



April 13, 2013

Mr. Daniel Rofoli, Redevelopment Manager
Los Angeles County Community Development Commission
2 Coral Circle
Monterey Park, CA 91755

Dear Mr. Rofoli:

Subject: Other Funds and Accounts 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 March 8, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the Los Angeles County Community Development Commission (Agency) submitted an oversight board approved OFA DDR to Finance on January 7, 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 March 8, 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 March 20, 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:

- Balance requested to be retained in the amount of \$400,674 for fiscal year 2012-13 obligations is partially denied. Included in this amount is \$177,052 of January through June 2013 Recognized Obligation Payment Schedule (ROPS III) expenditures that were approved and funded by the County Auditor Controller out of the Redevelopment Property Tax Trust Fund (RPTTF) although the Agency requested reserves funds. As a result, the Agency received an overage and requests to retain the amount to be used to pay enforceable obligations for the July through December 2013 Recognized Obligation Payment Schedule (ROPS 13-14A). However, during the Meet and Confer, the Agency agreed to request all future obligations including ROPS 13-14 A be funded from RPTTF. Therefore, Finance's original adjustment to increase the OFA available balance by \$177,052 remains.
- Accrued expenses totaling \$45,222 for the January through June 2012 Recognized Obligation Payment Schedule (ROPS I) for general administrative expenses are allowed to be retained. The Agency provided documents to show these amounts were incurred during the ROPS I period; however, due to timing issues, the invoices were received and paid after June 30, 2012. The amount does not exceed the administrative cap established by HSC section 34171 (b) and is permitted to be retained.

The Agency's OFA balance available for distribution to the affected taxing entities is \$557,643 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 380,591
Finance Adjustments	
Add:	
Requested retained balance not supported:	177,052
Total OFA available to be distributed:	\$ 557,643

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.

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Please direct inquiries to Evelyn Suess, Supervisor or Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish extending to the left.

STEVE SZALAY
Local Government Consultant

cc: Ms. Denise Mendoza, Analyst, Los Angeles County Community Development Commission
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office