



April 15, 2019

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

Dear Mr. Dobrenen:

Subject: 2019-20 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 of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on February 1, 2019. Finance has completed its review of the ROPS 19-20.

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

- Item No. 13 – City of Cudahy (City) Loan repayment 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 (RDA) and 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 City loan is ineligible for funding at this time and the ROPS 19-20 request of \$524,916 in Redevelopment Property Tax Trust Fund (RPTTF) is not approved. To the extent the Agency receives OB and Finance approval, the Agency may be able to request funding for this item on a future ROPS.

- Item Nos. 17 and 18 – County Deferrals in the total outstanding amounts of \$1,103,542. Based on the Project Name/Debt Obligation description, these items appear to be for deferred County pass-through payments. Pursuant to HSC section 34183 (a) (1), the County Auditor-Controller (CAC) shall make the required pass-through payments for any pass-through agreement between the former RDA and a taxing entity entered into prior to January 1, 1994 that would be in force during that fiscal year, had the RDA existed at that time. Although no funding is requested, the CAC is responsible for determining amounts owed and making payments under the pass-through agreement. As such, it is not necessary to place these items on the ROPS.

- Item No. 54 – Property Maintenance in the total outstanding amount of \$150,000 is not allowed. It is our understanding all properties listed on the Long-Range Property Management Plan, approved by Finance on December 16, 2015, were authorized to be transferred to the City of Cudahy (City) for future development. As such, these properties should have transferred to the City and maintenance costs are no longer the responsibility of the Agency. Therefore, the requested RPTTF of \$150,000 in ROPS 19-20 is not allowed.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the OB has 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. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the CAC's review of the prior period adjustment form submitted by the Agency.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, 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 of the date of this letter. The Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,829,547 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

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

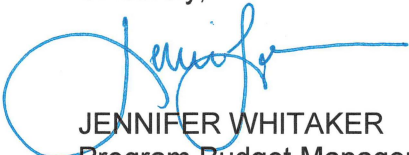
This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received 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.

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The amount available from RPTTF is the same as the amount of property tax increment available prior to the enactment of 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 RPTTF.

Please direct inquiries to Kylie Oltmann, Supervisor, or Thong Thao, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
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 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 1,280,757	\$ 1,004,115	\$ 2,284,872
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	1,405,757	1,129,115	2,534,872
RPTTF Requested	1,280,757	1,004,115	2,284,872
<u>Adjustments</u>			
Item No. 13	(524,916)	0	(524,916)
Item No. 54	(75,000)	(75,000)	(150,000)
	(599,916)	(75,000)	(674,916)
RPTTF Authorized	680,841	929,115	1,609,956
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Authorized for Obligations	805,841	1,054,115	1,859,956
Prior Period Adjustment	(30,409)	0	(30,409)
Total RPTTF Approved for Distribution	\$ 775,432	\$ 1,054,115	\$ 1,829,547