DOWNEY COMMUNITY DEVELOPMENT COMMISSION

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012

JOHN CHIANG
California State Controller

August 2014

JOHN CHIANG
California State Controller

August 29, 2014

Gilbert A. Livas, City Manager/Executive Director
City of Downey/Successor Agency
11111 Brookshire Avenue
Downey, CA 90241

Dear Mr. Livas:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Downey Community Development Commission (RDA) to the City of Downey (City) or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether the asset should be turned over to the Successor Agency.

Our review applied to all assets including, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers to the City or any other public agency have been reversed.

Our review found that the RDA transferred $22,344,482 in assets after January 1, 2011, including unallowable transfers to the City totaling $5,548,327, or 24.83% of transferred assets. However, on June 30, 2012, the City turned over $2,858,295 in real property to the Successor Agency. Therefore, the remaining $2,690,032 in unallowable transfers must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau, by telephone at (916) 324-0622.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

cc: Brian Saeki, Director of Community Development/Chair to Oversight Board
City of Downey/Successor Agency
Edward Velasco, Housing Manager
City of Downey/Successor Agency
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Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Downey Community Development Commission (RDA) after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the RDA transferred $22,344,482 in assets after January 1, 2011, including unallowable transfers to the City of Downey (City) totaling $5,548,327, or 24.83% of transferred assets.

However, on June 30, 2012, the City turned over $2,858,295 in real property to the Successor Agency. Therefore, the remaining $2,690,032 in unallowable transfers must be turned over to the Successor Agency.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA successor agencies and oversight boards to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety (H&S) Code beginning with section 34161.

H&S Code section 34167.5 states in part, ". . . the Controller shall review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency or any other public agency, and the redevelopment agency."

The SCO identified asset transfers that occurred after January 1, 2011, between the RDA, the City and/or any other public agency. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal action to ensure compliance with this order.

Objective, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency's operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City, the RDA, the Successor Agency, and the Oversight Board.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

Conclusion

Our review found that the Downey Community Development Commission transferred $22,344,482 in assets after January 1, 2011, including unallowable transfers to the City of Downey (City) totaling $5,548,327, or 24.83% of transferred assets.

However, on June 30, 2012, the City turned over $2,858,295 in real property to the Successor Agency. Therefore, the remaining $2,690,032 in unallowable transfers must be turned over to the Successor Agency.

Details of our finding are described in the Finding and Order of the Controller section of this report.

Views of Responsible Officials

We issued a draft review report on June 11, 2014. Edward Velasco, Housing Manager responded by letter dated August 1, 2014, disagreeing with the review results. The City's response is included in this final review report as an attachment.

Restricted Use

This report is solely for the information and use of the City, the Successor Agency, the Oversight Board, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

August 29, 2014

Finding and Order of the Controller

FINDING— Unallowable asset transfers to the City of Downey

The Downey Community Development Commission (RDA) made unallowable asset transfers of $5,548,327 to the City of Downey (City). The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

These transfers consisted of the following items:

- Cash totaling $2,690,032 for loan repayment from the following funds:
    - Fund 87 ($1,587,032)
    - Fund 90 ($707,000)
    - Fund 93 ($396,000)
- Land located at 9066 Firestone Boulevard valued at $2,858,295

However, on June 30, 2012, the City turned over the property located at 9066 Firestone Boulevard to the Successor Agency.

Therefore, the remaining $2,690,032 in unallowable transfers must be turned over to the Successor Agency.

Pursuant to Health and Safety (H&S) Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177 (d).

Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the transfers of the assets described in Schedule 1 in the amount of $2,690,032 and turn over the assets to the Successor Agency. The Successor Agency is directed to properly dispose of the assets in accordance with H&S Code sections 34177 (d).

City's Response

> The Successor Agency respectfully requests that the SCO reconsider its finding and order that the Downey Community Development Commission (acted as the City's redevelopment agency) made $2,690,032 in "unallowable transfers" that must be returned from the City of Downey (City) to the Successor Agency for the following summarized reasons: . . .

