



March 8, 2013

Mr. Dennis McLean, Finance Officer  
City of Rancho Palos Verdes  
30940 Hawthorne Boulevard  
Rancho Palos Verdes, CA 90275-5391

Dear Mr. McLean

Subject: Other Funds and Accounts Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Rancho Palos Verdes successor agency (Agency) submitted an oversight board approved Other Funds and Accounts 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 requests to retain \$208,186 for fiscal year 2012-13 obligations includes \$83,186 for January through June 2012 Recognized Obligation Payment Schedule (ROPS I) expenditures that were approved with Redevelopment Property Tax Trust Fund (RPTTF) funding, but was not expended during that period. The Agency contends \$83,186 should be retained to pay ROPS III enforceable obligations. Finance does not believe the Agency should retain balances for previously approved obligations that never materialized. In addition, ROPS III obligations were approved through a separate process.

Although Finance approved RPTTF totaling \$242,175 for ROPS III obligations, the County Auditor Controller only distributed \$98,162 in RPTTF. 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. However, because of the shortfall in the January 2, 2013 RPTTF distribution, the Agency will have insufficient funds to pay their bond debt service payment totaling \$123,625 in the ROPS III period. As such, \$25,463 of the \$83,186 requested to be retained is allowed to cover the bond debt service payment. Therefore, the OFA balances available for distribution to the taxing entities will be adjusted by \$57,723.

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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's OFA balance available for distribution to the affected taxing entities is \$313,535 (see table below).

<b>OFA Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ 255,812
Finance Adjustments	
Add:	
Requested retained balance not supported:	57,723
<b>Total OFA available to be distributed:</b>	<b>\$ 313,535</b>

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, that taxing entity's failure to remit those funds may result in offsets to its sales and use tax allocation or to its property tax allocation.

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 Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Kathryn Downs, Deputy Director of Finance and IT, City of Rancho Palos Verde  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office