



Transmitted via e-mail

April 5, 2024

Joshua Calhoun, Finance Director  
City of Cudahy  
5220 Santa Ana Street  
Cudahy, CA 90201

### **2024-25 Annual Recognized Obligation Payment Schedule**

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Cudahy Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2024 through June 30, 2025 (ROPS 24-25) to the California Department of Finance (Finance) on January 30, 2024. Finance has completed its review of the ROPS 24-25.

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

- Item No. 13 – City Reimbursement in the total outstanding amount of \$524,916 is not allowed. This item was denied in Finance's determination letter dated April 6, 2018 and continues to be denied. Pursuant to HSC section 34191.4 (b), loan agreements between the former Redevelopment Agency and the sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) the Agency's Oversight Board (OB) approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes. The Agency received a Finding of Completion on October 18, 2013. However, the OB has not yet approved the loan as an enforceable obligation or made a finding the loan was for legitimate redevelopment purposes. Therefore, the loan is ineligible for funding at this time and the requested \$524,916 from Redevelopment Property Tax Trust Fund (RPTTF) funding is not approved. To the extent the Agency receives OB and Finance approval, the Agency may request funding for this item on a future ROPS.
- Item No. 52 – Taxable Tax Allocation Refunding Bonds, Series 2018; the total requested \$2,590,438 is adjusted to properly reflect the debt service payment. The Agency inadvertently requested incorrect amounts. The Agency requested \$923,594 from RPTTF and \$745,000 in Reserve Balances for the July 1, 2024 through December 31, 2024 period (ROPS A period) and \$921,844 in RPTTF for the January 1, 2025 through June 30, 2025 period (ROPS B period).

Additionally, on the ROPS 24-25 form, the Agency reported cash balances and activity for the period July 1, 2021 through June 30, 2022 (ROPS 21-22). According to our review, the Agency has approximately \$273,532 from Other Funds available to fund enforceable obligations on the ROPS 24-25. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF funding.

This item does not require payment from property tax revenues; therefore, with the Agency's concurrence, Finance made the adjustments and reclassifications as specified below. A net adjustment of \$278,823 (\$1,750 + \$3,541 + \$273,532) to the RPTTF funding is made to this item.

| <b>Funding Source</b>            | <b>Requested</b>   | <b>Adjustments per Debt Service</b> | <b>Reclassification per Cash Balance</b> | <b>Authorized</b>  |
|----------------------------------|--------------------|-------------------------------------|--|--------------------|
| Reserve Balances (ROPS A Period) | \$745,000          | \$50,000                            | \$0                                      | \$795,000          |
| RPTTF (ROPS A Period)            | 923,594            | (1,750)                             | (273,532)                                | 648,312            |
| RPTTF (ROPS B Period)            | 921,844            | (3,541)                             | 0  | 918,303            |
| Other Funds                      | 0                  | 0                                   | 273,532                                  | 273,532            |
| <b>Total</b>                     | <b>\$2,590,438</b> | <b>\$44,709</b>                     | <b>\$0</b>                               | <b>\$2,635,147</b> |

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the OB approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the ROPS 21-22 period. The ROPS 21-22 prior period adjustment (PPA) will offset the ROPS 24-25 RPTTF distribution. The amount of RPTTF authorized includes the PPA resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,818,915, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the ROPS A period, and one distribution for the ROPS B period, based on Finance's approved amounts. Since this determination is for the entire ROPS 24-25 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the adjusted items, Finance approves the remaining items listed on the ROPS 24-25 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 24-25, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days from the date of this letter. The Agency must use the RAD App to complete and submit its Meet and Confer request form. The Meet and Confer process and guidelines are available on our website:

[http://dof.ca.gov/Programs/Redevelopment/Meet\\_And\\_Confer/](http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/)

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 24-25. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 24-25 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 24-25 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted 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 law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to [RedevelopmentAdministration@dof.ca.gov](mailto:RedevelopmentAdministration@dof.ca.gov).

Sincerely,

Original signed by:

Cheryl L. McCormick, CPA  
Chief, Office of State Audits and Evaluations

cc: Charles G. Ortiz, Sr. Accountant, City of Cudahy  
Linda Santillano, Property Tax Apportionment Division Chief, Los Angeles County  
Cesar Hernandez, Countywide Oversight Board Representative

| <b>Approved RPTTF Distribution<br/>July 2024 through June 2025</b> |                   |                     |                     |
|--|-------------------|---------------------|---------------------|
|  | <b>ROPS A</b>     | <b>ROPS B</b>       | <b>Total</b>        |
| RPTTF Requested  | \$ 1,448,510      | \$ 924,844          | \$ 2,373,354        |
| Administrative RPTTF Requested                                     | 125,000           | 125,000             | 250,000             |
| <b>Total RPTTF Requested</b>                                       | <b>1,573,510</b>  | <b>1,049,844</b>    | <b>2,623,354</b>    |
| <b>RPTTF Requested</b>   | <b>1,448,510</b>  | <b>924,844</b>      | <b>2,373,354</b>    |
| <u>Adjustment(s)</u>   |                   |                     |                     |
| Item No. 13  | (524,916)         | 0                   | (524,916)           |
| Item No. 52  | (275,282)         | (3,541)             | (278,823)           |
| <b>RPTTF Authorized</b>  | <b>648,312</b>    | <b>921,303</b>      | <b>1,569,615</b>    |
| <b>Administrative RPTTF Authorized</b>                             | <b>125,000</b>    | <b>125,000</b>      | <b>250,000</b>      |
| ROPS 21-22 prior period adjustment (PPA)                           | (700)             | 0                   | (700)               |
| <b>Total RPTTF Approved for Distribution</b>                       | <b>\$ 772,612</b> | <b>\$ 1,046,303</b> | <b>\$ 1,818,915</b> |