



January 17, 2013

Ms. Fernanda Palacios, Project Manager
City of Huntington Park
6550 Miles Avenue
Huntington Park, CA 90255

Dear Ms. Palacios:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes Finance's original Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) determination letter dated December 17, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the Successor Agency to the Huntington Park Redevelopment Agency (Agency) submitted an oversight board approved LMIHF DDR to the California Department of Finance (Finance) on November 21, 2012. Finance issued a LMIHF DDR determination letter on December 17, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer Session was held on January 8, 2013.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance has revised the adjustments made in our previous LMIHF DDR determination letter. Specifically:

The Agency's request to retain \$1.5 million was originally disallowed because the Agency had not adequately proven there would be insufficient property tax revenues to pay for a projected net deficit in obligations. Of Finance's \$1.5 million disallowance, Finance further adjusted this balance by \$1.2 million to account for LMIHF expenditures that were approved by Finance for July through December 2012 Recognized Obligation Payment Schedule (ROPS II) period. As such, the net effect of Finance's adjustment in our December 17, 2012 letter totaled \$332,123.

After reviewing additional supporting documents, it was determined from the cash flow analysis that the Agency had an immediate need to use the remaining LMIHF balances to cover bond debt payments during the ROPS II period. The Agency contends the shortfall occurred due to the July True-Up Demand request from the county auditor controller. Finance notes the July True-Up was intended to collect excess tax increment beyond what was needed to cover enforceable obligation for the ROPS I period, and therefore should not have caused cash flow issues. However, the Agency contends the county auditor controller calculated the July True-Up demand incorrectly by not taking into consideration its deferral of pass-through payments. While Finance did not validate and does not opine on the accuracy of the July True-Up demand payment, we determined the cash flow analysis supported the immediate need to use the remaining LMIHF balances to cover bond debt

service payments in the ROPS II period. Therefore, we are reversing our previous adjustment and the Agency's LMIHF balance available for distribution to the affected taxing entities has been revised to zero.

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter and Finance's Housing Assets Transfer letter dated August 29, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Julio Morales, Finance Director, City of Huntington Park
Mr. Manuel Acosta, Housing Community Development Manager, City of Huntington Park
Ms. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office
California State Controller's Office