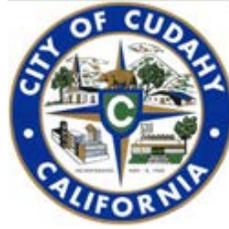


Chris Garcia, Mayor
Cristian Markovich, Vice Mayor
Jack Guerrero, Council Member
Diane Oliva, Council Member
Baru Sanchez, Council Member



CUDAHY CITY
COUNCIL CHAMBERS
5240 Santa Ana Street
Cudahy, CA, 90201
Phone: (323) 773-5143
Fax: (323) 77102072

AGENDA

REGULAR MEETING
OF THE CUDAHY CITY COUNCIL
And JOINT MEETING Of The
CITY OF CUDAHY AS SUCCESSOR AGENCY
TO THE CUDAHY DEVELOPMENT COMMISSION
Tuesday, February 3, 2015 – 6:30 P.M.

*"Members of the Public are Advised that all **PAGERS, CELLULAR TELEPHONES** and any **OTHER COMMUNICATION DEVICES** are to be **turned off** upon entering the City Council Chambers." If you need to have a discussion with someone in the audience, kindly step out into the lobby.*

Written materials distributed to the City Council within 72 hours of the City Council meeting are available for public inspection immediately upon distribution in the City Clerk's office at City Hall located at 5220 Santa Ana Street, Cudahy, CA. 90201.

In compliance with the Americans with Disabilities Act (ADA) if you need special assistance to participate in this meeting, you should contact the office of the City Clerk at (323) 773-5143 at least 72 hours in advance of the meeting.

1. CALL TO ORDER

2. ROLL CALL

Council/Agency Member Guerrero
Council/Agency Member Oliva
Council/Agency Member Sanchez
Vice Mayor/Vice Chair Markovich
Mayor/Chair Garcia

3. PLEDGE OF ALLEGIANCE

4. INVOCATION

5. PRESENTATIONS

Finance Sub-Committee Update on State Controller's Report/Internal Controls

6. ORAL COMMUNICATIONS

(Mayor: This is the time set aside for citizens to address the City Council/Agency on matters relating to City Business. Anyone wishing to speak, please fill out the form located at the Council Chambers entrance and submit it to the City Clerk when approaching the podium. Each person will be allowed to speak only once and will be limited to three (3) minutes. When addressing the Council/Agency please speak into the microphone and voluntarily state your name and address.)

7. CITY COUNCIL COMMENTS

(This is the time for the City Council/Agency to comment on any topics related to "City business," including announcements, reflections on city / regional events, response to public comments, suggested discussion topics for future council meetings, general concerns about particular city matters, questions to the staff, and directives to the staff (subject to approval/ consent of the City Council majority members present, regarding staff directives). Each Council/Agency Member will be allowed to speak for a period not to exceed three (3) minutes. Notwithstanding the foregoing, the City Council members shall not use this comment period for serial discussions or debate between members on City business matters not properly agendaized. The City Attorney shall be responsible for regulating this aspect of the proceeding.)

8. CITY MANAGER REPORT (information only)

9. WAIVER OF FULL READING OF RESOLUTIONS AND ORDINANCES

Consideration to waive full text reading of all Resolutions and Ordinances by single motion made at the start of each meeting, subject to the ability of the City Council/Agency to read the full text of selected resolutions and ordinances when the item is addressed by subsequent motion.
(COUNCIL/AGENCY)

Recommendation: It is recommended that the City Council/Agency approve the waiver of full reading of Resolutions and Ordinances.

10. CONSENT CALENDAR

Items under the Consent Calendar are considered routine and will be enacted by one motion. There will be no separate discussion of these items unless a Council/Agency Member so requests, in which event the item will be removed from the Consent Calendar and considered separately.

A. Monthly Reports:

- 1) Planning Commission Actions
- 2) Parks and Recreation Commission Actions
- 3) Public Safety Commission Actions
- 4) Senior and Aging Commission Actions

Presented by Acting Community Development Director

Recommendation: Receive and File

CONSENT CALENDAR ITEM 10 Continued

- B.** First Amendment to the Memorandum of Understanding with the Gateway Water Management Authority and the Los Angeles River Upper Reach 2 Watershed Group

Presented by Acting Community Development Director

Recommendation: Approve the First Amendment to the Memorandum of Understanding

11. PUBLIC HEARING

12. CITY COUNCIL BUSINESS SESSION

- A.** First Reading, Ordinance Amending Chapter 2.54 of Title 2 of the Cudahy Municipal Code Relating to City Campaign Ethics Regulations

Presented by City Manager

Recommendation: Consider the proposed Ordinance if Council Desires, Move to Introduce Ordinance by First Reading of Title Only

13. CITY COUNCIL AS SUCCESSOR AGENCY BUSINESS SESSION

- A.** Consideration of a Resolution Approving an Asset Transfer Agreement, dated January 29, 2015, between the Successor Agency to the Former Cudahy Community Development Commission/Cudahy Redevelopment Agency and the Cudahy Economic Development Corporation

Presented by City Manager

Recommendation: Consideration of a Resolution Approving an Asset Transfer Agreement

14. COUNCIL DISCUSSION

- A.** Discussion on Bus Stops and Signs (Oliva)
- B.** Discussion on a Resolution on Earned Income Tax Credit/Volunteer Income Tax Assistance Program (Sanchez)
- C.** Discussion on Sending a Letter to the White House In Regards to Immigration Reform (Oliva)
- D.** Discussion Regarding a Proposal for Analysis of Unfunded Pension Obligation and Legal Options Accessible to the Council for Modification of the Current Pension Program for Existing and Future Employees
- E.** Ad hoc Finance Committee – Internal Control Update (Markovich/Sanchez)
- F.** Discussion Regarding Internal Control Remediation Plan (Guerrero)

15. ORAL COMMUNICATIONS (Closed Session)

(Each person will be allowed to speak only once on closed session items and will be limited to three (3) minutes. When addressing the Council please speak into the microphone and voluntarily state your name and address.)

RECESS TO CLOSED SESSION

16. CLOSED SESSION

- A. Pursuant to Government Code Section 54956.9(d) (2) and 54956.9(e) (1) – Conference with Legal Counsel to Discuss Matter Involving Potential Litigation and/or Significant Exposure to Litigation – [One (1) Matter] - This Matter will be heard jointly by the Cudahy City Council and the Cudahy City Council in its capacity as Successor Agency to the Cudahy Redevelopment Agency.
- B. Closed Session Pursuant to California Government Code Sections 54956.9(d)(2) – Conference with Legal to Discuss Matter Involving Potential Litigation and/or Significant Exposure to Litigation – [One (1) potential matter]
- C. Closed Session Pursuant to Government Code Sections 54956.9(d)(1) – Conference with Legal Counsel to Discuss Existing Litigation
Case Name: Perez v. Cudahy
Case Number: BC570130

RECONVENE TO OPEN SESSION

17. CLOSED SESSION ANNOUNCEMENT

18. ADJOURNMENT

Cudahy City Council/Agency will adjourn to a Regular and Joint Meeting as Successor Agency to the Cudahy Development Commission on Tuesday, February 17, 2015 at 6:30 p.m.

I Victor H. Ferrer, hereby certify under penalty of perjury under the laws of the State of California that the foregoing agenda was posted at Cudahy City Hall, Bedwell Hall, and Clara and Lugo Park not less than 72 hours prior to the meeting. A copy of said Agenda is on file in the Office of the City Clerk.

Dated this 30th Day of January 2015



Victor H. Ferrer
Deputy City Clerk



Item Number
10A

STAFF MEMO

Date: February 3, 2015
To: Honorable Mayor/Chair and City Council/Agency Members
From: Jose E. Pulido, City Manager/Executive Director
By: Michael Allen, Acting Community Development Director
Subject: **City Commission(s) Minutes and Actions**

Please find attached Minutes with actions to the below items for the City of Cudahy Commissions.

Regular Parks and Recreation Commission; Friday December 18, 2015

4A. A request to approve the minutes of the Special Parks and Recreation meeting held on Thursday December 4, 2104.

Motion to table to next regular meeting by Chairperson Covarrubias, seconded by Commissioner Rodriguez, approved by unanimous voice vote.

4B. Acceptance of Contribution to the Cudahy Youth Foundation
Commission agreed to accept a donation of \$2,500.00 from the Jim and Barbara Tsay Foundation.

Motion by Commissioner Rodriguez, seconded by Chairperson Covarrubias, approved by unanimous voice vote.

4C. Award Contract to T&T fireworks booth sales for the Cudahy Youth Foundation.
Commission agreed to award contract to T&T fireworks for one booth only.

Chairperson Covarrubias opened the item to public comment:

Adam Ochoa - Would like to know why only one booth is being approved instead of two.

Commissioner Rodriguez, explained to Adam that the Foundation doesn't have the resources to have two booths running at the same time.

Motion to Award contract to T&T fireworks made my Commissioner Rodriguez, seconded by Commissioner Cortes, approved by unanimous voice vote.

- 4D.** Discussion Item: Firework Stand Procedures.
Commission agreed to move item to a special meeting, and have commission secretary bring all paperwork from last year's firework stand on policies and procedures.

Motion to table item to a Special meeting made by Commissioner Rodriguez, seconded by Chairperson Covarrubias, approved by unanimous voice vote.

- 4E.** Discussion Item: Recreational Classes.
Commission secretary told the commission that the City is still looking for instructors. Only two classes are currently in session.

Motion to file and receive report made by Commissioner Rodriguez, Seconded by Chairperson Covarrubias, approved by unanimous voice vote.

Planning Commission; January 22, 2015 Actions (Minutes unavailable):

- 5A.** A Public Hearing of The City of Cudahy Planning Commission recommending approval by Resolution No. 15-01 to the Cudahy City Council in support, development, and implementation of the Cudahy city-wide Safe Routes to School (SRTS) plan and program; as well as, the approval of the associated Environmental Document in the form of a Negative Declaration.

Planning Commission motioned to approve item 5A.

Motioned passed.

- 5B.** A Public Hearing of The City of Cudahy Planning Commission considering Conditional Use Permit No. 38.352, to allow a Charter School in the Community Commercial Zone.

Planning Commission motioned to deny item 5B.

Motioned passed.

Public Safety Commission; January 13, 2015 Actions (Minutes unavailable):

- 4A.** Recommendation to waive the full text reading of all resolutions on the agenda.

Public Safety Commission motion to approve 4A.

Motioned passed.

- 5A. A Public Hearing of The City of Cudahy Public Safety Commission recommending approval by Resolution No. 15-01 to the Cudahy City Council in support, development, and implementation of the Cudahy city-wide Safe Routes to School (SRTS) plan and program; as well as, the approval of the associated Environmental Document in the form of a Negative Declaration.

Public Safety Commission motioned to approve item 5A.

Motioned passed.

- 6A. Recommendation to receive and file December report from Volunteers on Patrol.

Public Safety Commission motioned to approve item 6A.

Motioned passed.

- 6B. Recommendation to receive and file December report from L.A County Sheriff's Department.

Public Safety Commission motioned to approve item 6B.

Motioned passed.

- 6C. Recommendation to receive and file December report from Code Enforcement Department.

Public Safety Commission motioned to approve item 6C.

Motioned passed.

- 6D. Recommendation to approve the minutes for the September 9, 2014 meeting.

Public Safety Commission motioned to approve item 6D.

Motioned passed.

- 6E. Recommendation to approve the minutes for the November 18, 2014 meeting.

Public Safety Commission motioned to approve item 6E.

Motioned passed.

- 6F. Recommendation to approve the minutes for the December 11, 2014 meeting.

Public Safety Commission motioned to approve item 6F.

Motioned passed.

Aging and Senior Citizen Commission; January 12, 2015 (Minutes unavailable):

- 4A. Discussion Item on Purchases for events for the months of December

Due to clerical error, no action was taken. Commission requested to have a discussion on purchases and have a six month calendar on the February 9, 2015, Commission Meeting.

- 4B.** TV and Remote Control Usage at the Senior Center
Commission requested that the City designate two persons to use remote/control what is being watched on the TV.

Attachment(s):

- A. Parks and Recreation Commission Meeting Minutes (1/23/2015)

MINUTES

Cudahy Parks and Recreation Commission,
Cudahy Youth Foundation (CYF)
A Regular meeting held in the Council Chambers,
5220 Santa Ana St, Cudahy, CA 90201
Friday, January 23 2015 - 6:00pm

1. Chairperson Covarrubias called the meeting to order at 6:03 p.m.

2. ROLL CALL

Present: Chairperson Cortes
 Commissioner Reyes
 Commissioner Rodriguez
 Chairperson Pro-Tem Venegas
 Commissioner Covarrubias

Pledge of Allegiance was led by Chairperson Pro-Tem Venegas.

3. PUBLIC COMMENT

Chairperson Covarrubias announced that this was the time set aside for citizens to address the Parks and Recreation Commission/Foundation on matters relating to Commission/Foundation business.

Hearing no speakers Commissioner Covarrubias ordered the session closed.

4. BUSINESS SESSION

4A. A request to approve the minutes of the Special Parks and Recreation meeting held on Thursday December 4, 2104.

Motion to table to next regular meeting by Chairperson Covarrubias, seconded by Commissioner Rodriguez, approved by unanimous voice vote.

4B. Acceptance of Contribution to the Cudahy Youth Foundation
Commission agreed to accept a donation of \$2,500.00 from the Jim and Barbara Tsay Foundation.

Motion by Commissioner Rodriguez, seconded by Chairperson Covarrubias, approved by unanimous voice vote.

4C. Award Contract to T&T fireworks booth sales for the Cudahy Youth Foundation.
Commission agreed to award contract to T&T fireworks for one booth only.

Chairperson Covarrubias opened the item to public comment:

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Motion to Award contract to T&T fireworks made by Commissioner Rodriguez, seconded by Commissioner Cortes, approved by unanimous voice vote.

- 4D.** Discussion Item: Firework Stand Procedures.
Commission agreed to move item to a special meeting, and have commission secretary bring all paperwork from last year's firework stand on policies and procedures.

Motion to move item to a Special meeting made by Commissioner Rodriguez, seconded by Chairperson Covarrubias, approved by unanimous voice vote.

- 4E.** Discussion Item: Recreational Classes.
Commission secretary told the commission that the City is still looking for instructors. So only two classes are currently in session.

Motion to file and receive report made by Commissioner Rodriguez, Seconded by Chairperson Covarrubias, approved by unanimous voice vote.

5. COMMISSION/CYF BUSINESS

Commissioner Cortes - told the commissioner that he was resigning from the commission due to personal business.

Chairperson Covarrubias - requested to have the gate repair at the West side of Clara street park. The gate has a gap of two bars missing.

Commissioner Reyes - requested better control in keeping the City away from liability when we have special events.

Commissioner Rodriguez - Requested to have the following items place on next month's Regular meeting. Discussion item on the small basketball courts in Cudahy Park. On the Teen Center, and enforcing or having signs for owners who bring their dogs in the park.

6. ADJOURNMENT

Hearing no objections Commissioner ordered the meeting to be adjourned.

The Special meeting of the Cudahy Parks & Recreation Commission was adjourned at 7:34p.m. on Thursday December 18, 2014 in the Council Chambers, 5220 Santa Ana St, Cudahy, California 90201

PASSED, APPROVED AND ADOPTED this 27 day of February 2015

Chairperson Covarrubias

ATTEST:

Commission Recorder
Victor Santiago



Item Number 10B

STAFF REPORT

Date: February 3, 2015

To: Honorable Mayor/Chair and City Council/Agency Members

From: Jose E. Pulido, City Manager/Executive Director
By: Michael Allen, Community Development Director

Subject: **First Amendment to the Memorandum of Understanding (MOU) with Gateway Water Management Authority (GWMA) and the Los Angeles River Upper Reach 2 (LAR UR2) Watershed**

RECOMMENDATION

The City Council is requested to authorize the City Manager to sign the First Amendment to the Memorandum of Understanding (Attachment A) between the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority (GWMA), acting as the fiduciary for the agreement, and the cities of Bell, Bell Gardens, Commerce, Cudahy, Huntington Park, Maywood, Vernon (LAR UR2 Subgroup Cities) and the Los Angeles County Flood Control District (LACFCD).

