DEPARTMENT OF FINANCE

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March 5, 2013

Mr. David Wilson, Finance Director
City of West Hollywood
8300 Santa Monica Blvd.
West Hollywood, CA 90069

Dear Mr. Wilson:

Subject: Other Funds and Accounts Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of West Hollywood 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 14, 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.

Based on our review, Finance made no adjustments to the OFA balance available for allocation to the affected taxing entities. As a result, the Agency's OFA balance available for distribution to the affected taxing entities is $1,243,997.

The OFA DDR indicates $27.2 million in restricted bond proceeds is for the Plummer Park Master Plan project and not eligible for distribution to the affected taxing entities. While Finance agrees that bond proceeds are not eligible for distribution to the taxing entities, $25.5 million of the requested Plummer Park Master Plan project was denied in our ROPS III determination letter dated October 15, 2012. Finance's December 18, 2012 Meet and Confer Determination letter further indicated this project as not enforceable.

Although this project continues to be denied, it does not affect the OFA liquid asset balance available for distribution to the affected taxing entities. It is our understanding the bond proceeds requested for use on this project were issued in March 2011. Pursuant to HSC section 34191.4 (c), successor agencies are required to defease or repurchase on the open market for cancellation any bonds that were issued after December 31, 2010.

HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller $1,243,997 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.

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,

STEVE SZALAY
Local Government Consultant

cc: Mr. John Leonard, Project Development Administrator, City of West Hollywood
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office