



March 8, 2013

Mr. Ron Clark, Finance Officer
City of La Verne
3660 D Street
La Verne, CA 91750

Dear Mr. Clark:

Subject: Other Funds and Accounts Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the La Verne 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:

- Your request to retain \$938,011 for fiscal year 2012-13 is partially denied. Finance approved obligations totaling \$800,997 to be funded with reserves for the Recognized Obligation Payment Schedule (ROPS) II period July through December 2012. Further, Finance approved obligations totaling \$15,000 to be funded with other funding for the ROPS III period January through June 2013. Therefore, Finance is adjusting the balance to reflect \$815,997 in approved ROPS II and III expenditures.

With the exception of \$15,000 approved in other funding, Finance approved LMIHF and RPTTF funding for other enforceable obligations on ROPS III. 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.

Pursuant to HSC 34177 (a) (3), expenditures approved in the ROPS can only be made from the funds identified. However, HSC 34177 (a) (4) allows Agencies, with prior approval from the oversight board, to pay enforceable obligations from sources other than those listed on the ROPS. It is our understanding prior oversight board approval was not obtained and therefore, the Agency did not have the authority to use funding sources other than those identified and approved on the ROPS. Since the law prohibits

the use of funds other than what was approved on a ROPS unless prior approval from the oversight board is obtained, a portion of the Agency's request to retain \$938,011 in OFA balances is not allowed.

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 \$122,014 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ -
Finance Adjustments	
Add:	
Requested retained balance not supported:	938,011
Approved OFA expenditures for ROPS II and III:	(815,997)
Total OFA available to be distributed:	\$ 122,014

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.

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.

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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,

A handwritten signature in blue ink, appearing to read 'Steve Szalay', with a long horizontal stroke extending to the left.

STEVE SZALAY
Local Government Consultant

cc: Mr. Richard Martinez, Accounting Manager, City of La Verne
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office