BACKGROUND

1. On November 8, 2012, the Los Angeles Regional Water Quality Control Board (LARWQCB) adopted the new Municipal Separate Storm Sewer System (MS4 Permit) which became effective December 28, 2012.
2. On June 4, 2013, the City Council approved and accepted membership into GWMA in order to comply with MS4 requirements. The GWMA is an Integrated Regional Water Management Group Joint Power Authority (IRWM JPA) established in 2007, and currently consisting of 24 members; on the same date Council approved a MOU between the GWMA, the LAR UR2 Subgroup Cities and LACFCD in order to comply with the new MS4 Permit (Order No. R4-2012-0175); on June 4, 2013, Council also adopted Resolution No. 13-17 regarding Green Streets Policy adopting the City of Cudahy Green Streets Manual.
3. On November 25, 2014, Council adopted Ordinance No. 640, which added Chapter 20.108 pertaining to Low Impact Development (LID) Strategies on Projects that require Building, Grading and Encroachment Permits to Title 20 (Zoning) of the City of Cudahy Municipal Code.

4. On June 28, 2014 as required by the state permit, the Watershed Management Plan (WMP) and Coordinated Integrated Monitoring Plan (CIMP) studies were prepared, with the help of CWE Consultants, and were submitted to the LARWQCB.

LARWQCB has completed their review of the WMP and returned comments to the group for minor revisions before they will approve the WMP.

ANALYSIS

The First Amendment to the MOU which was prepared by the GWMA, acting in a fiduciary capacity, will modify the MOU that was approved by Council on June 4, 2013. The original MOU was prepared on a short timeline and it dealt with the preparation of the plans and not the implementation. The First amendment to the original MOU incorporates the implementation of the plans.

In order for Cudahy to comply with MS4 Permit regulations, we had to adhere to several criteria:

LAR UR2 Subgroup

The new MS4 Permit provided cities the opportunity to join with neighboring cities to prepare a WMP and CIMP to customize and share the expenses associated with the MS4 Permit. The City of Cudahy chose to join the Los Angeles River Upper Reach 2 (LAR UR2) subgroup, consisting of the cities of Bell, Bell Gardens, Commerce, Huntington Park, Maywood, Vernon (LAR UR2 Subgroup Cities) and the LACFCD for the preparation of the WMP and CIMP.

GWMA Membership

Cudahy accepting membership with the GWMA. The GWMA is responsible for regional water planning including, but not limited to, assist members with compliance regulations with the National Pollution Discharge Elimination System (NPDES) MS4 Permit. Due to Order R4-2012-0175 of the LARWQCB, the GWMA will serve as the administrative body for the Council of Government Cities in the South East Region of Los Angeles County (Gateway Cities) in an effort to complete all MS4 Permit requirements.

MOU Approval for Joint WMP and Cost Sharing

For administration purposes the City of Cudahy found that it was in their best interest to prepare a WMP in cooperation with the LAR UR2 Subgroup Cities and LACFCD. The goal of the MOU was to create a partnership with the LAR UR2 Subgroup Cities in an effort to comply with the MS4 Permit by sharing the cost of creating a WMP, and reducing the financial impact to the City.

Adoption of Green Streets Policy & Low Impact Development (LID) Ordinance

In order for Cudahy to participate in this unique opportunity along with neighboring cities, the LARWQCB requested two elements for the City to adopt:

- 1) The first element requires a green streets policy that specifies the use of green streets strategies for transportation corridors. The purpose of Resolution 13-17, adopted by

Cudahy City Council in 2013, is to provide an outline of green streets strategies for Cudahy consistent with the requirements of the MS4 Permit.

- 2) The second element required by the MS4 Permit was the LID Ordinance. Ordinance No. 640 was adopted by Council in November 25, 2014 to provide an outline of LID policies for the City of Cudahy. LID is a stormwater management strategy that emphasizes conservation and the use of existing natural sites that features integrated with distributed, small-scale stormwater control to more mimic natural hydrologic patterns in residential, commercial, and industrial settings.

First Amendment to the MOU

The First Amendment to the MOU will define the process for the implementation of the CIMP plans. As required by the new MS4 Permit, WMP and CIMP studies were prepared by CWE Consultants. Once approved by the LARWQCB the WMP and the CIMP will have costs that will be more affordable if shared by the LAR UR2 Subgroup and LACFCD.

This MOU amends the original MOU to incorporate the implementation of the plans. Subsection 1.E on page one of the MOU describes the changes that are addressed in the First Amendment of the MOU.

- (1) add implementation of plans to the scope and purpose of the MOU; and
- (2) Provide a separate cost share formula for the implementation of the plans, subject to annual budget approval.

CEQA (CALIFORNIA ENVIRONMENTAL QUALITY ACT)

No construction activities or relaxation of standards allowing environmental degradation are proposed in conjunction with the approval of this MOU First Amendment. In addition, it is expected that monitoring activities qualify as a Categorical Exemption under CEQA.

CONCLUSION

Approval of this item will keep Cudahy in compliance with the new Municipal Separate Storm Sewer System MS4 Permit (Order R4-2012-0175 of the LARWQCB). If item is not approved, Cudahy will fall out of compliance with the new MS4 Permit and it will be subject to state/federal fines.

If approved, the next step for the LAR UR2 Subgroup and LACFCD, is to issue a Request For Proposals (RFP), through the GWMA, and execute a contract with the selected consulting firms to provide professional services for implementation of the plans for monitoring.

FINANCIAL IMPACT

The First Amendment to the MOU does not have any cost directly attached to it, but it establishes the framework that the LAR UR2 Subgroup and LACFCD will use to share the cost for implementation of the CIMP that is being considered by the LARWQCB for approval as required by Order No. R4-2012-0175. This includes costs of future programs that must be shared by all parties.

All participating LAR UR2 Subgroup Cities (except LACFCD) agree to pay their proportional share of the costs of the plans implementation and other related costs to be incurred by the GWMA, in accordance with the Cost Share Formulas in Exhibit "A2" (Cost Share Formula for Implementation of the Plans), for an annual, not to exceed amount of \$100,000 per year.

The amount of \$97,000 was included in the approved City Budget for Fiscal Year (FY) 14/15 under MS4/NPDES expenses. Therefore, this item is being budgeted. In the event that the LAR UR2 subgroup share reaches the maximum amount of \$100,000, the remaining \$3,000 will be covered by the General Funds.

ATTACHMENTS

- A. First Amendment to the Memorandum of Understanding (MOU) with Gateway Water Management Authority (GWMA) and the Los Angeles River Upper Reach 2 (LAR UR2) Watershed**

**FIRST AMENDMENT TO THE MEMORANDUM OF UNDERSTANDING
BETWEEN THE LOS ANGELES GATEWAY REGION INTEGRATED REGIONAL
WATER MANAGEMENT JOINT POWERS AUTHORITY AND
THE CITIES OF BELL, BELL GARDENS, COMMERCE, CUDAHY, HUNTINGTON PARK,
MAYWOOD, VERNON, AND THE LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
FOR
ADMINISTRATION AND COST SHARING TO PREPARE AND IMPLEMENT A WATERSHED
MANAGEMENT PROGRAM (“WMP”) and COORDINATED INTEGRATED MONITORING
PROGRAM (“CIMP”) AS REQUIRED BY THE REGIONAL WATER QUALITY CONTROL BOARD,
LOS ANGELES REGION, NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM
MUNICIPAL SEPARATE STORM SEWER SYSTEM PERMIT ORDER NO. R4-2012-0175
MUNICIPAL SEPARATE STORM SEWER SYSTEM (“MS4 PERMIT”)**

This **FIRST AMENDMENT** to the memorandum of understanding (“MOU”) is made and entered into as of the date of the last signature set forth below, by and between the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority (“GWMA”), a California Joint Powers Authority, and the Cities of Bell, Bell Gardens, Commerce, Cudahy, Huntington Park, Maywood, Vernon (“Cities”), and the Los Angeles County Flood Control District (“LACFCD”):

1. Recitals. This **FIRST AMENDMENT** is made with the respect to the following facts and purposes:

A. For the purposes of this First Amendment, the term “Watershed Permittees” shall mean the Cities of Bell, Bell Gardens, Commerce, Cudahy, Huntington Park, Maywood, Vernon, and the Los Angeles County Flood Control District; and

B. The Watershed Permittees and GWMA are collectively referred to as the “PARTIES”; and

C. On August 19, 2013, the PARTIES entered into a Memorandum of Understanding between the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority and the Cities of Bell, Bell Gardens, Commerce, Cudahy, Huntington Park, Maywood, Vernon, and the Los Angeles County Flood Control District for Administration and Cost Sharing to Prepare a Watershed Management Program (“WMP”) and Coordinated Integrated Monitoring Program (“CIMP”, collectively the “Plans” as required by the Regional Water Quality Control Board, Los Angeles Region, National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System Permit, Order No. R4-2012-0175 Municipal Separate Storm Sewer System (“MOU”); and

D. The Watershed Permittees prepared and submitted the Plans to the Regional Board in compliance with certain elements of the MS4 Permit; and

E. The PARTIES now desire to amend the MOU to: (1) add implementation of the Plans to the scope and purpose of the MOU; and (2) provide a separate cost-

shareformula for the implementation of the Plans, subject to annual budget approval, in accordance with each PARTY'S cost share allocations set forth in **Exhibit "A1"** ("Cost Share Formula for Preparation of the Plans") and **Exhibit "A2"** ("Cost Share Formula for Implementation of the Plans") which is attached hereto and made a part hereof; and

F. The Parties have determined that authorizing GWMA to hire a consultant to implement the Plans will be beneficial to the Parties; and

G. The Parties desire to collaboratively prepare a final Scope of Work and Request for Proposals to obtain a consultant to assist the Parties with implementation required by the Plans.

The PARTIES agree that the following provisions of the MOU shall be amended as follows:

2. Section 1 of the MOU entitled "Recitals" is hereby amended by adding thereto Recitals A-G of Section 1 of this First Amendment, which is set forth in Section 1 of this First Amendment and incorporated herein as though set forth in full.

3. Section 2 of the MOU entitled "Purpose" is hereby amended to read as follows:

"Section 2. Purpose. The purpose of this MOU is to cooperatively support and undertake preparation of the Plans and any additional services, including but not limited to implementation of the WMP and the CIMP, except for design and construction of regional BMP projects as agreed to by the Watershed Permittees working cooperatively as the Los Angeles River Upper Reach 2 ("LAR UR 2") Sub Watershed Committee and as approved by the GWMA. For the purposes of this MOU, the term "regional BMP projects" does not include individual cities' low impact development ("LID") projects, including LID streets or Green Streets projects."

4. Section 3 of the MOU entitled "Cooperation" is hereby amended to read as follows:

"Section 3. Cooperation. The Parties shall fully cooperate with one another to achieve the purposes of this MOU. The Watershed Permittees shall prepare a final Scope of Work and Request for Proposals to seek and hire a consultant to assist the Parties with implementation of the Plans, and GWMA shall assist with soliciting proposals from consultants to implement the Plans and shall administer said consultants' contracts."

5. Section 6 of the MOU entitled "Term" is hereby amended to read as follows:

"Section 6. Term. This MOU shall remain and continue in effect until December 31, 2019, unless sooner terminated as provided herein."

6. Section 8 of the MOU entitled “Role of the GWMA” is hereby amended in its entirety to read as follows:

“Section 8. Responsibilities of the Parties.

- a) Responsibilities of the GWMA. The GWMA agrees to: (i) solicit proposals for preparation and implementation of the Plans; (ii) administer the selected consultants’ (“Consultants”) contracts in accordance with the Scopes of Work prepared by the Watershed Permittees; and (iii) serve as a conduit for paying the Consultants, as approved and funded by the Watershed Permittees.

- b) Responsibilities of the LAR UR 2 Sub Watershed Committee. The LAR UR 2 Sub Watershed Committee agrees to:
 - i. LACFCD Facilities/Mass Emissions Stations. Obtain any necessary permits from LACFCD for access to and construction within LACFCD storm drains, channels, catch basins, and similar properties (“Facilities”), provided the LAR UR 2 Sub Watershed Committee and its Consultants provide written notice 72 hours in advance of entry to LACFCD’s Facilities.

 - ii. Supervise Consultants. Supervise the Consultants’ preparation and implementation of the Plans.

 - iii. Reports. Submit reports to the Regional Board as described in the Plans and distribute copies of the reports to the Watershed Permittees prior to submittal to the Regional Board for review and comment. The LAR UR 2 Sub Watershed Committee will provide the Watershed Permittees with an electronic copy of the draft CIMP Annual Report and completed CIMP Annual Report within seven (7) business days after receipt from the Consultants. In addition, the LAR UR 2 Sub Watershed Committee will submit to the Watershed Permittees the data used to prepare the reports. This data will be transmitted electronically in a Microsoft Excel format that contains the table structure and syntax agreed upon by the LAR UR 2 Sub Watershed Committee.

- c) Responsibilities of the Los Angeles County Flood Control District (“LACFCD”). LACFCD agrees to:
 - i. LACFCD Mass Emissions Station (MES) Monitoring. Provide available monitoring data from the existing Los Angeles River MES, owned and operated by the LACFCD. Data shall be limited to water column chemistry and aquatic toxicity.

 - ii. Access to LACFCD Facilities/Mass Emissions Stations. To grant access to the LAR UR 2 Sub Watershed Committee and its Consultants to LACFCD Facilities, including LACFCD’s Los Angeles River MES, to achieve the

purposes of this MOU, provided the LAR UR 2 Sub Watershed Committee and its CONSULTANT obtain a permit and provide written notice 72 hours in advance of entry to LACFCD's Facilities. Access permits will be issued by the LACFCD at no cost to the Parties and their Consultants. Permits for construction or installation of structures in LACFCD right of way will incur fees to cover the cost of review, inspection, etc. by LACFCD.

d) Responsibilities of the Watershed Permittees. The Watershed Permittees agree to:

- i. Documentation. To make a full-faith effort to cooperate with one another to achieve the purposes of this MOU by providing all requested information and documentation in their possession and available for release to the Consultants that is deemed necessary by the Parties to implement the Plans.
- ii. Access. Each Watershed Permittee will allow reasonable access and entry to the Parties and their Consultants, on an as needed basis during the term of this MOU, to each Watershed Permittee's Facilities to achieve the purposes of this MOU, provided, however, that prior to entering any of the Watershed Permittee's Facilities, the Consultants shall obtain a permit and provide written notice 72 hours in advance of entry from the applicable Watershed Permittee.
- iii. Permit. The Watershed Permittees will make a full-faith effort to work with the Consultants to obtain all necessary permits for installation of permanent infrastructure or modifications to stormwater monitoring sites within each Watershed Permittee's jurisdiction.

7. Section 9 of the MOU entitled "Financial Terms" is hereby amended to read as follows:

"Section 9. Financial Terms.

- a) Each Watershed Permittee shall pay its Proportional Costs as provided in **Exhibit "A1"** ("Cost Share Formula for Preparation of the Plans") and **Exhibit "A2"** ("Cost Share Formula for Implementation of the Plans") for Consultants and any other related expenses to which the Parties may agree in writing.
- b) Each Watershed Permittee shall also pay its proportional share of GWMA's staff time for retaining Consultants and invoicing the Watershed Permittees, audit expenses and other overhead costs, including legal fees ("MOU Costs") incurred by GWMA in the performance of its duties under this MOU. GWMA shall add a percentage not to exceed three percent (3%) to each invoice

submitted to each Watershed Permittee to cover each Watershed Permittee's share of the MOU Costs. The MOU Costs percentage shall be set each fiscal year by a vote of the GWMA Policy Board.

- c) GWMA shall submit an invoice to each Watershed Permittee upon selection of Consultants reflecting each Watershed Permittee's estimated Proportional Costs of the Consultants' services through the following June 30 or December 31, whichever date is earlier. Prior to releasing payment to Consultants, GWMA shall submit a copy of the Consultants' invoices to the LAR UR 2 Sub Watershed Committee for approval. The decision on whether to pay the invoice shall be communicated to the GWMA by the Representative.
- d) Upon receiving the first and each subsequent invoice, each Watershed Permittee shall pay its Proportional Costs set forth in that invoice to the GWMA within forty-five days (45) days of receipt.
- e) By May 15th of each year, commencing May 15, 2013, the LAR UR 2 Sub Watershed Committee shall submit to GWMA a recommended budget for the following year. GWMA shall consider the recommendation and adopt a budget by June 30th inclusive of the LAR UR 2 Sub Watershed Committee's recommendation. GWMA will send each Watershed Permittee no later than December 1 and May 1 of each year an invoice representing the Watershed Permittee's Proportional Costs of the adopted budget. GWMA shall not expend funds in excess of the budgeted amount without prior notification to and approval by the LAR UR 2 Sub Watershed Committee.
- f) A Watershed Permittee will be delinquent if the requested payment is within the budgeted amounts or the amounts authorized by the LAR UR 2 Sub Watershed Committee and such payment is not received by the GWMA within forty-five (45) days after first being invoiced by the GWMA. The GWMA will follow the procedure listed below, or such other procedure that the LAR UR 2 Sub Watershed Committee directs to effectuate payment: 1) verbally contact the official of the Watershed Permittee with copies to each other Watershed Permittee to the person and at the address to which notices should be addressed pursuant to Section 13 of the MOU, and 2) submit a formal letter from the GWMA Executive Officer to the Watershed Permittee. If payment is not received within sixty (60) days following the due date, the GWMA may terminate the MOU unless the City Managers/Administrators of the Watershed Permittees in good standing inform the GWMA in writing that their respective Watershed Permittees agree to adjust their Proportional Cost allocations in accordance with the Cost Share Formulas in **Exhibit "A1"** ("Cost Share Formula for Preparation of the Plans") and **Exhibit "A2"** ("Cost Share Formula for Implementation of the Plans"). The terminated Watershed Permittee shall remain obligated to GWMA for its delinquent payments and any other obligations incurred prior to the date of termination.

