



December 18, 2012

Mr. Art Gallucci, City Manager
City of Cerritos
P.O. BOX 3130
Cerritos, CA 90703

Dear Mr. Gallucci:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 13, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Cerritos Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 29, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 13, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 29, 2012.

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 items being disputed.

- Items Nos. 6 and 21 – City loans totaling \$57.5 million. Finance continues to deny the items at this time. Finance denied the items because in 1969 the City of Cerritos entered into a Cooperative Agreement to provide aid and assistance on behalf of the Agency in carrying out redevelopment activities. The Agency was created in 1969 and while there are exceptions recognizing loans between the City and the Agency as enforceable obligations, no loan agreements or repayment schedules were provided. The Agency contends the loans were effectively entered into with the Cooperative Agreement. Per HSC section 34171 (d) (2), loan agreements entered into between the RDA and the city, county, or city and county that created it, within two years of the date of creation of the RDA, may be deemed to be enforceable obligations. The loan agreement was entered into within the first two years of the date of creation in 1969; however, various advances or loans were made from 1980 through 2010, which is after the first two years of creation. Furthermore, the agreement does not specify dollar amounts to be loaned or advanced or specific repayment terms; however, the Agency did provide a schedule of advances made between 1980 and 2010. Finance has not issued a Finding of Completion to the Agency; therefore, the provisions of HSC section 34171 apply. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, this item is currently not an

enforceable obligation. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Item 28 – Project Management in the amount of \$96,000. Finance continues to deny the item. Finance denied the item as it is an obligation of the housing successor per HSC section 34176 (a) (1). We also note the Agency did not submit the entire Development and Disposition Agreement (DDA) for review. Without the document in its entirety, a decision cannot be made as to the enforceability of that document; however, review of the document provided indicates the loan portion of the DDA was to be paid from tax increment. However, the validation decision provided indicates the loan is to be made with the Low and Moderate Income Housing Fund (LMIHF). As the LMIHF no longer exists, the funding source is no longer available to the Agency. Therefore, the item is not an enforceable obligation.
- Item 29 – Vintage Cerritos Senior Housing in an unspecified amount. Finance will not continue to deny the item at this time. Finance previously denied the item per HSC 34176 (a) (1). This provision states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. No amount was requested; therefore, Finance will continue its review of this item and reserve our determination for that time when funds are requested.
- Items Nos. 30 through 41 – Housing obligations totaling \$397,360. Finance continues to deny the items. Finance denied the items as HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Cerritos assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, the items are not enforceable obligations and not eligible for funding from the LMIHF.

In addition, per Finance's ROPS letter dated October 13, 2012, the following items not contested by the Agency continue to be denied:

- Items Nos. 7 and 22 – Low Moderate Income Housing Fund Loan Repayments totaling \$9 million. HSC section 34176 (e) (6) (B) states that loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. Therefore these line items are not enforceable obligations and will not be eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Items Nos. 11 and 26 – Although enforceable these types of services requested totaling \$5,000 are considered general administrative services and have been reclassified.
- Item No. 23 – Cerritos Museum in the amount of \$1 million. It is our understanding this line item consists of three projects. A Professional Services Agreement in the amount of \$65,216 dated January 1, 2004 is between the City and the consultant and the Agency is not a party to the agreement. Also, a contract has not been awarded for the cost proposal in the amount of \$294,000. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, only

\$640,784 is an enforceable obligation payable on ROPS III. The balance of \$359,216 is not an enforceable obligation and not eligible for RPTTF funding.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$5,605,282 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 12,601,523
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 6	1,444,000
Item 7	907,317
Item 11*	2,500
Item 21	2,300,000
Item 22	2,117,074
Item 23	359,216
Item 26*	2,500
Item 28	48,000
Item 30	2,300
Item 31	54,000
Item 32	24,000
Item 33	600
Item 34	27,000
Item 35	12,000
Item 36	480
Item 37	27,000
Item 38	12,000
Item 39	300
Item 40	27,000
Item 41	12,000
Total approved RPTTF for enforceable obligations	<u>\$ 5,222,236</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>383,046</u>
Total RPTTF approved:	\$ 5,605,282

*: Reclassified as an administrative cost

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the property tax increment that was available prior to 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 successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Denise Manoogian, Director of Administrative Services, City of Cerritos
Ms. Kristina Burns, Manager Los Angeles County Auditor-Controller's Office
California State Controller's Office