See Attachment – City of Downey's Response to the Draft Review Report

SCO's Comment

Despite the subsequent approval of those loans as enforceable obligations by the Oversight Board and the Department of Finance, the SCO's authority under H&S Code section 34167.5 extends to all assets transferred after December 31, 2010, by the RDA to the city or county, or city and county that created the RDA, or any other public agency. This responsibility is not limited by the other provisions of the RDA dissolution legislation. As a result, loan repayments made by the RDA to the City during the periods of January 1, 2011 through January 31, 2012, were invalid.

With regards to the total loan balance of $3,300,000 owed by the RDA to the City, repayments are to be made through the Recognized Obligation Payment process.

H&S Code section 34167.5 states that if such an unallowable transfer occurs, the Controller shall order the return of those assets to the Successor Agency. Therefore, the Finding and Order of the Controller remain as stated.

Schedule 1—
Unallowable Asset Transfers to the City of Downey
January 1, 2011, through January 31, 2012

Unallowable transfers to the City of Downey:	
Current assets	
Cash	$ 2,690,032
Capital assets	
9066 Firestone Boulevard	2,858,295
Total unallowable transfers	5,548,327
Less property returned to the Successor Agency on June 30, 2012	(2,858,295)
Total transfers subject to H&S Code section 34167.5	$ 2,690,032

Attachment—
City of Downey's Response to
Draft Review Report

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August 1, 2014

Elizabeth Gonzalez
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California State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-6874

Re: City of Downey's Response and Comments on June 11, 2014 Letter Enclosing June 2014 Assert Transfer Review

Dear Ms. González:

Our office serves as special counsel for the Downey Successor Agency ("Successor Agency"). This letter and all attachments (the "Response") are sent to respond to the California State Controller's Office's Draft Asset Transfer Review Report for the Downey Community Development Commission, dated June 11, 2014 ("Draft Report"). The State Controller's Office ("SCO") granted an extension to submit this Response, a copy of which is attached hereto as Exhibit "A". The Successor Agency thanks the SCO for the extension.

As discussed in this Response, the Successor Agency respectfully requests that the SCO reconsider its finding and order that the Downey Community Development Commission ("CDC")[1] made $2,690,032 in "unallowable transfers" that must be returned from the City of Downey ("City") to the Successor Agency for the following summarized reasons:

- As a practical matter, and separate from the legal reasons that prevent the SCO's finding and order from being enforceable, the intent of redevelopment dissolution would be better served if none of the $2,690,032 currently held by the City of Downey ("City") were returned to the Successor Agency.
    - Of that $2,690,032 amount, approximately $1,500,000 would become unpaid principal for existing City/CDC loans that are eligible for repayment from the Redevelopment Property Tax Trust Fund ("RPTTF") over the course of many years because the Downey Oversight Board ("Oversight Board") and California Department of Finance ("DOF") have approved these loans as an "enforceable obligations" and subject to

[1] The CDC acted as the City's redevelopment agency, as authorized by the Community Redevelopment Law, Health and Safety Code section 33000 *et seq.* ("CRL").

complete repayment of principal and interest (albeit at a recalculated interest rate pursuant to statute).

- On June 30, 2011—the period covered under the Draft Report—the ***City transferred to the CDC*** the amount of $1,800,000 that was used to pay then-due "enforceable obligations," but that transfer was not accounted for in the Draft Report even though the SCO acknowledged that the transfer occurred. Had the City never made that transfer, the CDC would have paid for those enforceable obligations with then-remaining tax increment funds, thereby reducing the amount of tax increment available by $1,800,000 that was otherwise used to repay the City/CDC loans as identified in the Draft Report.

- Failure to account for that $1,800,000 transfer from the City does not follow generally accepted audit procedures, as only "one side of the balance sheet" is being reported.

- Even more relevant, however, is that there is no dispute the City is owed ***at least*** $3,300,000 ($1,500,000 + $1,800,000), which is more than the $2,690,032 that the Draft Report orders to be returned to the Successor Agency. Expediency and common sense are best served if the City simply keeps that money now instead of getting back that same amount (and more) in the future, thereby prolonging the life of the Successor Agency.