- g) GWMA shall suspend all work being performed by any Consultants retained by GWMA if any Watershed Permittee has not paid its invoice within forty five (45) of receipt unless the City Managers/Administrators of the other Watershed Permittees inform the GWMA in writing that their respective Watershed Permittees will pay the delinquent Watershed Permittee's costs once the MOU with the delinquent Watershed Permittee has been terminated.
- h) Any delinquent payments by a Watershed Permittee shall accrue compound interest at the then-current rate of interest in the Local Agency Investment Fund, calculated from the first date of delinquency until the payment is made.
- i) Funds remaining in the possession of the GWMA at the end of the term of this MOU, or at the termination of this MOU, whichever occurs earlier, shall be promptly returned to the then remaining Watershed Permittees in accordance with the Cost Share Formulas in **Exhibit "A1"** ("Cost Share Formula for Preparation of the Plans") and **Exhibit "A2"** ("Cost Share Formula for Implementation of the Plans").

8. Paragraph a) of Section 13 of the MOU entitled "Withdrawal/Termination" is hereby amended to read as follows:

"a) A Watershed Permittee may withdraw from this MOU for any reason, or no reason, by giving the other Watershed Permittees thirty (30) days written notice thereof. The effective withdrawal date shall be the thirtieth (30th) day after GWMA receives the withdrawing Watershed Permittee's notice to withdraw from the MOU. The withdrawing Watershed Permittee shall be responsible for its Proportional Costs and proportional MOU Costs, which the GWMA incurred or to which it became bound through the effective date of withdrawal. Such MOU Costs shall include the remaining fees of any Consultant retained by the GWMA through the effective date of withdrawal. Should any Watershed Permittee withdraw from the MOU, the remaining Watershed Permittees' Proportional Cost allocation shall be adjusted in accordance with the Cost Share Formulas in **Exhibit "A1"** ("Cost Share Formula for Preparation of the Plans") and **Exhibit "A2"** ("Cost Share Formula for Implementation of the Plans"). A withdrawing Watershed Permittee shall remain liable for any loss, debt, liability otherwise incurred while participating in this MOU. If, after paying any such loss, debt, liability, its Proportional Costs and its proportional MOU Costs incurred through the effective date of withdrawal, a withdrawing Watershed Permittee has any unspent deposit remaining in the possession of the GWMA, GWMA shall promptly return such unspent deposit to the withdrawing Watershed Permittee."

9. **Exhibit "A1"** ("Cost Share Formula for Preparation of the Plans") to the MOU is hereby amended to read as set forth in **Exhibit "A1"** to this First Amendment, which is attached hereto and incorporated herein as though set forth in full.

10. Exhibit "A2" ("Cost Share Formula for Implementation/Monitoring of the Plans") is hereby added to the MOU to read as set forth in **Exhibit "A2"** to this First Amendment, which is attached hereto and incorporated herein as though set forth in full.

11. The MOU is hereby amended by adding hereto Exhibit "C" of this First Amendment, which is attached hereto and incorporated herein as though set forth in full.

12. Except for the changes specifically set forth herein, all other terms and conditions of the MOU shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this **FIRST AMENDMENT** to be executed on their behalf, respectively, as follows:

DATE: _____

LOS ANGELES GATEWAY REGION INTEGRATED
REGIONAL WATER MANAGEMENT JOINT
POWERS AUTHORITY

Chris Cash
GWMA Chair

IN WITNESS WHEREOF, the Parties hereto have caused this FIRST AMENDMENT to be executed on their behalf, respectively, as follows:

DATE: _____

CITY OF BELL
Mr. Doug Willmore
City Manager
6330 Pine Avenue
Bell, CA 90201

Doug Wilmore, City Manager

ATTEST:

APPROVED AS TO FORM:

City Clerk

City Attorney

IN WITNESS WHEREOF, the Parties hereto have caused this FIRST AMENDMENT to be executed on their behalf, respectively, as follows:

DATE: _____

CITY OF BELL GARDENS
Mr. Phillip Wagner
City Manager
7100 Garfield Avenue
Bell Gardens, CA 90201

Phillip Wagner, City Manager

ATTEST:

APPROVED AS TO FORM:

City Clerk

City Attorney

IN WITNESS WHEREOF, the Parties hereto have caused this FIRST AMENDMENT to be executed on their behalf, respectively, as follows:

DATE: _____

CITY OF COMMERCE
Mr. Jorge Rifa
City Administrator
2535 Commerce Way
Commerce, CA 90040

Jorge Rifa, City Administrator

ATTEST:

APPROVED AS TO FORM:

City Clerk

City Attorney

IN WITNESS WHEREOF, the Parties hereto have caused this FIRST AMENDMENT to be executed on their behalf, respectively, as follows:

DATE: _____

CITY OF CUDAHY
Mr. Jose E. Pulido
City Manager
5220 Santa Ana Street
Cudahy, CA 90201

Jose E. Pulido, City Manager

ATTEST:

APPROVED AS TO FORM:

City Clerk

City Attorney

IN WITNESS WHEREOF, the Parties hereto have caused this FIRST AMENDMENT to be executed on their behalf, respectively, as follows:

DATE: _____

CITY OF HUNTINGTON PARK
Mr. Rene Bobadilla, P.E.
City Manager
6550 Miles Avenue
Huntington Park, CA 90255

Rene Bobadilla, City Manager

ATTEST:

APPROVED AS TO FORM:

City Clerk

City Attorney

IN WITNESS WHEREOF, the Parties hereto have caused this FIRST AMENDMENT to be executed on their behalf, respectively, as follows:

DATE: _____

CITY OF MAYWOOD
Ms. Lilian Myers
City Manager
4319 East Slauson Avenue
Maywood, CA 90270

Lilian Myers, City Manager

ATTEST:

APPROVED AS TO FORM:

City Clerk

City Attorney

IN WITNESS WHEREOF, the Parties hereto have caused this FIRST AMENDMENT to be executed on their behalf, respectively, as follows:

DATE: _____

CITY OF VERNON
Mr. Mark Whitworth
City Administrator
4305 Santa Fe Avenue
Vernon, CA 90058

Mark Whitworth, City Administrator

ATTEST:

APPROVED AS TO FORM:

City Clerk

City Attorney

IN WITNESS WHEREOF, the Parties hereto have caused this FIRST AMENDMENT to be executed on their behalf, respectively, as follows:

DATE: _____

LOS ANGELES COUNTY FLOOD CONTROL
DISTRICT
Ms. Gail Farber
Chief Engineer
900 S. Fremont Avenue
Alhambra, CA 91803

GAIL FARBER, Chief Engineer

APPROVED AS TO FORM:

MARK J. SALADINO
County Counsel

By _____
Deputy

EXHIBIT "A1"**Cost Share Formula for Preparation of the Plans**

The Watershed Permittees and the LACFCD agree to pay for the cost of preparation of a WMP and CIMP. The LACFCD will pay ten percent (10%) of the cost of the WMP and CIMP. Each Watershed Permittee shall pay an equal one seventh (1/7th) share of forty-five percent (45%) of the cost of the WMP and CIMP and each Watershed Permittee shall pay its pro-rata share of forty-five percent (45%) of the cost of the WMP and CIMP at the cost sharing allocation percentage provided in Table 1.

**TABLE 1
COST SHARING ALLOCATION
FOR FORTY-FIVE PERCENT OF WMP COST**

Watershed Permittee	Land Area (mi ²)	Cost Allocation Percentage
Bell	2.64	11.90
Bell Gardens	2.49	11.22
Commerce	6.57	29.61
Cudahy	1.12	5.05
Huntington Park	3.03	13.65
Maywood	1.18	5.32
Vernon	5.16	23.25

EXHIBIT "A2"**Cost Share Formula for Implementation of the Plans for Monitoring**

**TABLE 1
COST SHARING ALLOCATION
FOR 47.5% OF MONITORING COST**

WatershedPermittee	Land Area(mi ²)	Cost AllocationPercentage
Bell	2.64	11.90
Bell Gardens	2.49	11.22
Commerce	6.57	29.61
Cudahy	1.12	5.05
Huntington Park	3.03	13.65
Maywood	1.18	5.32
Vernon	5.16	23.25

The Watershed Permittees and the LACFCD agree to pay for the cost of implementation of a WMP and CIMP. The LACFCD will pay five percent (5%) of the cost of monitoring. Each Watershed Permittee shall pay an equal one seventh (1/7th) share of forty-seven and one half percent (47.5%) of the cost of monitoring and each Watershed Permittee shall pay its pro-rata share of forty-seven and one half percent (47.5%) of the cost monitoring at the cost sharing allocation percentage provided in Table 1.

**TABLE 2
COST SHARING ALLOCATION
FOR 45% OF WMP COST**

WatershedPermittee	Land Area(mi ²)	Cost AllocationPercentage
Bell	2.64	11.90
Bell Gardens	2.49	11.22
Commerce	6.57	29.61
Cudahy	1.12	5.05
Huntington Park	3.03	13.65
Maywood	1.18	5.32
Vernon	5.16	23.25

The Watershed Permittees and the LACFCD agree to pay for the cost of implementation of a WMP and CIMP. The LACFCD will pay ten percent (10%) of the cost of special/feasibility studies. Each Watershed Permittee shall pay an equal one seventh (1/7th) share of forty-five percent (45%) of the cost of the studies and each Watershed Permittee shall pay its pro-rata share of forty-five percent (45%) of the cost of the studies at the cost sharing allocation percentage provided in Table 2.

EXHIBIT "B"

The LACFCD agrees to pay its proportional share of costs of preparing and implementing the Plans and other related costs to be incurred by the GWMA in accordance with the Cost Share Formulas in **Exhibit "A1"** ("Cost Share Formula for Preparation of the Plans") and **Exhibit "A2"** ("Cost Share Formula for Implementation of the Plans"), for an annual not-to-exceed amount of \$100,000.

All the remaining non-LACFCD parties agree to pay their proportional share of costs of implementing the Plans and other related costs to be incurred by the GWMA in accordance with the Cost Share Formulas in Exhibit "A2" ("Cost Share Formula for Implementation of the Plans"), for an annual not-to-exceed amount of \$100,000 per year per non-LACFCD party.

Summary of Exhibits "A1", "A2" and "B"

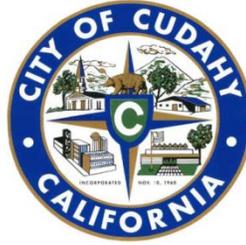
Exhibit A-1 was in the MOU and is not being changed.

Exhibit A-2 is new for the Implementation of the Plans. It contains Table 1 which is the cost sharing percentages that will be used for the CIMP or Monitoring. This table looks very much the same as all the other tables on the exhibits. The only difference is that the county is only willing to pay for 5% of the monitoring costs instead of the 10% that they agree to pay in the other tables. For example if the monitoring cost was \$100,000, all of the cities would share in 95% of the cost because the county will only pay \$5,000. In this case Cudahy's share of this balance would be $\$47,500/7 = \$6,785.71$ plus $\$47,500 * 0.0505 = \$2,398.75$ for a total cost of \$9,184.46

Exhibit A2 – Table 2 is for the implementation of the WMP and the County continues to agree to the 10% share of the cost. This is the share that they have always agreed to in the past so this is not changed.

Exhibit B on the last page of the document is the final and most significant change to the agreement. In Exhibit B the County proposes a Cap on their expenses for the term of the agreement. As it was explained by the County representatives they will spend up to \$100,000 per year for all cost associated with implementation of our plan. If we look at the example used above if we have a price of \$1,000,000 for monitoring for the year the County's share at 5% would be \$50,000 which is half of their commitment for the year. If we then propose to perform a study to determine that the Lugo Park Regional Project is feasible the County share would be 10% but the cost of the feasibility study could not exceed \$500,000 or we would exceed the county's maximum commitment for the year because the county share of the \$500,000 project is \$50,000.

The examples above are all hypothetical and, while impact must be considered is not necessarily going to occur for this MOU.



Item Number **12A**

STAFF REPORT

Date: February 3, 2015
To: Honorable Mayor and City Council Members
From: Jose E. Pulido, City Manager/Executive Director
By: Isabel Birrueta, Assistant City Attorney
Subject: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CUDAHY AMENDING CHAPTER 2.54 OF TITLE 2 OF THE CUDAHY MUNICIPAL CODE RELATING TO CITY CAMPAIGN ETHICS REGULATIONS**

RECOMMENDATION

The City Council is requested to consider the proposed Ordinance and, if the Council desires, move to introduce the proposed Ordinance by first reading of the title only.

BACKGROUND

1. On July 1, 2014, the City Council conducted a first reading of a City ordinance for campaign finance reform (Ordinance No. 629) which established City Campaign Ethics Regulations.
2. A second reading was conducted by the City Council and the City Council adopted Ordinance No. 629 on July 15, 2014.

ANALYSIS

The Campaign Ethics Regulations ("Regulations") established by Ordinance No. 629 are codified in the Cudahy Municipal Code ("CMC") as Chapter 2.54 (Campaign Ethics Regulations) of Title 2 (Administration) of the CMC.

The Regulations are a supplement to the California Political Reform Act ("PRA"). The PRA sets ethics rules for state and local government officials and places limits on certain campaign contributions, but does not impose any contribution limits for municipal elections. In *Buckley v. Valeo*, the United States Supreme Court held that cities may constitutionally impose limits on campaign contributions to local candidates and their controlled committees, and pursuant to its authority under Elections Code section 10202, the City has adopted contribution limits for municipal elections by ordinance.

Currently, the Regulations state that "No Person shall make to any City Candidate, or his or her Campaign Committee, and no such City Candidate or his or her Campaign Committee shall accept

from any such Person, a contribution or contributions totaling more than One Thousand Dollars (\$1,000) for any City election." The wording of this particular section ("for any City election") specifies that the contribution limit is per election, rather than per calendar or fiscal year.

Additionally, the PRA has a very broad definition of "candidate" under Government Code section 82007, and the definition essentially includes incumbents if they later run for re-election. Specifically, the definition of "candidate" includes: an individual who receives a contribution, or who gives his or her consent for any other person to receive a contribution, with a view to bringing about his or her nomination or election to any elective office, *whether or not the specific elective office for which he or she will seek nomination or election is known at the time the contribution is received, and whether or not he or she has announced his or her candidacy or filed a declaration of candidacy at the time of receipt of the contribution.*

Therefore, given the broad definition of "candidate" and the current wording of the Regulations, candidates for both current and for future elections are bound by the \$1,000 limit per election. The proposed ordinance would increase the contribution limit for each candidate in Cudahy elections by allowing the receipt of \$1,000 from a person per Fair Political Practices Commission ("FPPC") Reporting Period, rather than only "per election" as the Regulations currently prescribe. The FPPC requires two reporting periods per year (January 1st-June 30th and July 1st – December 31st). Therefore, the proposed ordinance would result in an overall contribution limit of \$8,000 from a person for a municipal election; however a candidate could not receive more than \$1,000 within 6 months from one person.

In an effort to understand the language found in Ordinance No. 629, the following example illustrate two different, yet realistic, scenarios; one with the current ordinance and the other with the proposed ordinance:

1. Current Ordinance - A city official elected in 2013 who receives \$1,000 from a person in 2014, which will be used for the official's future reelection campaign in 2017, may not receive any additional contributions from that same person until after the 2017 election. To receive any additional contributions from the individual between the 2014 \$1,000 contribution and the 2017 election would be a violation of the Regulation limit.
2. Proposed Ordinance – A candidate elected in March of 2013 could receive a \$1,000 contribution from one person on each of the following dates for a total of \$8,000 without violating the proposed Ordinance's regulations: May 2013, October 2013, March 2014, August 2014, April 2015, August 2015, January 2016, and September 2016.

