Therefore Finance is approving RPTTF in the amount of $284,717 and the use of Other Funds in the amount of $16,781 totaling $301,498.

The Agency's maximum approved RPTTF distribution for the reporting period is $21,416,605 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the ROPS B period based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 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 determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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. Denise Manoogian, Director of Administrative Services, City of Cerritos
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 17,790,050	$ 4,080,203	$ 21,870,253
Requested Administrative RPTTF	533,702	122,406	656,108
Total RPTTF requested for obligations on ROPS 16-17	**18,323,752**	**4,202,609**	**$ 22,526,361**
Total RPTTF Requested	17,790,050	4,080,203	**21,870,253**
Denied Item			
Item No. 4	(430,484)	(429,484)	(859,968)
Item No. 48	(57,500)	(57,500)	(115,000)
	(487,984)	(486,984)	(974,968)
Reclassified Item			
Item No. 1	(16,781)	0	(16,781)
Total RPTTF authorized	**17,285,285**	**3,593,219**	**$ 20,878,504**
Total Administrative RPTTF requested	533,702	122,406	**656,108**
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(118,007)	(118,007)
Total Administrative RPTTF authorized	**533,702**	**4,399**	**$ 538,101**
Total RPTTF approved for distribution	**17,818,987**	**3,597,618**	**$ 21,416,605**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 18,494,532
Less sponsoring entity loan and Administrative RPTTF	557,827
Actual RPTTF distributed for 2015-16 after adjustment	17,936,705
Administrative Cap for 2016-17 per HSC section 34171 (b)	538,101
ROPS 16-17 Administrative RPTTF after Finance adjustments	656,108
Administrative Cost Allowance in excess of the cap	**$ (118,007)**