



April 11, 2016

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

Dear Mr. Dobrenen:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Cudahy 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 February 1, 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. 5 – The Agency requested the incorrect amount for Tax Allocation Bonds, Series 2011A for the January 1, 2017 through June 30, 2017 (ROPS B period). Per discussion with Agency staff and review of the documentation provided, the \$83,228 requested for the ROPS B period should be \$150,578. As a result, the Redevelopment Property Tax Trust Fund (RPTTF) is increased by \$67,350.
- Item Nos. 40 through 43 and 45 – Property maintenance, legal counsel and insurance totaling \$229,900 is not an obligation of the Agency. Finance approved the Agency's Long-Range Property Management Plan (LRPMP) on December 16, 2015, with all six properties approved for transfer to the City of Cudahy (City) for future development. These properties should have transferred to City upon our approval of the LRPMP. As such, the Agency should not need funds to maintain these properties.

The Agency contends the properties for future development must be maintained until such time as they are transferred to the City following execution of a compensation agreement between the City and the taxing entities. However, Dissolution Law does not require that a compensation agreement be reached prior to a property being transferred to the sponsoring entity. Nevertheless, it is Finance's expectation that the required compensation agreement with the affected taxing entities be entered at some point in the future. Therefore, the Agency should proceed with the transfer of the properties to the City. As such, these items are not eligible for funding from RPTTF because the properties the Agency identified as being related to these items are not being retained by the Agency.

- Item No. 44 – Settlement of litigation in the amount of \$127,000 is not approved. It is our understanding on April 1, 2011, the Cudahy Community Development Commission (RDA) made unallowable asset transfers to the Cudahy Economic Development Corporation (EDC) totaling \$20,978,178. The State Controller's Office Asset Transfer Report dated April 15, 2014, found that the RDA's transfer of these assets was improper and ordered the return of these assets. It is our understanding the settlement and release agreement for the property located at 4610 Santa Ana Street is a direct result of these improper transfers and creates additional obligations for the Agency, which is prohibited by HSC section 34177.3. Therefore, the \$127,000 requested is not an enforceable obligation and not eligible for RPTTF funding.
- Item No. 46 – Housing administrative cost allowance in the amount of \$150,000 is not allowed. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. The housing successor to the RDA is the City-formed Housing Authority and the Authority operates under the control of the City. Therefore, the Authority is considered the City under dissolution law pursuant to HSC section 34167.10. As a result, \$150,000 of housing successor administrative allowance requested for the ROPS 16-17 period is not allowed.
- Item No. 47 – Administrative Reimbursement RPTTF Shortfall in the amount of \$219,140 is a duplicate obligation. This obligation was previously identified on the ROPS as Item No. 23. For consistency purposes between ROPS periods, Finance is moving the requested funding amount of \$219,140 from Item No. 47 to Item No. 23. Therefore, Item No. 47 should be retired on the ROPS as funding is no longer required and this is a duplicate obligation.
- Item No. 48 – Emergency Loan totaling \$27,900 for the July 1, 2016 through December 31, 2016 (ROPS A period) is not allowed. Finance's letter dated March 9, 2016 denied the Agency's OB Resolution No. 16-06 approving loans between the City and Agency. 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 No. 48 is not allowed.
- 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. 23 – Administrative Reimbursement in the amount of \$219,140. The Agency requests \$219,140 of Administrative Cost Allowance (ACA) for the ROPS A period; however, Finance is reclassifying \$51,000 to Other Funds. This item is an enforceable obligation; however, the obligation does not require payment from property tax revenues. Therefore, Finance is approving ACA in the amount of \$168,140 and the use of Other Funds in the amount of \$51,000 totaling \$219,140.

Except for the items denied in whole or in part or the item that has been 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,228,214 as summarized in the Approved RPTTF Distribution Table on Page 5 (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.

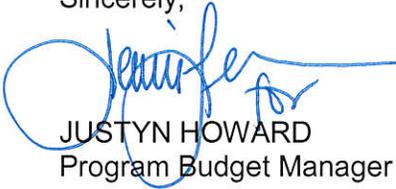
The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution statutes. Therefore, as a

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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

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)	\$ 2,234,499	\$ 1,262,165	\$ 3,496,664
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	2,359,499	1,387,165	\$ 3,746,664
Adjustment to Agency Requested RPTTF	0	67,350	67,350
Adjustment to Agency Requested Administrative RPTTF	0	0	0
Total RPTTF adjustments	0	67,350	\$ 67,350
Total RPTTF requested	2,234,499	1,329,515	3,564,014
<u>Denied Items</u>			
Item No. 40	(7,500)	(7,500)	(15,000)
Item No. 41	(7,500)	(7,500)	(15,000)
Item No. 42	(100,000)	0	(100,000)
Item No. 43	(48,000)	(24,000)	(72,000)
Item No. 44	(127,000)	0	(127,000)
Item No. 45	0	(27,900)	(27,900)
Item No. 46	(75,000)	(75,000)	(150,000)
Item No. 48	(27,900)	0	(27,900)
	(392,900)	(141,900)	(534,800)
<u>Reclassified Item</u>			
Item No. 23	(51,000)	0	(51,000)
Total RPTTF authorized	1,790,599	1,187,615	\$ 2,978,214
Total Administrative RPTTF authorized	125,000	125,000	\$ 250,000
Total RPTTF approved for distribution	1,915,599	1,312,615	\$ 3,228,214