The justification for imposing contribution limits is combating corruption and the appearance of corruption. *Buckley v. Valeo*, 424 U.S. at 26-27; *Federal Election Commission v. National Conservative PAC* (1985) 470 U.S. 480, 496-497. Therefore, the City Council should consider and determine what is an appropriate contribution limit to combat corruption or the appearance of corruption for Cudahy elections, and whether that limit is appropriately reflected by the current Regulations or whether the Regulations can or should be modified as proposed.

CONCLUSION

If the Council opts to introduce the proposed Ordinance for first reading, the proposed Ordinance will

go for a second reading in front of the Council. At the second reading, the Council may approve and adopt the proposed Ordinance amending the Regulations to allow candidates to receive up to \$8,000 per election from one person.

FINANCIAL IMPACT

None.

ATTACHMENTS

Proposed Ordinance No. 644

ORDINANCE NO. 644

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CUDAHY AMENDING CHAPTER 2.54 OF TITLE 2 OF THE CUDAHY MUNICIPAL CODE RELATING TO CITY CAMPAIGN ETHICS REGULATIONS

WHEREAS, the City Council seeks to restore public trust in local government and the electoral process by preventing corruption or the appearance of corruption; and

WHEREAS, the City Council specifically desires to implement regulatory safeguards upon the giving and soliciting of campaign contributions for persons seeking to become elected officials of the City of Cudahy (“City”) and those who are incumbent elected officials of the City; and

WHEREAS, the proposed regulations sought by the Council are intended to establish practices consistent with the City Council’s commitment to conduct the public’s business in accordance with high ethical standards and in a manner consistent with open government practices; and

WHEREAS, it is also recognized that the First Amendment affords broad protections for political expression, which includes the right to contribute to election campaigns; and

WHEREAS, it is also recognized that public policy strongly encourages the giving and receiving of campaign contributions, which must be balanced with regulating the conduct of public officials in order to circumvent scheming and impropriety; and

WHEREAS, in *Buckley v. Valeo*, the United States Supreme Court, nevertheless, held that cities may constitutionally impose limits on campaign contributions to local candidates and their controlled committees; and

WHEREAS, Elections Code section 10202 allows cities to enact municipal campaign contribution limits by resolution or ordinance; and

WHEREAS, Government Code section 81013 of the Political Reform Act (the “Act”), allows cities to impose additional requirements beyond the Act that do not prevent compliance with the Act; and

WHEREAS, Government Code section 85703(a) of the Act, authorizes cities to impose campaign contribution limits; and

WHEREAS, this Ordinance shall supersede Ordinance No. 629 and the Campaign Ethics Regulations established thereby.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CUDAHY DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. Title 2 (Administration and Personnel) of the Cudahy Municipal Code is hereby amended by the addition of the following Chapter 2.54 which shall read as follows:

CHAPTER 2.54 – CAMPAIGN ETHICS REGULATIONS

- Sec. 2.54.010 Definitions.
- Sec. 2.54.020 Campaign Contributions – Limitations
- Sec. 2.54.030 Prohibition Against Solicitation Contributions, Gifts, or Loans.
- Sec. 2.54.040 Prohibition Against Soliciting or Accepting Campaign Contributions for Three (3) Months After Approving a Permit or Decision.
- Sec. 2.54.050 Prohibition Against Solicitation of Contributions and Gifts.
- Sec. 2.54.060 Disclosure on the Record of Contributions.
- Sec. 2.54.070 Referral and Enforcement.
- Sec. 2.54.080 Statute of Limitations.

Sec. 2.54.010 Definitions.

For the purpose of this chapter, certain words and phrases are defined, and the definitions set forth as follows shall apply to the provisions of this chapter unless it is apparent from the context that a different meaning is necessarily intended.

“City Candidate” means any person who is a candidate, as defined by Government Code § 82007, for member of an elected City office or who is a member of a City office and who is the subject of a recall election.

“City Official” includes: (i) any elected or appointed City officeholder, including any City officeholder elected but not yet sworn in; (ii) City employees who are required to file a statement of economic interest pursuant to the California Political Reform Act, as amended; and (iii) any “public official” of the City as the term “public official” is defined under Government Code section 82048.

“Campaign Committee” means any “committee” within the meaning of Government Code section 82013, any “controlled committee” within the meaning of Government Code section 82016, any “general purpose

committee” within the meaning of Government Code section 82027.5, any “primarily formed committee” within the meaning of Government Code section 82047.5, any “sponsored committee” within the meaning of Government Code section 82048.7, political action committee, association of citizens, or any other organization or association formed for the purpose of promoting or opposing the election or reelection of a person to City elected office.

“Contribution” shall have the same meaning as set forth under Government Code section 82015.

“Gift” shall have the same meaning as set forth under Government Code section 82028.

“Loan” means the temporary transfer of money or goods for the personal use of an individual with the expectation that the money or goods will be returned.

“Person” means any natural person; any corporation of any variety; any limited liability company; any partnership of any variety; any sole proprietorship; any joint venture or like commercial venture or partnership; any trust; any independent contractor; or any organization or association of persons of any variety and formed for any purpose, including, but not limited to, any collective bargaining group or labor association.

Sec. 2.54.020 Campaign Contributions – Limitations

- A. No Person shall make to any City Candidate, or his or her Campaign Committee, and no such City Candidate or his or her Campaign Committee shall accept from any such Person, a contribution or contributions totaling more than One Thousand Dollars (\$1,000) for any City election per six month Fair Political Practices Commission Reporting Period.
- B. The provisions of this section shall not apply to a City Candidate’s contribution of his or her personal funds to his or her own campaign.

Sec. 2.54.030 Prohibition Against Solicitation Contributions, Gifts, or Loans.

It shall be unlawful for any City Official to use his or her office or position, or exercise the power or authority of his or her office or position, in any manner intended by the City Official to induce or coerce any of the following entities to make a Contribution, Gift or Loan to the City Official or to any Campaign Committee controlled by the City Official: (a) any Person currently under contract with the City to provide any service, goods, or equipment to the City in exchange for compensation paid by the City; (b) any Person who has a proposal or bid pending before the City for the award of a contract to provide the City with any service, goods, or

equipment in exchange for compensation paid by the City; (c) any Person who has just been awarded a contract to provide the City with any service, goods, or equipment but has yet to execute a contract for the same; (d) any Person who is a party to any municipal franchise agreement with the City (e.g., to provide solid waste handling services, transportation services, and the like); (e) any Person who has a proposal or bid pending before the City for the award of any municipal franchise or any Person who has been awarded a municipal franchise but has yet to execute a franchise agreement with the City; (f) any employee of the City or any person employed by a public agency under contract with the City to provide a municipal service within the City; (g) any Person directly responsible for representing any represented or unrepresented employee or group of employees of the City in negotiations with the City regarding hourly wages, salaries, benefits (including pension benefits, retirement benefits, medical benefits, and other benefits or perks provided by the City in lieu of wages or salaries), and other workplace conditions; or (h) any Person directly responsible for representing any represented or unrepresented employee or group of employees employed by a public agency under contract with the City to provide a municipal service within the City.

Sec. 2.54.040. Prohibition Against Soliciting or Accepting Campaign Contributions for Three (3) Months After Approving a Permit or Decision.

- A. No City Official or Campaign Committee controlled by the City Official shall solicit or accept any Contribution, Gift, or Loan in excess of Two Hundred Fifty Dollars (\$250) or any aggregation of multiple Contributions, Gifts, or Loans that exceeds Two Hundred Fifty (\$250) from any single Person for a period of three (3) months following the date final action is taken in any of the following varieties of matters in which the City Official participated in the deliberation and/or vote of the City Council or during the time such matters are pending: (i) any proceeding to approve or deny a license, permit, or land use entitlement in which the contributor, gift giver, or lender was the applicant or a natural person with an ownership interest in the applicant or is the owner of the real property parcel for which the license, permit, or land use entitlement corresponds; (ii) any proceeding to award a contract to provide services, goods, or equipment to the City in exchange for compensation paid by the City wherein the contributor, gift giver, or lender was the Person awarded the contract or has an ownership interest in the Person awarded the contract or wherein the entity awarded the contract is a subsidiary entity owned or otherwise controlled by the contributor, gift giver, or lender; (iii) any proceeding to award a municipal franchise agreement wherein the contributor, gift giver or lender was the Person awarded the franchise or has an ownership interest in the franchisee or wherein the entity awarded the franchise is a subsidiary entity owned or

otherwise controlled by the contributor, gift giver, or lender; (iv) any proceeding to approve a collective bargaining agreement or employment agreement in which the Person making the contribution or loan represents the represented or unrepresented employee(s) covered under the collective bargaining agreement or employment agreement; and (v) any proceeding to take action on the approval, renewal, or termination of an agreement in which another public agency will provide a municipal service to the City wherein the Person making the contribution, gift, or loan is the collective bargaining representative of the employees who will perform the municipal service on behalf of the public agency.

- B. For purposes of this section, a City Official participates in a proceeding if he or she is counted as part of the quorum when a matter is deliberated and/or acted upon. Persons who abstain on a matter but remain on the dais shall still be considered part of the quorum. Only recusal and departure from the City Council chambers while the matter is being decided upon shall constitute non-participation. Absence from a meeting in which the subject matter was decided and deliberated upon shall also qualify as non-participation.
- C. For purposes of this section, members of the public, other than the applicant, the contractor, or direct recipient of an approval, who express an opinion to the City Council through direct public comment, through testimony at a public hearing, or in writing shall not be affected by this section.
- D. A City Official who accepts a Contribution, Gift, or Loan in violation of this section shall have thirty (30) calendar days from the date he or she is provided with written notice of the violation by the City Manager to return the Contribution, Gift, or Loan in full, and, if such Contribution, Gift, or Loan is returned within such 30-day period, no violation shall be deemed to have occurred.

Sec. 2.54.050 Prohibition Against Solicitation of Contributions and Gifts.

- A. It is unlawful for any City Official or any Campaign Committee controlled by the City Official to demand or otherwise solicit a Contribution or Gift from a City employee with knowledge that the person from whom the Contribution or Gift is solicited is a City employee.
- B. It is unlawful for any candidate for City elective office or any Campaign Committee controlled by the candidate or formed for the purpose of promoting or supporting the candidate's candidacy for City elected office to demand or otherwise solicit a Contribution or Gift from a City employee with knowledge that the person from whom the Contribution or Gift is solicited is a City employee.

- C. Notwithstanding subsections A and B, this section shall not prohibit a City Official or candidate for City elective office or any Campaign Committee controlled by such individuals from soliciting Contributions from City employees in instances where the City employee has voluntarily requested to be placed on a solicitation list or where the solicitation takes the form of a blanket solicitation made to the general public (e.g., the mass mailing, door-to-door distribution or electronic mail distribution of campaign materials which may include requests for contributions to City residents or to City residents with a particular party affiliation).
- D. Nothing in this section shall prohibit a City employee from making an unsolicited, voluntary Contribution to a City Official or candidate for City elective office, and nothing in this section shall prohibit a City Official or candidate for City elective office from accepting an unsolicited, voluntary Contribution from a City employee.

Sec.2.54.060 Disclosure on the Record of Contributions.

Prior to rendering any decision in a proceeding involving the award, to a Person, of a contract to provide services, goods, or equipment to the City or the award, to a Person, of a municipal franchise agreement, each City Official participating in such proceeding, who received a contribution in the amount of fifty (50) dollars or greater from such Person, shall disclose verbally on the record the amount of contributions received from such Person within the preceding twelve (12) months.

Sec.2.54.070 Referral and Enforcement.

Persons seeking to report alleged violations of this chapter shall submit their allegations in writing signed under penalty of perjury of the laws of the State of California on a form provided by the City. The writing shall specifically identify which provision(s) of this chapter have been violated and shall explain in detail the factual basis for the allegation(s). The writing shall indicate the date(s) of the alleged violations and shall also specifically identify and include any evidence in support of the allegation(s). Evidence based on the testimony of individuals shall be submitted in the form of a printed declaration signed under penalty of perjury under the laws of the State of California on forms prepared by the City. Written allegations shall be submitted to the City Manager care of the City Clerk. The City Manager shall submit the materials to the City Prosecutor for review and evaluation within seven (7) calendar days of its receipt. The City Prosecutor shall have discretion to prosecute the matter pursuant to Chapter 1.36 (Penalty Provisions) of the Cudahy Municipal Code or may refer the matter to the District Attorney for potential prosecution as a misdemeanor pursuant to Chapter 1.36. If the allegations contend that the City Manager has violated the provisions of this chapter, the writing shall be submitted to the City Attorney who shall in turn refer the matter to the City Prosecutor in the same manner as if the

matter had been submitted to the City Manager. If the District Attorney declines to prosecute the matter, the matter shall be deemed closed and no further prosecution shall be forthcoming under this chapter.

Sec. 2.54.080 Statute of Limitations.

There shall be no prosecution for any specific alleged violation of this chapter if the written form containing the allegation of the violation is submitted to the City Clerk more than sixty (60) calendar days from the date the specific violation is alleged to have occurred. The City Prosecutor or the District Attorney shall have six (6) months from the date of submission of the written allegations to the City Clerk to prosecute any alleged violations. In the event the City Prosecutor or the District Attorney shall fail to prosecute the matter within said 6-months period the matter shall be deemed closed and no further prosecution shall be forthcoming under this chapter for the violations alleged.

Section 2. Severability. If any section, subsection, sentence, clause, phrase, or portion of this Ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance, and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more sections, subsections, subdivisions, sentences, clauses, phrases, or portions might subsequently be declared invalid or unconstitutional.

Section 3. CEQA. The City Council finds that this Ordinance is not subject to the California Environmental Quality Act ("CEQA") pursuant to section 15061(b)(3) of the State CEQA Guidelines, California Code of Regulations, title 14, chapter 3, because it can be seen with certainty that there is no possibility that it will have a significant effect on the environment.

Section 4. Effective Date. This Ordinance shall take effect thirty (30) days after its adoption. The City Clerk shall certify to the adoption of this Ordinance and shall cause this Ordinance or a summary thereof to be published in the manner required by law.

PASSED, APPROVED AND ADOPTED at a regular meeting of the City Council of the City of Cudahy on this xxth day of Month, 2015.

Chris Garcia
Mayor

ATTEST:

Victor H. Ferrer
Deputy City Clerk



Item Number **13A**

STAFF REPORT

Date: February 3, 2015
To: Honorable Mayor/Chair and City Council/Agency Members
From: Jose E. Pulido, City Manager/Executive Director
Subject: **Consideration of a Resolution Approving an Asset Transfer Agreement, dated January 29, 2015, between the Successor Agency to the Former Cudahy Community Development Commission/Cudahy Redevelopment Agency and the Cudahy Economic Development Corporation**

RECOMMENDATION

It is recommended that the City Council adopt the proposed Resolution to approve the asset transfer agreement (the "Asset Transfer Agreement") in accordance with the order set forth in the April 15, 2014 report entitled "Cudahy Redevelopment Agency Asset Transfer Review January 1, 2011, through January 31, 2012," (the "Transfer Report") from the Office of the State Controller (the "SCO").

BACKGROUND

1. In April 2011, the City formed the Cudahy Economic Development Corporation, a non-profit public benefit corporation (the "EDC"), to assist in undertaking certain community redevelopment activities in the City. In furtherance of the EDC's mission to enable community redevelopment in the City, the Cudahy Community Development Commission/Cudahy Redevelopment Agency ("RDA") transferred its assets to the EDC prior to the effective date of the State Redevelopment Dissolution Law (ABX1 26).
2. In a April 15, 2014 report entitled "Cudahy Redevelopment Agency Asset Transfer Review January 1, 2011, through January 31, 2012," (the "Transfer Report") the Office of the State Controller (the "SCO") asserted that the RDA's transfer of certain assets to the EDC was improper pursuant to Health and Safety Code Section 34167.5. In the Transfer Report, the SCO ordered the Successor Agency to recover the redevelopment assets previously transferred to the EDC (the "Recovery Assets"), which are referenced in Section 2 and Section 3 of the Asset Transfer Agreement.

