



April 2, 2013

Mr. Matthew Hawkesworth, Assistant City Manager
City of Rosemead
8838 E Valley Blvd.
Rosemead, CA 91770

Dear Mr. Hawkesworth:

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 11, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Rosemead Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on December 13, 2012. 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 11, 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 18, 2013.

Based on a review of additional or clarifying information provided during the Meet and Confer process, Finance is revising the following adjustment:

- Long term receivable relating to the sale of the Glendon Hotel in the amount of \$2.2 million. The Agency is scheduled to receive seven annual installments commencing on December 30, 2012, with \$500,000 for the first and second distribution and \$360,000 for subsequent distributions. The first distribution was received on January 2, 2013. Therefore, the Agency's categorization of this amount as a non-cash or cash equivalent at June 30, 2012 is appropriate and Finance is reversing its prior adjustment.

For the July through December 2012 Recognized Obligation Payment Schedule (ROPS II) period, Finance approved \$2,855,336 for enforceable obligations and the County Auditor Controller distributed \$2,331,699 to the Agency. The \$500,000 installment received was used to cover the shortfall in the distribution to fund payments for on 2006 and 2010 bond indebtedness approved by Finance. Those items on ROPS II should have been reported as "Other" funds as the funding source.

Finance notes that to the extent the Agency plans to use future funds received from the installment plan (noted above) to fund enforceable obligations on an approved ROPS, the Agency should identify "Other" funds as the funding source for the obligation(s).

The Agency's OFA balance available for distribution to the affected taxing entities has been revised to \$0 as reported on the DDR.

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 above 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 Mary Halterman, Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Gloria Molleda, City Clerk, City of Rosemead
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office