



May 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

This letter supersedes the California Department of Finance's (Finance) original Other Funds and Accounts (OFA) Due Diligence Review (DDR) determination letter dated April 10, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Agoura Hills Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on January 15, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Finance issued an OFA DDR determination letter on April 10, 2013. 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 April 25, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of those specific items being disputed. Specifically, the following adjustments were made:

- Procedure 8, balances legally restricted for the funding of an enforceable obligation totaling \$60,770 was previously disallowed. Included in this amount is:
 - Request to retain an additional \$36,728 of fair market value on investment associated with bond valuation not included in the DDR. The Agency provided documentation supporting this is a bond valuation that is restricted and cannot be remitted to the County Auditor Controller. Therefore, the OFA balance available for distribution will be decreased to account for the valuation not included in the DDR.
 - The Agency claims \$24,042 is related to payroll expenses for the Recognized Obligation Payment Schedule (ROPS) period of January through June of 2012 (ROPS I). The Agency claims these funds were incurred during the ROPS I period but were not paid until after June 30, 2012. Our review indicates these costs were approved on ROPS I but were actually paid after June 30, 2012. Therefore, the Agency may retain the amount and no adjustment to OFA balance available will be made.

Finance notes that amounts requested and approved in a ROPS are effective only for the six-month period covered. To the extent the Agency does not expend funds approved and received on a ROPS until a subsequent period, the Agency should relist the unexpended amounts that need to be retained for those enforceable obligations on the subsequent ROPS with the funding source as "Reserves" or "Other" and an entry in the Notes section indicating the funds were received in a prior ROPS period.

- The DDR requests to retain \$1,131,163 for fiscal year 2012-13 obligations. The Agency claims this amount includes amounts for unpaid pass through payments. However, the remaining OFA available balance is \$0. Finance received confirmation from the County Auditor Controller that the Agency is required to make a payment to the Los Angeles Community College District to satisfy the unpaid pass-through totaling \$420,805. Because no OFA funds are available to pay for the obligation, the amount should be requested on a ROPS for funding out of the Redevelopment Property Tax Trust Fund.

The Agency's OFA balance available for distribution to the affected taxing entities is \$0 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available balance per DDR:	\$ (13,651)
Finance Adjustments	
Add:	
Offset for bond valuation	\$ (36,728)
Total OFA available to be distributed:	\$ (50,379)

This is Finance's final determination of the OFA balances available for distribution to the taxing entities. 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 sections 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 Evelyn Suess, Supervisor, or Danielle Brandon, 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