CONCLUSION

The proposed Resolution would approve the Asset Transfer Agreement that would effectuate the transfer of the Recovery Assets in accordance with the SCO's order in the Transfer Report. On

January 29, 2015, the EDC adopted a resolution approving the Asset Transfer Agreement. If approved by the Successor Agency, the Asset Transfer Agreement would be forwarded to the Oversight Board and State Department of Finance for their consideration. The Asset Transfer Agreement will only take effect upon their approval.

ATTACHMENTS

Resolution No. SA 15-01 (with Asset Transfer Agreement attached thereto)

RESOLUTION NO. SA 15-01

A RESOLUTION OF THE SUCCESSOR AGENCY FOR THE FORMER CUDAHY COMMUNITY DEVELOPMENT COMMISSION/CUDAHY REDEVELOPMENT AGENCY APPROVING AN ASSET TRANSFER AGREEMENT BETWEEN THE CUDAHY ECONOMIC DEVELOPMENT CORPORATION AND THE SUCCESSOR AGENCY TO THE FORMER CUDAHY COMMUNITY DEVELOPMENT COMMISSION/CUDAHY REDEVELOPMENT AGENCY REGARDING THE TRANSFER OF ASSETS FROM THE CUDAHY ECONOMIC DEVELOPMENT CORPORATION TO THE SUCCESSOR AGENCY TO THE FORMER CUDAHY COMMUNITY DEVELOPMENT COMMISSION/CUDAHY REDEVELOPMENT AGENCY IN ACCORDANCE WITH THE CALIFORNIA STATE CONTROLLER'S OFFICE

WHEREAS, the City of Cudahy (the "City") authorized the formation and operation of a community redevelopment agency within the territorial jurisdiction of the City pursuant to California state law; and

WHEREAS, the former Cudahy Community Development Commission/Cudahy Redevelopment Agency ("RDA") undertook the redevelopment of certain areas of the City in reliance upon the provisions of state law; and

WHEREAS, the State of California (the "State") ordered the RDA to be dissolved under the provisions of ABX1 26 (Stats 2011-12, 1st Ex. Sess., Chapter 5), as amended by AB 1484 (Stats 2012, Chapter 26), and collectively the State legislation identified in this sentence is referred to herein as the "State Redevelopment Dissolution Law"; and

WHEREAS, the City as Successor Agency to the RDA (the "Successor Agency") has initiated the implementation of the State Redevelopment Dissolution Law; and

WHEREAS, in April 2011, the City formed the Cudahy Economic Development Corporation, a non-profit public benefit corporation (hereinafter, the "EDC"), to assist the City and RDA in undertaking certain community redevelopment activities in the City; and

WHEREAS, in furtherance of the EDC's mission to enable community redevelopment in the City, the RDA transferred its assets to the EDC prior to the effective date of the State Redevelopment Dissolution Law; and

WHEREAS, in a April 15, 2014 report entitled "Cudahy Redevelopment Agency Asset Transfer Review January 1, 2011, through January 31, 2012," (the "Transfer Report") the Office of the State Controller (the "SCO") found that the RDA's transfer of

certain assets to the EDC was improper pursuant to Health and Safety Code Section 34167.5; and

WHEREAS, in the Transfer Report, the SCO ordered the Successor Agency to recover the redevelopment assets previously transferred to the EDC (the "Recovery Assets"), which are referenced in Section 2 and Section 3 of the asset transfer agreement between the EDC and Successor Agency that is attached hereto as **Exhibit "1"** (the "Asset Transfer Agreement") and incorporated herein by reference; and

WHEREAS, the Successor Agency is in the process of completing the recovery of the Recovery Assets previously transferred to the EDC, and is also formulating a Long-Range Property Management Plan, which will be forwarded to the Oversight Board for approval upon completion; and

WHEREAS, the purpose of this Successor Agency resolution (this "Resolution") is to memorialize the Successor Agency's approval of the transfer of the Recovery Assets from the EDC to the Successor Agency, thereby allowing the Successor Agency's recovery of such Recovery Assets in accordance with the terms of the Asset Transfer Agreement; and

WHEREAS, the EDC and Successor Agency have both determined that it is appropriate to enter into the Asset Transfer Agreement in order to accommodate the SCO's order set forth in the Transfer Report.

NOW, THEREFORE, THE SUCCESSOR AGENCY TO THE FORMER CUDAHY COMMUNITY DEVELOPMENT COMMISSION/CUDAHY REDEVELOPMENT AGENCY DOES RESOLVE AS FOLLOWS:

SECTION 1. The recitals set forth above are true and correct and incorporated herein by reference.

SECTION 2. The Successor Agency hereby approves the Asset Transfer Agreement between the Successor Agency and the EDC for the transfer of the Recovery Assets, as enumerated in the Asset Transfer Agreement and finds that the transfer of the Recovery Assets and other actions contemplated therein are in the best interest of the EDC.

SECTION 3. The Successor Agency hereby accepts the Recovery Assets transferred to it as set forth in the Asset Transfer Agreement, pursuant to the SCO's order in the Transfer Report

SECTION 4. The Successor Agency Executive Director is authorized and directed to: (1) execute the Asset Transfer Agreement following conformation of authorization to do so from the Oversight Board to the Successor Agency and the State Department of Finance, pursuant to Health and Safety Code Section 34179(h); (2)

accept delivery on behalf of the Successor Agency of the quitclaim deeds executed by the EDC pursuant to the the Asset Transfer Agreement; and (3) to take any and all other appropriate actions as necessary to implement the Successor Agency's obligations under the Asset Transfer Agreement.

SECTION 5. Successor Agency staff is authorized to purchase title insurance and incur other reasonable costs, such as property inspection and property security expenses, as deemed appropriate by the Executive Director, to protect and manage the value of the assets subject to the Asset Transfer Agreement.

SECTION 6. This adoption of this Resolution and the implementation of the activities contemplated under the Asset Transfer Agreement is not a "project" for purposes of CEQA, as that term is defined by Guidelines Section 15378, because this the implementation of the activities contemplated under the Asset Transfer Agreement is an organizational or administrative activity that will not result in a direct or indirect physical change in the environment, in accordance with Section 15378(b)(5) of the Guidelines.

SECTION 7. This Resolution shall take effect upon adoption. The Chair of the Successor Agency shall certify to the adoption of this Resolution and is directed to forward this Resolution to the Oversight Board to the Successor Agency for its consideration and prospective approval.

PASSED AND ADOPTED by the Successor Agency to the former Cudahy Community Development Commission/Redevelopment Agency at its meeting on this 3rd day of February, 2015.

Chris Garcia,
Mayor of the City of Cudahy as
Successor Agency to the Former
Cudahy Community Development
Commission/Cudahy Redevelopment
Agency

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS:
CITY OF CUDAHY)

I, Chair of the Successor Agency, do hereby certify that the above and foregoing Resolution No.15-01 was passed, approved, and adopted by the Successor Agency to the, signed by the Chair and attested by the Chair at a meeting of said Successor Agency held on this 3rd day of February 2015, and that said Resolution was adopted by the following votes to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

Chair of the Successor Agency

CUDAHY SUCCESSOR AGENCY
AND
CUDAHY ECONOMIC DEVELOPMENT CORPORATION
ASSET TRANSFER AGREEMENT

This 2015 Asset Transfer Agreement (the "Agreement") is made and entered into as of January 29, 2015, by and between the Cudahy Economic Development Corporation (referred to as the "EDC"), on the one hand, and the City of Cudahy Successor Agency (referred to as the "Successor Agency"), which succeeded the Cudahy Community Development Commission (referred to as the "RDA"), on the other hand, to transfer to the Successor Agency certain assets conveyed to the EDC by the RDA. The EDC and the Successor Agency shall collectively be referred to herein as the "Parties."

RECITALS

A. WHEREAS, the California State Legislature enacted Assembly Bill x 26 ("ABx26") and Assembly Bill 1484 ("AB1484") (collectively referred to as the "Dissolution Act"), to dissolve all community redevelopment agencies throughout the State of California; and

B. WHEREAS, on March 18, 2011, Dissolution Act, the City of Cudahy (the "City") created the EDC, a California public benefit corporation, for the purpose of eliminating blight. The EDC's Internal Revenue Service Form 1023 states that the EDC "will eliminate blight in the City. The [EDC] . . . will work closely with the City to acquire and construct community facilities, low and moderate income housing units and other development which will improve the community for the residents of the City... [EDC] is formed to eliminate governmental burdens...;" and

C. WHEREAS, in furtherance of the EDC's mission to enable community redevelopment in the City, the RDA transferred its assets to the EDC prior to the effective date of ABx26; and

D. WHEREAS, the RDA's assets transferred to the EDC are listed and attached hereto as Exhibit "A"; and

E. WHEREAS, since its inception, the EDC purchased property within the City for the purpose of redevelopment with cash assets transferred from the RDA and the properties as purchased by the EDC are listed and attached hereto as Exhibit "B"; and

F. WHEREAS, on or around May, 2012, the EDC entered into a loan acquisition agreement with Paramount Villas, LLC and Alvaro Banegas (collectively referred to as "Paramount Villas") for the property known as 4848 Live Oak Street and 4854 Live Oak Street, Cudahy, California (the "Live Oak Property"). Pursuant to the acquisition agreement, the EDC transferred the Live Oak Property to Paramount Villas; and

G. WHEREAS, on or about April 14, 2014, the California State Controller's Office ("SCO") ordered the EDC to transfer the assets it acquired from the RDA to the Successor

Agency (a list of said assets is set forth on page 6 of the SCO's correspondence of April 14, 2014 is attached hereto Exhibit "C"); and

H. WHEREAS, the EDC and the Successor Agency desire to comply with the SCO's order to return certain assets (listed on Exhibit "D", which is attached to the Compendium of Schedules and Exhibits) to the Successor Agency, pursuant to the terms listed below; and

AGREEMENT

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION THE EDC AND THE SUCCESSOR AGENCY COVENANT, ACKNOWLEDGE, AND AGREE AS FOLLOWS:

1.0 AGREEMENT

1.1 This Agreement, together with all attachments hereto, including, but not limited to, those schedules and exhibits listed on the Compendium of Schedules and Exhibits, shall constitute the entire understanding and agreement of the Parties as to the subject matter hereof. This Agreement integrates all of the terms and conditions mentioned herein or incidental thereto, and supersedes all prior negotiations, discussions and previous agreements between the EDC and the Successor Agency concerning all or any part of the subject matter of this Agreement.

1.2 The purpose of this Agreement is to effectuate orderly compliance with the SCO's order to return redevelopment assets to the Successor Agency.

1.3 This Agreement shall take effect when all of the following conditions have been satisfied:

- (i) this Agreement shall have been approved by the EDC and executed by its authorized officer by a date not later than February 11, 2015; and
- (ii) this Agreement shall have been approved by the Successor Agency and executed by its executive director by a date not later than February 11, 2015; and
- (iii) the Cudahy Oversight Board shall have approved this Agreement as evidence by the adoption of an approving resolution of the Cudahy Oversight Board; and
- (iv) the State Department of Finance shall have accepted as final, the approving resolution of the Cudahy Oversight Board described in (iii), above; and

Upon the occurrence of all four (4) conditions identified above, the Successor Agency shall provide written notice to the EDC that the above four (4) conditions have been satisfied. The date of this notice shall be the date that this Agreement shall take effect (the "Effective Date"); provided however that condition number (i) – (iv) inclusive shall have been accomplished by a date not later than April 1, 2015, or thereafter, the Successor Agency shall have the power at its sole option to rescind its approval of this Agreement.

1.4 In the event that the State Department of Finance may direct the Cudahy Oversight Board to reconsider or modify its approval of this Agreement, pursuant to Section 1.3 (iv) above, the Successor Agency and the EDC hereby agree to promptly consider and approve any such modification, or amendment to this Agreement as may then be indicated, in order reasonably accommodate such direction of the State Department of Finance and submit such

modification or amendment of this Agreement to the Cudahy Oversight Board for its reconsideration and approval under Section 1.3 (iii) above

2.0 TRANSFER

2.1 Promptly following the Effective Date and the receipt of written notice from the Successor Agency, the EDC hereby agrees to convey and transfer to the Successor Agency all of the real property and each parcel thereof identified in Exhibit "D" (the "Real Property"). The EDC shall convey the fee title interest in all of the Real Property and each parcel thereof to the Successor Agency in an "AS IS," "WHERE IS" condition, subject to all faults, provided however that from and after January 29, 2015, the EDC shall not create any new title condition, exception to title, possessory interest or any other right license or contract in favor of a third person in the Real Property or any parcel thereof without first obtaining the written permission of the Successor Agency in its sole discretion.

2.2 The Successor Agency shall have the right to review and approve the condition of the Real Property, and each parcel thereof as to title and environmental condition, in its sole discretion prior to the time of conveyance by the EDC to the Successor Agency as provided in Section 2.3. The Successor Agency may reject the condition of one or more parcels of Real Property and direct the EDC to take such corrective action as the Successor Agency may deem to be practicable with respect to such rejected condition of one or more parcels of the Real Property, and the EDC agrees to promptly take all reasonable action to implement the correction of and such rejected condition affecting one or more parcels of the Real Property as may hereafter be directed by the Successor Agency, such that the condition of each such parcel rejected of the Real Property is corrected to the satisfaction of the Successor Agency.

2.3 Within thirty (30) days following the Effective Date, the EDC shall execute quitclaim deeds in a form approved by the Successor Agency and for the benefit of the Successor Agency for the transfer of the Real Property and each parcel thereof promptly upon receipt of written notice for the delivery of such quitclaim deeds for the Successor Agency. The Successor Agency may elect to receive the transfer of the Real Property and each parcel thereof under one or more quitclaim deeds.

2.4 The Successor Agency shall be responsible for paying for all costs and expenses of such investigation of the title condition and soil environmental condition of the Real Property as the Successor Agency may deem in its discretion to undertake and incur. The Successor Agency shall be responsible for paying for the cost of any title insurance premiums and recording fees associated with the completion of the transfer of the Real Property to the Successor Agency.

3.0 TRANSFER OF NON-REAL PROPERTY ASSETS

3.1 Within ten (10) business days following the Effective Date, the EDC shall prepare a final accounting of non-Real Property Assets, which are preliminarily set forth in the audit conducted by Vasquez and Company, dated [REDACTED], which is attached hereto as Exhibit "E" ("Other Assets"). This final accounting of the Other Assets shall provide updated information which involves cash on deposit of the EDC, balance due and payable to the EDC, an accounting

of the EDC's accounts payable, assignment of contracts, rents, and insurance (collectively referred to as "the Account Stated"). The parties agree that the Account Stated shall supplement the information set forth in Exhibit "E" with respect to the Other Assets and shall be incorporated by reference to the Transfer Agreement.

The form of the asset transfer agreement for the assets listed in the Account Stated shall be prepared by the Successor Agency and provided to the EDC within twenty (20) business days following the Effective Date. Upon receipt of the form of the asset transfer agreement for the assets listed in the Account Stated, the EDC shall execute the form of the asset transfer agreement for the assets listed in the Account Stated.

3.2 Promptly following the Effective Date, the Successor Agency shall be joined into that certain litigation entitled "*Alvaro Banegas and Paramount Villas, LLC v. the Cudahy Economic Development Corporation, et. al.* LASC Case No. VC 063068" as the real party in interest, and upon the approval by the Superior Court of the joined of the Successor Agency as a real party in interest in such legal proceedings, the Successor Agency shall assume the full cost of the prosecution and defense of such legal proceedings. The EDC shall cooperate with the Successor Agency in the prosecution and defense of such legal proceedings from and after the joiner of the Successor Agency as a real party in interest. The EDC shall assign to the Successor Agency any sums as may hereafter be ordered by the Superior Court to be payable to the EDC in such legal proceeding.

3.3 The EDC has previously conveyed certain real property to Melia Homes, LLC as more particularly described in Recorded Instrument No. 20130200406, recorded February 7, 2013 (the "Melia Property"), which is attached hereto as Exhibit "F." Promptly following the effective date, the EDC shall cooperate with and assist the Successor Agency to cause the owner of the Melia Property to transfer and convey the fee interest of the Melia Property to the Successor Agency, at the earliest feasible date free and clear of any mortgage or other liens arising after February 7, 2013 [the date of recordation of the Melia Grant Deed]. At its option, the Successor Agency may elect to direct the owner of the Melia Property to pay the Successor Agency a sum of money for the right to retain ownership of the Melia Property which shall be the greater of fair market value of the Melia Property, or such other amount as may be provided in the terms of the purchase and sale agreement by and between the owner of the Melia Property and the EDC pursuant to which the Melia Property was transferred by the EDC to such owner. The EDC hereby agrees to execute any instrument, agreement or acknowledgement as may be reasonably requested by the Successor Agency to accomplish either the conveyance of the Melia Property to the Successor Agency, or to the acknowledge the receipt of funds payable by the owner of the Melia Property to the Successor Agency. The EDC hereby waives, releases and disclaims any interest in the reversionary interest in the Melia Property and/or any cash proceeds thereof as shall be payable to the Successor Agency.

