



April 10, 2013

Ms. Christy Pinuelas, Director of Finance
City of Agoura Hills
30001 Ladyface Court
Agoura Hills, CA 91301

Dear Ms. Pinuelas:

Subject: Other Fund Due Diligence Review

The City of Agoura Hills successor agency (Agency) submitted an oversight board approved Other Funds and Accounts (OFA) Due Diligence Review (DDR) to the California Department of Finance (Finance) on February 26, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Since the Agency did not meet the January 15, 2013 submittal deadline pursuant to HSC section 34179.6 (c), Finance is not bound to completing its review and making a determination by the April 1, 2013 deadline pursuant to HSC section 34179.6 (d). However, Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of OFA available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- Procedure 8, balances legally restricted for the funding of an enforceable obligation totaling \$60,770 is denied. Included in this amount is:
 - An additional \$36,728 of fair market value on investment. The DDR identifies only \$6,451 of fair market value on investment in Procedure 5 and 6; therefore, the difference of \$30,277 was inadvertently excluded from the total. As such, \$30,772 will be added to Procedure 5 and 6. The effect of this adjustment is to ensure the reported assets legally restricted in Procedure 6 of the OFA DDR are captured in Procedure 5 for the OFA balance as of June 2012. The adjustments to Procedure 5 and 6 offset one another, however, the required \$30,772 adjustment to Procedure 8 results in a \$30,722 adjustment to the balances available for distribution to the taxing entities.
 - Further, \$24,042 is related to payroll expenses for ROPS II enforceable obligations. Although Finance approved funding for this obligation, the Agency is limited to retaining the amount the County Auditor Controller distributed for ROPS II obligations. In addition, this amount has been accounted for in

Procedure 9 of the DDR. As such, under Procedure 8, the OFA balance available for distribution to the taxing entities will be adjusted by an additional \$24,042, totaling \$60,770.

- The DDR requests to retain \$1.1 million for fiscal year 2012-13 obligations. Of this amount requested to be retained, Finance approved obligations totaling \$1.1 million to be funded with RPTTF for the July through December 2012 Recognized Obligation Payment Schedule (ROPS) II period. However, the County Auditor Controller distributed only \$764,352. As such the Agency is limited to retaining \$764,352 for ROPS II enforceable obligations.

Further, included in the \$1.1 million retention amount is \$295,204 of unpaid pass through obligations and \$71,607 of January through June 2013 Recognized Obligation Payment Schedule (ROPS III) expenditures that were approved with Redevelopment Property Tax Trust Fund (RPTTF) funding. Since the County Auditor Controller distributed RPTTF for approved ROPS III obligations on January 2, 2013, after the June 30, 2012 OFA balances delineated in the DDR, it is inappropriate for the Agency to retain current OFA balances for obligations that have already been funded through a separate process.

Since the Agency is limited to retaining \$764,352 distributed for ROPS II enforceable obligations, the OFA balance available for distribution to the taxing entities will be adjusted by \$366,811.

If you disagree with Finance's adjusted amount of OFA balances available for distribution to the taxing entities, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's OFA balance available for distribution to the affected taxing entities is \$413,930. (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available balance per DDR:	\$ (13,651)
Finance Adjustments	
Add:	
Requested restricted balance not supported:	60,770
Requested retained balance not supported:	366,811
Total OFA available to be distributed:	\$ 413,930

Absent a Meet and Confer request, HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient. Upon submission of payment, it is requested you provide proof of payment to Finance within five business days.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for

transmission are in the possession of another taxing entity, the successor agency is required to take diligent efforts to recover such funds. A failure to recover and remit those funds may result in offsets to the other taxing entity's sales and use tax allocation or to its property tax allocation. If funds identified for transmission are in the possession of a private entity, HSC 34179.6 (h) (1) (B) states that any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

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 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. Nathan Hamburger, Assistant Executive Director, City of Agoura Hills
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office