



March 22, 2013

Ms. Ruth Davidson-Guerra, Assistant Community Development Director
City of Burbank
150 North Third Street
Burbank, CA 91502

Dear Ms. Davidson-Guerra:

Subject: Other Funds and Accounts Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Burbank 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 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. Pursuant to HSC section 34179.6 (d), 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:

- The DDR indicates that \$19.4 million is legally restricted. However, included in this amount is \$1.7 million for the City Center 1993 Series A Tax Allocation Bond reserve account. The Official Statement and Indenture of Trust state that only \$525,706 is required to be restricted in the reserve account. Our request for documentation to support the variance was not provided. As such, the OFA balance available for distribution to the taxing entities will be adjusted by \$1.2 million.
- The Agency's request to categorize \$91.8 million as a non-cash or cash equivalent asset is partially disallowed. Included in this amount are \$39.8 million cash transfers advances to the City. These cash transfers and advances are comprised of the following:
 - Forgivable loan to the City of Burbank Housing Authority to preserve affordable housing in the amount of \$1.3 million in June 2011.
 - Transfer to the City for the Police/Fire Water Intrusion Project in the amount of \$9.5 million. It is our understanding the cooperation agreement related to the Police/Fire Water Intrusion Project was signed on March 3, 2011.
 - Transfer to the City's Youth Endowment Services Fund in the amount of \$3.7 million in June 2011 and January 2012. It is our understanding the fund was established by the City of Burbank.

- Lump sum payments to the City totaling \$14.1 million were made pursuant to a 1970 agreement and resolutions 28,301 and R2246. Per review of the two resolutions, it references a 1985 agreement. Although promissory notes were provided, there was no established repayment schedule. Furthermore, the 1970 agreement is not a loan agreement, but merely an agreement to establish the City and Agency relationship.
- Transfer to the City for capital improvement projects in the amount of \$9.1 million in March 2011.
- A forgivable cash advance for \$2 million was issued to the City to preserve affordable housing. It is our understanding the cash advance comprises of \$679,596 for property acquisition on 10 W. Magnolia and \$1.3 million for an affordable housing preservation loan. The Agency committed to funding a portion of the land pursuant to resolution no. 26,502 and a cooperative agreement between the City and Agency dated June 17, 2003. Further, pursuant to resolution no. R-2255, the Agency agreed to loan \$1.3 million to the City.

HSC section 34171 (d) (2) states that agreements, contract or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations. As such, the OFA balance available for distribution to the taxing entities will be adjusted by \$39.8 million.

Upon receiving a Finding of Completion from Finance, these agreements may become enforceable obligations pursuant to HSC section 34191.3 (b).

- The Agency's request to restrict \$52,000 in accounts receivable and \$13,000 in loans receivable is denied. It is our understanding these receivables have been collected, therefore retention of these balances as a non-liquid asset is denied the amount distributed to the taxing entities will be adjusted by \$65,000.
- It is our understanding the Oversight Board made adjustments totaling \$10.8 million as an amount available to be remitted to the taxing entities. These adjustments consist of cash transfers for the Youth Endowment Services Fund in the amount of \$3.7 million, North San Fernando Infrastructure Project for \$5 million and the Victory Blvd Corridor Project for \$2.1 million. These adjustments were already included in Procedures 2 and 3 of the DDR. As such, an adjustment of \$10.8 million was made to eliminate duplicity.

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 \$42,023,732 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 11,728,000
Finance Adjustments	
Add:	
Legally restricted balances not supported:	1,216,957
Disallowed transfers:	\$ 39,777,775
Accounts receivable recognized:	\$ 65,000
Adjustment to Oversight Board recommendation:	(10,764,000)
Total OFA available to be distributed:	\$ 42,023,732

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.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a long, sweeping underline that extends to the left.

STEVE SZALAY
Local Government Consultant

cc: Ms. Maribel Leyland, Housing Authority Manager, City of Burbank
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office