3.4 Upon the request of the Successor Agency, the EDC hereby agrees to execute any ancillary or additional documents as may be necessary to transfer to the Successor Agency any property or assets of any kind which may not be specifically enumerated in Section 2.0 or this Section 3.0, which the EDC has acquired prior to the Effective Date using either funds provided to the EDC by the former redevelopment agency or funds provided to the EDC by the Successor Agency, or from funds and monies which are proceeds realized by the EDC from the disposition

of any of the property or assets as obtained by the EDC from either the former redevelopment agency or the Successor Agency prior to the Effective Date.

4.0 CONSTRUCTION

4.1 This Agreement is made and entered into in the State of California and shall, in all respects, be interpreted, enforced and covered under the laws of California. The Parties agree that California *Civil Code* section 1654 is inapplicable to this Agreement, and agree that this Agreement is the product of joint drafting between the Parties.

4.2 As used in this Agreement, the masculine, feminine, or neuter gender, and the singular or plural number shall each be deemed to include the other whenever the contents so indicate.

5.0 SUCCESSORS

5.1 The provisions of this Agreement shall be deemed to obligate, extend to, and inure to the benefit of all Parties hereto, and their respective assigns, predecessors, successors, agents and representatives.

6.0 INFORMED CONSENT/WARRANTY OF AUTHORITY

6.1 The Parties hereby declare that they received information, either through their own attorney or the sources of their own selection, so as to be able to intelligently make a determination whether to enter into this Agreement.

6.2 The Parties further state that they have read this Agreement in its entirety, prior to executing this document, and that they have executed this Agreement voluntarily, with competence and capacity, and understand the legal effects of this Agreement.

6.3 The persons executing this Agreement represent and warrant that they have the express authority, right and power to execute this Agreement and to bind the Party on whose behalf they sign.

7.0 ENTIRE, FINAL AND COMPLETE AGREEMENT

7.1 The Parties acknowledge that in entering into this Agreement, they have not relied upon any representation, promises or conditions not specifically set forth herein.

7.2 The terms of this Agreement are contractual and are not mere recitals. The Recitals set forth above are incorporated in this Agreement, and are deemed to be contractual.

7.3 This Agreement may be executed in counterpart, and all executed counterparts, including faxed or photocopied signatures, as well as copies transmitted in PDF format, shall be treated as an ink-signed original for all purposes, and fully admissible as evidence. This Agreement is binding on the Parties and is admissible in court for the purpose of enforcing any provision herein.

Each undersigned does hereby declare that he/she fully understand and appreciates the meaning of this Agreement and has executed this Agreement of his/her own free will and accord.

DATED: January ____, 2015

City of Cudahy Successor Agency

By:
Title:

DATED: January ____, 2015

Cudahy Economic Development Corporation

By:
Title:

EXHIBIT "A"

Cudahy Economic Development Corporation Additional scope

Transfers of assets to the Cudahy Economic Development Corporation (EDC):

Per the April 1, 2011 Project Implementation Agreement:

4854/4848 Oak Street	\$	1,208,895	(a), (b), (c)	
7638/7644 Atlantic Avenue		1,009,070	(a), (b)	
8100 Atlantic Avenue		1,323,297	(a), (b)	
8110 Atlantic Avenue		1,127,027	(a), (b)	
4720 Santa Ana Street		399,889	(a), (b)	
Total land transferred to the EDC				\$ 5,068,178
2011 bond issuance		9,410,000	see page 2	
2003 bond issuance		3,915,256	see page 3	
Available cash balances		2,584,744	(e)	
Total cash transferred to the EDC				<u>\$ 15,910,000</u> (d)
Total cash and assets transferred to the EDC				<u><u>\$ 20,978,178</u></u> -

Source:

Cudahy Redevelopment Agency Asset Transfer Review Report dated April 2014 from California State Controller

(a) Recorded in the books of CEDC on June 14, 2011

(b) Refer to page 4 for the source of funding for these properties

(c) Sold to Paramount Villas, LLC for a loan in the principal amount of \$470,000 on March 1, 2012

(d) Actual cash received by CEDC per June 2011 bank statements

(e) Actual cash received by CEDC were spent on expenses, cash advance and debt service fee (reduction in contribution)

EXHIBIT "B"

Cudahy Economic Development Corporation

Additional scope

2011 Bond Issuance

Sources and Uses of Bonds

based on Bond Documents

	2011A*	2011B*	Total
Sources of funds:			
Bond Proceeds	\$ 2,285,000	\$ 8,920,000	\$ 11,205,000
Less: Original Issue Discount	\$ (86,445)	\$ (204,262)	\$ (290,707)
Total	\$ 2,198,555	\$ 8,715,738	\$ 10,914,293
Use of funds:			
Housing Fund	\$ 1,885,000	\$ 7,525,000	\$ 9,410,000
Costs of Issuance	\$ 85,055	\$ 298,738	\$ 383,793
Reserve Fund	\$ 228,500	\$ 892,000	\$ 1,120,500
Total	\$ 2,198,555	\$ 8,715,738	\$ 10,914,293

Sources and Uses of Bonds

based on CEDC Records

	2011A*	2011B*	Total
Amount of bonds transferred to CEDC :			
Credited to CEDC per June 2011 bank statement	\$ 1,885,000	\$ 7,525,000	\$ 9,410,000

Properties acquired using 2011B bond proceeds based on CEDC's transaction listing:

Date paid per bank statement

1. 8420 S. Atlantic Avenue	✓✓	1/13/2012	2,904,717	2,904,717
2. 8201 & 8221 Atlantic Blvd.	✓✓	5/3/2012	1,096,864	1,096,864
3. 4613 Clara St	✓✓	11/1/2012	407,532	407,532
4. 7660 Atlantic Ave	✓✓	11/1/2012	1,541,620	1,541,620
5. 8135 Atlantic Blvd	✓✓	12/19/2012	2,219,090	2,219,090
6. 5257 & 5260 Elizabeth St	✓✓	2/26/2013	787,961	787,961
		3/29/13	5,000	5,000
Sub-total			-	8,962,785
Balance			1,885,000	(1,437,785)

Expenses paid using 2011B bond proceeds based on CEDC's transaction listing:

Wire-Transfer Fee	7/18/2012	30
Balance		447,185 (1)

*2011A and 2011B bonds are considered tax exempt
 ✓ within the scope of the redevelopment activities

(1) Remaining balance is considered as part of cash and cash equivalents of \$615,819 as of 6/30/14. No other expenses were paid using bond proceeds per CEDC transaction listing

2003 Bond Issuance

Sources and Uses of Bonds based on Bond Documents	2003A (Tax Exempt)/ low and moderate income housing	2003B (Taxable)	2003C (Tax Exempt - Subordinate)	Total
Estimated sources of funds:				
Principal	\$ 3,680,000	\$ 3,255,000	\$ 6,680,000	\$ 13,615,000
Less: Original Issue Discount	(91,311)	(42,993)	(115,123)	(249,426)
Less: Underwriter's Discount	(51,520)	(45,570)	(133,600)	(230,690)
Plus: Accrued Interest	6,476	6,319	13,222	26,016
Total Proceeds	\$ 3,543,645	\$ 3,172,756	\$ 6,444,499	\$ 13,160,900
Plus: Refunded Bonds Reserve Fund	-	300,558	365,000	665,558
Plus: Refunded Bonds Special Fund	-	-	1,357	1,357
Plus: September 1, 2003 Payment	-	261,883	137,350	399,233
Total Sources	\$ 3,543,645	\$ 3,735,196	\$ 6,948,207	\$ 14,227,047
Estimated use of funds:				
Deposit to Escrow Fund		3,332,086	4,319,350	7,651,436
Transfer to Commission - Housing Set Aside	3,100,000			3,100,000 (A)
Transfer to Commission - General Redevelopment			1,855,000	1,855,000 (A)
Deposit to Cost of Issuance Account	69,169	71,295	92,635	233,098
Deposit to Reserve Fund	368,000	325,500	668,000	1,361,500
Deposit to Interest Fund	6,476	6,319	13,222	26,016
	3,543,645	3,735,199	6,948,207	14,227,050

Sources and Uses of Bonds based on CEDC Records	2003A (Tax Exempt)/ low and moderate income housing	2003B (Taxable)	2003C (Tax Exempt - Subordinate)	Total
Amount of bonds transferred to CEDC :				
Credited to CEDC per June 2011 bank statement		\$ -		\$ 3,915,256 (A)
Properties acquired using 2003 bond proceeds based on CEDC's transaction listing:				
	Date paid per bank statement			
1. 4610 Santa Ana Street**	4/12/2012		-	35,000 (B)
	4/26/2012		-	1,003,927 (B)
	8/8/2012		-	5,752 (B)
2. 7630 Atlantic Avenue	7/18/2012		-	3,650,074 (B)
Sub-total		\$ -		4,694,752
Balance				\$ (779,496)

**Sold to Cudahy SA 2012, LLC for a loan in the principal amount of \$1,050,000 on May 31, 2012

(A) We do not have the details on the difference between the amount estimated to be transferred to Commission and the actual amount transferred to CEDC

(B) CEDC records did not classify if the properties were purchased using 2003 A series or 2003 C Series.

CUDAHY REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

April 2014



JOHN CHIANG
California State Controller

April 15, 2014

Henry Garcia, Interim City Manager
Cudahy Redevelopment Successor Agency
5220 Santa Ana Street
Cudahy, CA 90201

Dear Mr. Garcia:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Cudahy Community Development Commission/Cudahy Redevelopment Agency (RDA) to the City of Cudahy (City) or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether the asset should be turned over to the Successor Agency.

Our review applied to all assets including, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City or any other public agencies have been reversed.

Our review found that the RDA transferred \$26,505,820 in assets after January 1, 2011, including unallowable transfers totaling \$22,744,864, or 85.81% of transferred assets. The unallowable transfers included \$20,978,178 to the Cudahy Economic Development Corporation and \$1,766,686 to the Entity Assuming the Housing Functions. These assets must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth González, Bureau Chief, Local Government Compliance Bureau, by telephone at (916) 324-0622.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/mh

Attachment

cc: Frank Gurule, Chairman of Oversight Board
City of Cudahy Redevelopment/Successor Agency
Wendy L. Watanabe, Auditor-Controller
Los Angeles County
David Botelho, Program Budget Manager
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Elizabeth González, Bureau Chief
Division of Audits, State Controller's Office
Betty Moya, Audit Manager
Division of Audits, State Controller's Office
Michael Mock, Auditor-in-Charge
Division of Audits, State Controller's Office

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Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Cudahy Redevelopment Agency/Cudahy Community Development Commission (RDA) after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the RDA transferred \$26,505,820 in assets after January 1, 2011, including unallowable transfers totaling \$22,744,864, or 85.81% of transferred assets. The unallowable transfers included \$20,978,178 to the Cudahy Economic Development Corporation (EDC) and \$1,766,686 to the Entity Assuming the Housing Functions. These assets must be turned over to the Successor Agency.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA successor agencies and oversight boards to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety (H&S) Code beginning with section 34161.

H&S Code section 34167.5 states in part, ". . . the Controller shall review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency, or any other public agency, and the redevelopment agency."

The SCO identified asset transfers that occurred after January 1, 2011, between the RDA, the City, and/or any other public agency. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal order to ensure compliance with this order.

Objective, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the Cudahy City Council, the RDA, the Successor Agency, and the Oversight Board.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

Conclusion

Our review found that the Cudahy Redevelopment Agency/Cudahy Community Development Commission transferred \$26,505,820 in assets after January 1, 2011, including unallowable transfers totaling \$22,744,864 (\$20,978,178 to the EDC and \$1,766,686 to the Entity Assuming the Housing Functions), or 85.81% of transferred assets. These assets must be turned over to the Successor Agency.

Details of our findings are described in the Findings and Orders of the Controller section of this report.

Views of Responsible Officials

We issued a draft review report on January 10, 2014. Henry Garcia, Interim City Manager and Steven Dobrenen, Finance Director, responded by letter dated January 28, 2014. However, the City withdrew this letter and replaced it with a letter dated April 7, 2014. The City's response is included as an attachment to this final review report.

Restricted Use

This report is solely for the information and use of the City, the Successor Agency, the Oversight Board, the Entity Assuming the Housing Functions, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

April 15, 2014

Findings and Orders of the Controller

FINDING 1— Unallowable asset transfers to the Economic Development Corporation

On April 1, 2011, the Cudahy Redevelopment Agency/Cudahy Community Development Commission (RDA) made unallowable asset transfers of \$20,978,178 to the Cudahy Economic Development Corporation (EDC). The asset transfers to the EDC occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011. Those assets consisted of cash and capital assets.

Pursuant to H&S Code Section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. Those assets should be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(e).

Order of the Controller

Based on H&S Code section 34167.5, the EDC is ordered to reverse the transfer of the above assets in the amount of \$20,978,178 and to turn over the assets to the Successor Agency (see Schedule 1).

City's Response

The City, as Successor Agency, responded by letter dated January 28, 2014. However, the City withdrew this letter and replaced it with a letter dated April 7, 2014 (attached).

SCO's Comments

The City has developed a plan to address this issue. The Finding and Order of the Controller remains as stated.

FINDING 2— Unallowable asset transfers to the Entity Assuming the Housing Functions

On January 31, 2012, the RDA transferred a total of \$1,766,686 in housing assets to the Entity Assuming the Housing Functions. Pursuant to H&S Code Section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011.

Pursuant to H&S Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. Those assets should be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e). However, it appears that some of those assets also may be subject to the provisions of H&S Code section 34181(a).

H&S Code section 34181(a) states, “The oversight board shall direct the successor agency to do all of the following:

- (a) Dispose of all assets and properties of the former redevelopment agency that were funded by tax increment revenues of the dissolved redevelopment agency; provided however, that the oversight board may instead direct the successor agency to transfer ownership of those assets that were constructed and used for a government purpose, such as roads, school buildings, parks, police and fire stations, libraries, and local agency administrative buildings, to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such an asset. . . .

Order of the Controller

Based on H&S Code section 34167.5, the Entity Assuming the Housing Functions is ordered to reverse the transfer of the above assets in the amount of \$1,766,686, and turn them over to the Successor Agency.

City’s Response

The City, as Successor Agency, responded by letter dated January 28, 2014. However, the City withdrew this letter and replaced it with a letter dated April 7, 2014 (attached).

SCO’s Comments

The City agrees with the issue and will address it by requesting the Oversight Board to approve the transfers. The Finding and Order of the Controller remains as stated.

**Schedule 1—
Unallowable RDA Asset Transfers to
the City of Cudahy and Other Public Agencies
January 1, 2011, through January 31, 2012**

Transfers of assets to the Cudahy Economic Development Corporation (EDC):

Per the April 1, 2011 Project Implementation Agreement:

4854/4848 Oak Street	\$ 1,208,895	
7638/7644 Atlantic Avenue	1,009,070	
8100 Atlantic Avenue	1,323,297	
8110 Atlantic Avenue	1,127,027	
4720 Santa Ana Street	<u>399,889</u>	
Total land transferred to the EDC		\$ 5,068,178
2011 bond issuance	9,410,000	
2003 bond issuance	3,915,256	
Available cash balances	<u>2,584,744</u>	
Total cash transferred to the EDC		<u>15,910,000</u>
Total cash and assets transferred to the EDC		20,978,178
Assets transferred to Entity Assuming the Housing Functions:		
Assets available on January 31, 2012		<u>1,766,686</u>
Total asset transfers subject to Health and Safety Code section 34167.5		<u>\$ 22,744,864</u>

**Attachment—
City's Response to
Draft Review Report**



CITY OF CUDAHY CALIFORNIA

Incorporated November 10, 1960

P.O. Box 1007
5220 Santa Ana Street
Cudahy, California 90201-6024
(323) 773-6143
Fax (323) 771-2072

April 7, 2014

Jeffrey Brownfield, CPA
Chief, Division of Audit
Steven Mar, CPA
Bureau Chief, Local Government Audits Bureau
Betty Moya
Audit Manager, Division of Audit
California State Controller's Office
P.O. Box 942350
Sacramento, CA 94250-5874

Re: City of Cudahy and City of Cudahy as Successor Agency to the former Cudahy Community Development Commission

Ladies and Gentlemen:

INTRODUCTION

The City of Cudahy (the "City") and the City of Cudahy as Successor Agency to the former Cudahy Community Development Commission (the "Successor Agency") hereby acknowledge receipt of the draft "Cudahy Redevelopment Agency Asset Transfer Review Report (January 1, 2011 through January 31, 2012)" dated January 2014 (the "Draft Report"). The Draft Report was prepared by the Office of the State Controller.

This correspondence is submitted to the Office of State Controller following a telephone conference call on April 4, 2014, among officials with the Office of the State Controller and representatives of the City and the Successor Agency regarding the Draft Report and certain actions proposed by the Successor Agency in response to the two (2) findings set forth in the Draft Report.

The Successor Agency hereby respectfully withdraws its letter, dated January 28, 2014, and in its place substitutes this correspondence, dated April 7, 2014, in response to the Draft Report.

PART TWO

Response of the Successor Agency to the Draft Report Finding 1 and Finding 2

With respect to Draft Report Finding 1, the Successor Agency respectfully informs the Office of the State Controller that the transfer of \$20,978,178 in assets to the Cudahy Economic Development Corporation, a California non-profit public benefit corporation (the "Cudahy EDC") does not violate the provisions of Health and Safety Code Section 34167.5. The City and the

Jeffrey Brownfield, CPA
Chief, Division of Audit
Steven Mar, CPA
Bureau Chief, Local Government Audits Bureau
Betty Moya
Audit Manager, Division of Audit
April 7, 2014
Page 2

Successor Agency are informed and believe that the Cudahy EDC is a separate legal entity from the City of Cudahy. Nevertheless, and without any admission against their interests to the contrary, and with a full reservation of rights, the City and the Successor Agency intend to undertake the actions as set forth in Part Three, below in response to Finding 1 in the Draft Report and recover the assets transferred to the Cudahy EDC for disposition by the Successor Agency.

With respect to Draft Report Finding 2, the Successor Agency acknowledges that \$1,766,686 of low and moderate income housing assets have been transferred to the City as Successor Housing Agency without the prior approval of the Cudahy Oversight Board. The City and the Successor Agency hereby confirm to the Office of State Controller that in response to Finding 2 in the Draft Report, the Successor Agency shall promptly seek the concurrence and ratification of the Cudahy Oversight Board for the transfer of these low and moderate housing income assets to the City of Cudahy as Successor Housing Agency.

PART THREE

Recovery of Assets Included Under Finding 1 By Successor Agency and Preparation of Long Range Asset Management Plan, Consultations with State DOF and Taxing Entities

The former Cudahy Community Development Commission /Cudahy redevelopment agency transferred \$20,978,178 in redevelopment agency assets to the Cudahy EDC after January 1, 2011, as set forth in the Draft Report. The Successor Agency is informed and believes that the Cudahy EDC is currently under contract with third parties to transfer most of these assets at market value (including lands transferred from the former Cudahy Community Development Commission as well other lands acquired by the Cudahy EDC using bond proceeds and former Cudahy Community Commission cash balances) as follows:

Grapevine Advisors ("Site No. 1")	\$2,850,213
Grapevine Advisors ("Site No. 2")	\$2,920,792
BlueGreen ("Site No. 3")	\$6,603,223
BlueGreen ("Site No. 4")	\$3,315,995

In addition, the Successor Agency is further informed that in 2013, the Cudahy EDC transferred certain land to Melia Homes, for affordable housing development. The asset value of the Melia Homes lands ("Site No. 5") is reported by the Cudahy EDC to be \$1,000,050. Furthermore, the Successor Agency is informed that the Cudahy EDC is currently engaged in quiet title legal proceedings in Los Angeles County Superior Court Case No. VC063068 to recover certain land previously transferred by the Cudahy EDC in 2012 to Paramount Villas

Jeffrey Brownfield, CPA
Chief, Division of Audit
Steven Mar, CPA
Bureau Chief, Local Government Audits Bureau
Betty Moya
Audit Manager, Division of Audit
April 7, 2014
Page 3

(owner Alvaro Banegas). The asset value of these Banegas lands ("Site No. 6") is reported by the Cudahy EDC to be \$1,208,895.

The Cudahy EDC also has informed the Successor Agency that it has approximately \$657,000 in cash and other assets on hand as of March 31, 2014. The Cudahy EDC has been requested by the Successor Agency to prepare and deliver an independent auditor's report of its operations since the time of its formation to the Successor Agency at the earliest feasible time.

The Successor Agency shall undertake all reasonable effort to cause the Cudahy EDC to: (i) diligently pursue the recovery of Site No. 5 from Melia Homes or pursue the cash value of the transferred asset from Melia Homes; (ii) diligently pursue the recovery of the Site No. 6 lands to a conclusion which is satisfactory to the Successor Agency, the Cudahy Oversight Board and the State Department of Finance ("State DOF"); (iii) suspend the closing dates for the dispositions to third parties of the lands included in Site Nos. 1-4 inclusive, pending the preparation by the Successor Agency of a long range asset management plan (a "PMP") for the disposition of Site Nos. 1-4, inclusive and Site Nos. 5 and 6, and the approval of such PMP by the Oversight Board and State DOF and (iv) account for and recover from the Cudahy EDC all other former redevelopment agency assets not described in (i), (ii) and (iii) of this paragraph. The Successor Agency further proposes that the final terms of any disposition of the lands included in Site Nos. 1-4, inclusive, and Site Nos. 5 and 6, shall be subject to the terms and conditions set forth in the PMP, as finally approved by the Oversight Board and State DOF.

For the reason as briefly discussed with the Office of the State Controller during the telephone conference on April 4, 2014, the Successor Agency respectfully requests that it be given an opportunity to confer with each of the taxing entities regarding the use of revenues generated from the liquidation of Site Nos. 1-4, inclusive and Site No. 5 and 6 under the PMP as relates to the preservation of the tax exempt status of various bond issues of the former Cudahy Community Development Commission/ redevelopment agency. Nevertheless, in all cases, the cash realized by the Successor Agency from the recovery of the assets of the former Cudahy Community Development Commission/redevelopment agency as previously transferred to the Cudahy EDC, including the liquidation of the property in accordance with the PMP, shall be remitted to the Los Angeles County Auditor-Controller by the Successor Agency for distribution to the taxing entities as promptly as is feasible.

Jeffrey Brownfield, CPA
Chief, Division of Audit
Steven Mar, CPA
Bureau Chief, Local Government Audits Bureau
Betty Mcya
Audit Manager, Division of Audit
April 7, 2014
Page 4

CONCLUSION

If you have any questions regarding this response of the Successor Agency, please contact Ricardo Olivarez, City Attorney and Successor Agency counsel (Olivarez Madruga PC) at (213) 744-0099. If you have a question that is directed to the Cudahy EDC, regarding Draft Report Finding 1, please contact Alexis Crump, legal counsel to the Cudahy EDC (Lewis Brisbois Bisgaard & Smith) at (213) 599-7769.

Very truly yours,



Henry Garcia
Interim City Manager

cc: Mayor and City Council, City of Cudahy
Ricardo Olivarez, Olivarez Madruga
Alexis Crump, Lewis Brisbois
Isabel Birtueta, Olivarez Madruga
David F. Gondek, Olivarez Madruga

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>

EXHIBIT "D"

**CUDAHY ECONOMIC DEVELOPMENT CORPORATION
LIST OF REAL ESTATE OWNED WITH BOV**

NOV 17 2014

ADDRESS	APN#	IMPROVEMENT	BOV Nov-14	PURCHASE AMOUNT	ACQ DATE	TOTAL ESCROW	STAFF
1 8100 ATLANTIC BLVD	6224-018-068	TIRE SHOP	350,000.00			1,323,297.00	DT
2 4720 SANTA ANA STREET	6224-018-069	UNITS- VACANT	945,000.00			1,127,027.00	DT
NO ADDRESS	6224-018-070	REMNANT PARCEL	10,000.00				DT
3 8110 ATLANTIC BLVD	6224-018-071	VACANT LAND	235,000.00				DT
4 4734 SANTA ANA STREET	6224-018-008	DUPLEX - VACANT	435,000.00	375,000.00	Oct-09	399,888.00	MR
5 8135 ATLANTIC BLVD	6224-022-01	AUTO BODY	1,100,000.00	2,161,000.00	Dec-12	2,220,314.00	MR
4629 CECELIA STREET	6224-022-04	VACANT - METAL YARD	240,000.00				
6 8201 ATLANTIC BLVD	6224-022-02	VACANT - METAL YARD	520,000.00				
4633 CECELIA STREET	6224-022-03	VACANT - METAL YARD	155,000.00				
8221 ATLANTIC BLVD	6224-022-12	VACANT - METAL YARD	535,000.00	1,093,000.00	May-12	1,096,865.00	HR
7 4819 PATATA	6224-034-14	VACANT BLDG	550,000.00				HR
8420 ATLANTIC BLVD	6224-034-32	VACANT BLDG	350,000.00				HR
8420 ATLANTIC BLVD	6224-034-40	VACANT BLDG	550,000.00	2,900,000.00	Jan-12	2,905,000.00	HR
NO ADDRESS	6224-034-41	VACANT LAND	510,000.00				HR
8 4613 / 4615 CLARA STREET	6226-022-002	DUPLEX - RENTAL	420,000.00	395,000.00	Nov-12	410,988.00	MR
9 7630 ATLANTIC BLVD	6226-022-019	MOTEL	3,250,000.00	3,636,000.00	Jul-12	3,650,074.00	MR
7630 ATLANTIC BLVD	6226-022-020	MOTEL					
10 7660 ATLANTIC BLVD	6226-022-008	LIQUOR STORE - RESTAURANT	1,500,000.00	1,500,000.00	Nov-12	1,541,620.00	MR
11 NO ADDRESS	6226-022-021	VACANT LAND	180,000.00				DT
7638 ATLANTIC BLVD	6226-022-023	VACANT LAND	175,000.00			1,009,070.00	DT
7644 ATLANTIC BLVD	6226-022-022	VACANT LAND	155,000.00				DT
NO ADDRESS	6226-022-024	VACANT LAND	30,000.00				DT
12 5256 ELIZABETH	6224-001-014	SFR- VACANT	385,000.00	375,000.00	Mar-13	792,962.00	MR
5260 ELIZABETH	6224-001-015	SFR -RENTAL	385,000.00	375,000.00			MR
PARAMOUNT VILLAS LLC							
13 4848 LIVE OAK	6226-014-046	VACANT LAND	200,000.00	600,000.00		1,208,895.00	DT
4854 LIVE OAK	6226-014-045	VACANT LAND	200,000.00	600,000.00			
CUDAHY SA 2012 LLC							
14 4610 SANTA ANA STREET	6224-019-014	VACANT LAND	1,200,000.00	1,050,000.00	Aug-12	1,055,752.00	MR
TOTAL			14,215,000.00	15,060,000.00		18,741,752.00	
STAFF MEMBER FOR TRANSACTION							
DT - DENNIS TARANGO							
HR - HECTOR RODRIGUEZ							
MR - MICHAEL RAMIREZ							

COLORED REFERENCE TO ONE TRANSACTION WITH MULTIPLE PARCELS

DRAFT

Audited Financial Statements
Cudahy Economic Development Corporation
As of and for the period from March 18, 2011 (inception) to
December 31, 2013
with Report of Independent Auditors

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DRAFT

Report of Independent Auditors

**To the Board of Directors
Cudahy Economic Development Corporation**

Report on the Financial Statements

We have audited the accompanying financial statements of the Cudahy Economic Development Corporation (CEDC), which comprise the statement of net position as of December 31, 2013, and the related statement of activities and cash flows for the period from March 18, 2011 (inception) to December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Basis for Qualified Opinion

Upon inception, \$20,978,178 was transferred in assets to CEDC from the Cudahy Community Development Commission. Those assets consisted of cash and land held for resale. This amount has been recognized by CEDC as restricted contributions on the accompanying financial statements.

As described in Note 8, the State Controller's Office determined that the \$20,978,178 transferred was not in compliance with Health and Safety Code Section 34167.5 and that those assets should be turned over to the Successor Agency of the City of Cudahy.

As of December 31, 2013, the final amount of assets that will be returned to the Successor Agency is unknown. As such, the ultimate restricted contributions and net position will be materially different from the amounts presented in accompanying financial statements.

Qualified Opinion

In our opinion, except for any effects of the matter described in the basis for qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Cudahy Economic Development Corporation as of December 31, 2013, and the changes in its net position and its cash flows for the period from March 18, 2011 (inception) to December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

CEDC has not presented the management's discussion and analysis that Governmental Accounting Standards Board required to supplement, although not required to be a part of the basic financial statements.

Los Angeles, California
November 14, 2014

Cudahy Economic Development Corporation
Statement of Activities
From March 18, 2011 (inception) to December 31, 2013

ASSETS		
Cash and cash equivalents		\$ 615,819
Rental receivable, net		-
Notes, advances, and interest receivable		1,920,583
Office equipment		3,999
Land held for resale		<u>16,472,141</u>
Total assets		\$ <u>19,012,542</u>
LIABILITIES		
Accounts payable		<u>\$ 15,400</u>
Total liabilities		<u>15,400</u>
NET POSITION		
Invested in capital assets, net of related debt		18,725,715
Restricted		1,383,280
Unrestricted		<u>(1,111,853)</u>
Total net position		\$ <u>18,997,142</u>

See notes to financial statements.

Cudahy Economic Development Corporation
Statement of Activities
From March 18, 2011 (inception) to December 31, 2013

Operating revenue	
Rental income	\$ 582,748
Total operating revenue	582,748
 Operating expenses	
Legal and professional	236,562
Consulting	203,400
Advertising and marketing	170,443
Property tax	143,012
Contract services	89,670
Bad debts	82,816
Appraisal services	36,475
Geologist and engineering service	36,175
Bank charges	19,106
Stipend	7,875
Meeting	6,497
Professional membership	4,970
Insurance and fee	4,844
Workshop	4,626
Travel	3,029
Office supplies	2,598
Rent	2,400
Property maintenance	2,047
Water	1,607
Graffiti removal	1,606
Other	24,002
Total operating expenses	1,083,760
Total operating loss	(501,012)
 Non-operating income (expenses)	
Interest income	147,733
Loss on sale of land, net	(733,574)
Loss on asset shrinkage	(25,000)
Assets transferred from Cudahy Community Development	20,978,178
Cash returned to City of Cudahy	(869,183)
Total non-operating income	19,498,154
Total net position	\$ 18,997,142



See notes to financial statements.

Cudahy Economic Development Corporation
Statement of Cash Flows
From March 18, 2011 (inception) to December 31, 2013

Cash flows from operating activities	
Cash collected from tenants	\$ 499,932
Cash paid for expenditures	(985,544)
Net cash used in operating activities	<u>(485,612)</u>
Cash flows from noncapital and related financing activities	
Interest income on bank deposits	38,150
Loss on asset shrinkage	(25,000)
Net cash provided by noncapital and related financing activities	<u>13,150</u>
Cash flows from capital and related financing activities	
Cash transferred to CEDC	15,910,000
Returned cash out of contributed capital	(869,183)
Purchases of equipment	(3,999)
Purchases of land	(13,657,537)
Net cash used in capital and related financing activities	<u>1,379,281</u>
Cash flows from investing activities	
Advances made for construction of property	(291,000)
Net cash used in investing activities	<u>(291,000)</u>
Cash and cash equivalents at end of the year	<u>\$ 615,819</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (501,012)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Accounts payable	15,400
Net cash used in operating activities	<u>\$ (485,612)</u>

See notes to financial statements.

NOTE 1 ORGANIZATION PROFILE

The Cudahy Economic Development Corporation (CEDC) is a California non-profit public benefit corporation established on March 18, 2011. Its purpose is to provide assistance to cities, redevelopment agencies and other public bodies in the State of California in their development efforts to promote economic development, including but not limited to, assuming ownership and operation of certain public and private facilities which provide public benefit, assisting those economically and socially disadvantaged by increasing the availability of low and moderate income housing, retaining and/or rehabilitating current businesses, as well as taking the necessary steps to provide and retain jobs, but only to the extent that such purposes constitute exclusively charitable, scientific or educational purposes.

CEDC started operating in June 2011.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with United States of America generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

(b) New Accounting Pronouncements

During the year ended December 31, 2013, CEDC adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows of resources and deferred inflow of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. As of December 31, 2013, there are no deferred outflows and inflows of resources.

(c) Cash and Cash Equivalents

For purposes of the statement of cash flows, CEDC considers all highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents.

(d) Rental Income / Receivable

CEDC leases 10 properties under operating lease. Rental income is recognized on an accrual basis in accordance with the substance of the lease agreements.

Receivables are shown net of allowance for bad debts.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) *Land Held For Resale*

Land held for resale represents lands transferred to CEDC from the former Cudahy Community Development Commission as well as other lands acquired by CEDC using bond proceeds and former Cudahy Community Development Commission cash balances. These are capitalized at acquisition costs or net realizable value if lower.

(f) *Net Position*

Net position is categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Invested in capital assets, net of related debt* - This category groups all capital assets, including infrastructure, into one component. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.
- *Restricted* - This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This category represents those which are not restricted for any project or other purpose.

(g) *Classification of Revenues and Expenses*

CEDC considers operating revenues and expenses in the statement of activities to be those revenues and expenses that result from exchange transactions or other activities that are connected directly to CEDC's primary purposes. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as non-operating revenues and expenses in accordance with GASB requirements.

(h) *Income Taxes*

CEDC is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes. However, CEDC is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which it is granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole. As of December 31, 2013, information returns subsequent to [REDACTED] filed by CEDC are subject to examination by the regulatory authorities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of demand deposits held at a financial institution. As of December 31, 2013, cash and cash equivalents of \$615,820 have a corresponding bank balance of \$617,364. The difference between the book and the bank balance is attributable to outstanding checks.

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of the failure of the custodian, deposits may not be returned to CEDC. CEDC's deposits are maintained at financial institution that is insured by Federal Deposit Insurance Corporation (FDIC).

Beginning January 1, 2013, all of a depositor's accounts at an insured depository institution, including all noninterest bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category.

As of December 31, 2013, CEDC exceeded the maximum deposit insurance amount by \$365,820.

NOTE 4 RENTAL RECEIVABLE

At December 31, 2013, rental receivable consisted of the following:

Rental receivable	\$	82,816
Less allowance for bad debts		(82,816)
Total	\$	<u><u>-</u></u>

NOTE 5 NOTES, ADVANCES, AND INTEREST RECEIVABLE

At December 31, 2013, notes, advances, and interest receivable consisted of the following:

- a) On May 31, 2012, CEDC entered into an Acquisition and Development Agreement with Cudahy SA 2012, LLC (borrower) to loan a principal amount of \$1,050,000 for the purpose of acquiring from CEDC (as seller) the site located at 4610 Santa Ana Street in the City of Cudahy. The borrower intends to construct on the site a multi-family residential rental facility. The loan is secured by a deed of trust and promissory note.

An amendment to Acquisition and Development Agreement was made on July 8, 2013, where the interest was reduced from 5% to 4% per annum and maturity was extended to the earlier of (i) 40 years and (ii) maturity of the Housing and Urban Development FHA permanent loan.

Principal	\$ 1,050,000
Accrued interest	66,500

- b) On March 1, 2012, CEDC entered into an Amended Acquisition and Development Loan Agreement with Paramount Villas, LLC (borrower) to loan a principal amount of \$470,000 for the purpose of providing financing for the acquisition of the site located at 4848 and 4854 Live Oak Street in the City of Cudahy for the construction of condominium units. The loan is secured by a deed of trust, promissory note, affordability covenants, and guaranty. The loan bears interest at 5% per annum and matures on March 13, 2015.

Principal	470,000
Accrued interest	43,083

- c) On May 30, 2012, CEDC advanced \$291,000 to Paramount Villas, LLC for the construction of 4848 Live Oak property.

	291,000
	\$ 1,920,583

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NOTE 6 LAND HELD FOR RESALE

At December 31, 2013, land held for resale is composed of the following:

<u>Site No.</u>	<u>Site Reference</u>	<u>Address</u>	<u>APN</u>	<u>Cost</u>
1	Santa Ana Street & Atlantic Avenue	4734 Santa Ana Street	6224-018-008,	\$ 399,889 *
		4720 Santa Ana Street	-068, -069,	
		8110 Atlantic Avenue	-070, -071	1,127,027 *
		8100 Atlantic Avenue		1,323,297 *
				<u>2,850,213</u>
2	Patata Industrial Property	8420 Atlantic Avenue	6224-034-014,	
		4819 Patata Street	-032, -040, -041	<u>2,904,717</u>
3	Atlantic Avenue & Clara Street	7638 Atlantic Avenue	6226-022-002,	1,009,070 *
		7644 Atlantic Avenue	-008, -019,	
		7630 Atlantic Avenue	-020, -021,	3,650,074
		7660 Atlantic Avenue	-022, -023, -024	1,541,620
		4613 Clara Street		407,532
				<u>6,608,296</u>
4	Atlantic Avenue & Cecilia Street	8201 Atlantic Avenue	6224-022-001,	1,096,864
		8221 Atlantic Avenue	-002, -003,	
		8135 Atlantic Avenue	-004, -012	2,219,090
		4629 Cecilia Street		
				<u>3,315,954</u>
5	Elizabeth Street Residential	5256 Elizabeth Street	6224-001-014,	
		5260 Elizabeth Street	-015	<u>792,961</u>
				<u>\$ 16,472,141</u>

* Included in the total land transferred by the former Cudahy Community Development Commission/ Cudahy Redevelopment Agency for the implementation of various housing and commercial projects within the City of Cudahy.

[Insert details of Brokers Estimate of Value]

NOTE 7 ACCOUNTS PAYABLE

At December 31, 2013, accounts payable consisted of the following:

Rental payable to City of Cudahy	\$	2,400
Accrued expenses		13,000
Total	\$	15,400

NOTE 8 RESTRICTED NET POSITION

On June 14, 2011, the Cudahy Community Development Commission/ Cudahy Redevelopment Agency transferred to CEDC the following:

4854/4848 Oak Street	\$	1,208,895
7638/7644 Atlantic Avenue		1,009,070
8100 Atlantic Avenue		1,323,297
8110 Atlantic Avenue		1,127,027
4720 Santa Ana Street		399,889
Total land transferred		5,068,178
2011 bond issuance		9,410,000
2003 bond issuance		3,915,256
Available cash balances		2,584,744
Total cash transferred		15,910,000
Total assets transferred	\$	20,978,178

[To include details of bonds]

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year 2011-2012 State budget. The proposal was incorporated into Assembly Bill 26 (ABX1 26) which was passed by the Legislature, and signed into law by the Governor on June 28, 2011. ABX1 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA successor agencies and oversight boards to oversee dissolution of the RDAs and redistribution of RDA assets. ABX1 was codified in the Health and Safety (H&S) Code beginning with section 34161. H&S Code section 34167.5 states that the Controller shall review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency, or any other public agency, and the redevelopment agency. By law, the State Controller's Office (SCO) is required to order that such assets transferred after January 1, 2011 except those that already had been committed to a third party prior to June 28, 2011, be turned over to the Successor Agency.

The Cudahy Community Development Commission/ Cudahy Redevelopment Agency was dissolved on February 1, 2012 and its assets were transferred to the City of Cudahy, which is the designated successor agency.

The SCO performed a review on the assets transferred by the Cudahy Redevelopment Agency after January 1, 2011 through January 31, 2012. The final Cudahy Redevelopment Agency Asset Transfer Review Report was issued by the California State Controller on April 15, 2014. The report concluded that Cudahy Redevelopment Agency/ Cudahy Community Development Commission transferred \$26,505,820 in assets after January 1, 2011, including unallowable asset transfer totaling \$20,978,178 to CEDC. The assets transferred to CEDC consisted of cash and capital assets occurred after January 1, 2011 and were not contractually committed to a third party prior to June 28, 2011. Pursuant to H&S Code Section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any public agency after January 1, 2011. Those assets should be turned over to the Successor Agency for disposition in accordance with H&S Code Section 34177(e). CEDC is ordered to reverse the transfer of the assets in the amount of \$20,978,178 and to turn over the assets to the Successor Agency.

The City of Cudahy issued a letter dated April 7, 2014 with respect to the draft report issued by the SCO dated January 2014. The City of Cudahy (as City and Successor Agency) believes that CEDC is a separate legal entity from the City of Cudahy, nevertheless, intends to undertake certain actions in response to the finding of the SCO and to recover the assets transferred to CEDC for disposition by the Successor Agency.

[To include details of actions including recovery of assets from Cudahy SA and Paramount Villas]

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NOTE 9 RELATED PARTY

CEDC leases its office space from the City of Cudahy on a monthly rate of \$300. Rental payable as of December 31, 2013 amounted to \$2,400.

NOTE 10 COMMITMENTS AND CONTINGENCIES

CEDC is currently engaged in a quiet title legal proceeding in Los Angeles County Superior Court to recover certain land previously transferred by CEDC in 2012 to Paramount Villas, LLC.

Legal claims and lawsuits arise from time to time in the normal course of business, which, in the opinion of management, will have no material effect on CEDC's net position.

NOTE 11 SUBSEQUENT EVENTS

The management has evaluated events subsequent to December 31, 2013 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through _____, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that [To perform subsequent events review]

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www.vasquezcpa.com

Vasquez & Company LLP has over 40-years experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publically traded companies. Vasquez is a member of the McGladrey Alliance. The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance member firms maintain their respective names, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

EXHIBIT "F"

1

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Recorder's Office, Los Angeles County,
California

02/07/13 AT 08:00AM

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TAXES:	0.00
OTHER:	0.00
PAID:	54.00

PCOR SURCHARGE \$20.00



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17

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02/07/2013



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CHICAGO TITLE COMPANY
RECORDING REQUESTED BY,)
MAIL TAX STATEMENTS TO)
AND WHEN RECORDED MAIL TO:)
)

Cudahy SA 2012, LLC
Attention: President
8951 Research Dr., Suite 100
Irvine, CA 92618)
)

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127400417 - K 21

This document is exempt from payment of a recording fee pursuant to Government Code Section 27383. ✓

GRANT DEED

*THIS IS A RECONVEYANCE OF REALTY UPON SATISFACTION OF A DEED, R&T 11821.
DIT φ
SPL INC. RECORDED
H.C. 10/11*

For valuable consideration, receipt of which is hereby acknowledged,

The Cudahy Economic Development Corp, a non-profit public benefit corporation (the "EDC") hereby grants to Cudahy SA 2012, LLC, a California limited liability company ("Developer"), the real property hereinafter referred to as the "Site," described in Exhibit A attached hereto and incorporated herein, subject to the existing easements, restrictions and covenants of record described thereon.

1. Conveyance in Accordance With Acquisition and Development Loan Agreement. The Site is conveyed in accordance with and subject to Acquisition and Development Loan Agreement entered into between EDC and Developer dated as of May 31, 2012 (the "DLA"), a copy of which is on file with EDC at its offices and which is incorporated herein by reference. All terms used herein shall have the same meanings given in the DLA.

2. Permitted Uses. The Developer covenants and agrees for itself, its successors, its assigns, and every successor in interest to the Site or any part thereof, that upon the date of this Grant Deed and during construction through completion of development and thereafter, the Developer shall devote the Site to the uses specified in this Grant Deed and the DLA for the periods of time specified therein. All uses conducted on the Site, including, without limitation, all activities undertaken by the Developer pursuant to the DLA, shall conform to the DLA and all applicable provisions of the Cudahy Municipal Code. The foregoing covenants shall run with the land.

3. Restrictions on Transfer. The Developer further agrees as follows:
a. For the period commencing upon the date of this Grant Deed and until the issuance of the Certificate of Completion in accordance with the DLA, no voluntary or involuntary successor in interest of the Developer shall acquire any rights or powers under the DLA or this Grant Deed, nor shall the Developer make any total or partial sale, transfer, conveyance, assignment, subdivision, refinancing or lease of the whole or any part of the Site or

hb

the Development, without the prior written approval of EDC or as otherwise permitted pursuant to the DLA.

b. The Developer shall not place or suffer to be placed on the Site any lien or encumbrance other than mortgages, deeds of trust, or any other form of conveyance required for financing of the construction of the Development on the Site, and any other expenditures necessary and appropriate to develop the Site pursuant to the DLA.

All of the terms, covenants and conditions of this Grant Deed shall be binding upon the Developer and the permitted successors and assigns of the Developer. Whenever the term "Developer" is used in this Grant Deed, such term shall include any other successors and assigns as herein provided.

4. Nondiscrimination. The Developer herein covenants by and for itself, its heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the Developer itself or any person claiming under or through Developer, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land.

The Developer shall refrain from restricting the rental, sale or lease of the Site on the basis of race, color, religion, sex, marital status, ancestry or national origin of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) **In deeds:** "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

(b) **In leases:** "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

"That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of

discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.”

(c) **In contracts:** “There shall be no discrimination against or segregation of, any person, or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the transferee himself or herself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the premises.”

5. **Intentionally Omitted.**

6. Violations Do Not Impair Liens. No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Grant Deed shall defeat or render invalid or in any way impair the lien or charge of any mortgage or deed of trust or security interest permitted by the DLA; provided, however, that any subsequent owner of the Site shall be bound by such remaining covenants, conditions, restrictions, limitations and provisions, whether such owner’s title was acquired by foreclosure, deed in lieu of foreclosure, trustee’s sale or otherwise.

7. Covenants Run With Land. All covenants contained in this Grant Deed shall be covenants running with the land. All of Developer’s obligations hereunder except as provided hereunder shall terminate and shall become null and void on a date all Units are sold and the Developer no longer has an interest in the Site and Development. Every covenant contained in this Grant Deed against discrimination contained in paragraph 4 of this Grant Deed shall remain in effect in perpetuity.

8. Covenants For Benefit of EDC. EDC, in the event of any breach of any of the covenants provided herein, shall have the right to exercise all of the rights and remedies and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach.

9. Revisions to Grant Deed. Both EDC, its successors and assigns, and Developer and the successors and assigns of Developer in and to all or any part of the fee title to the Site shall have the right with the mutual consent of EDC to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants, or restrictions contained in this Grant Deed without the consent of any tenant, lessee, easement holder, licensee, mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Site. However, Developer and EDC are obligated to give written notice to and obtain the consent of any first mortgagee before consent or agreement between the parties concerning such changes to this Grant Deed. The covenants contained in this Grant Deed, without regard to technical classification, shall not benefit or be enforceable by any owner of any other real property within or outside the City of Cudahy, or any person or entity having any interest in any other such realty.

EDC:

CUDAHY ECONOMIC DEVELOPMENT
CORPORATION

By: _____

Executive Director
Oliver Mujica

Jan. 31, 2013

ATTEST:

Secretary

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

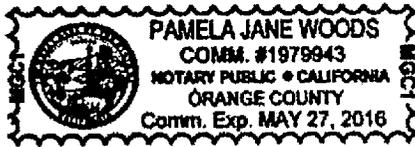
State of California

County of ORANGE

On JAN. 31, 2013 before me, PAMELA JANE WOODS, NOTARY PUBLIC
Date Here Insert Name and Title of the Officer

personally appeared OLIVER MUSTICA
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/hers/their authorized capacity(ies), and that by his/hers/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: Pamela Jane Woods
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: GRANT DEED

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

Corporate Officer — Title(s): _____

Individual

Partner — Limited General

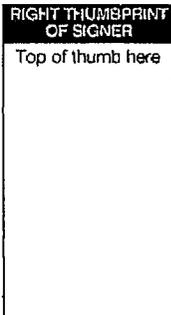
Attorney in Fact

Trustee

Guardian or Conservator

Other: _____

Signer Is Representing: _____



Signer's Name: _____

Corporate Officer — Title(s): _____

Individual

Partner — Limited General

Attorney in Fact

Trustee

Guardian or Conservator

Other: _____

Signer Is Representing: _____

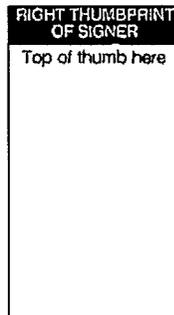


EXHIBIT A

Legal Description

Parcel 1:

The Easterly 70 feet of Lot 6, in Block P, of Tract No. 349, in the City of Cudahy, County of Los Angeles, State of California, as per map recorded in Book 14, Page(s) 194 and 195 of Maps, in the Office of the County Recorder of said County.

Parcel 2:

The Westerly 128 feet of Lots 1 and 2, in Block P, of Tract No. 349, in the City of Cudahy, County of Los Angeles, State of California, as per map recorded in Book 14, Page(s) 194 and 195 of Maps, in the Office of the County Recorder of said County.

APN:6224-019-014

END OF LEGAL DESCRIPTION