- Constitutionally, the SCO cannot order the $2,690,032 to be taken away from the City. This amount is comprised of principal and interest on loans of City general and other funds made to the CDC pursuant to loan agreements that were entered into well before January 1, 2011. This amount was repaid to the City prior to the dissolution of the redevelopment agency operations of the CDC. The Legislature cannot enact by statute, and the SCO cannot order by statutory enactment such as Section 34167.5,[2] the return of this repaid principal and interest because to do so would violate various provisions in the California Constitution, including:

  - Article XIII, Sections 24 and 25.5 (enacted under Proposition 1A (Nov. 2004) and Proposition 22 (Nov. 2010));

  - Article XVI, Section 16 (indebtedness of redevelopment agencies);

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[2] All references to "Section" or "§" are to the Health and Safety Code unless otherwise noted.

- Article XI, Section 5 (charter city constitutional authority applicable to expenditure of charter city funds).

- At the time of the $2,690,032 repayment, applicable provisions of the redevelopment dissolution law included the City/CDC loans within the definition of "enforceable obligations." Because the SCO asset transfer review is governed under those same provisions, the repayments should be honored.

Summary of Draft Report's Finding and Order

According to the finding and order of the SCO from the Draft Report, a total of $2,690,032 constitutes an "unallowable transfer" amount (the "Amount") that must be turned over to the Successor Agency. (Draft Report, p. 4.) The Amount is broken down as cash for loan repayments to the City from the following funds:

- Fund 87 ($1,587,032)
- Fund 90 ($707,000)
- Fund 93 ($396,000)

All three funds served as accounts for payments owed to the City from the CDC. For the reasons discussed in this Response, the Successor Agency disputes the SCO's finding and order in the Draft Report and respectfully requests that the final report, when issued by the SCO, be modified in accordance with this Response.[3]

Brief Factual Background

The Amount cited as an "unallowable transfer" is entirely comprised of repayments of loans made by the City to the CDC pursuant to applicable laws that expressly allowed the City to loan money for redevelopment purposes to the CDC.[4] All "City/CDC loans" were entered into between February 10, 1998 and April 10, 2007, and titled "Operative Agreements," a "Public Works Master Agreement," and "City Aid Master Agreement." For a more complete history of

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[3] The Draft Report also identifies land located at 9066 Firestone Boulevard valued at $2,858,295 as an "unallowable transfer." As correctly noted in the Draft Report, the City returned the property to the Successor Agency and is not subject to an order from the SCO under the Draft Report. Moreover, the property has been included in Successor Agency's Long Range Property Management Plan, which has been approved by DOF.

[4] Under the CRL, the City had the expressed authority to provide the CDC with financial assistance for purposes of implementing redevelopment activities (see, e.g., Health and Safety Code Sections 33132, 33133, 33220, 33445, 33445.1, 33600, 33601, 33610, 33614; see also Government Code section 53600 *et seq.*).

the City/CDC loans, see Oversight Board Resolution No. OB 13-0016, adopted on September 19, 2013, which is attached to this Response as Exhibit "B" for reference.[5] As relative to the Draft Report and the SCO's review, after January 1, 2011, and before the redevelopment functions of the CDC were dissolved on February 1, 2012, the CDC repaid to the City $1,500,000 in principal,[6] and $1,190,032 in interest from the various City/CDC loans, for the total Amount of $2,690,032.

Additionally, on June 30, 2011, ***the City*** transferred ***to the CDC*** a total of $1,800,000 (the "City Money Transfer"). The City Money Transfer was made to cover a potential cash flow "crunch" with the "freeze" of redevelopment activities and uncertainty of the CDC's ability to pay existing obligations with the concurrent enactment of Assembly Bill 26 from the 2011-12 First Extraordinary Session of the California Legislature ("ABx1 26"),[7] which "froze" and provided for an eventual dissolution of redevelopment activities for the CDC, and Assembly Bill 27 from that same extraordinary session ("ABx1 27"),[8] which provided for the continued functioning of redevelopment activities of the CDC pursuant to a process that exempted the CDC from the "freeze" and dissolution provisions in ABx1 26. While the Successor Agency recognizes that a review of an asset transfer ***from a city to a redevelopment agency*** (here, the CDC) is not within the scope of review under Health and Safety Code section 34167.5, the Successor Agency did point out the City Money Transfer to the SCO during its asset transfer review and advocates that best-practices for auditing procedures should account for this "reverse" transfer from the City to the CDC during the relevant review period.

When the California Supreme Court upheld as constitutional ABx1 26 but struck down as unconstitutional ABx1 27 on December 29, 2011,[9] which led to the dissolving of the redevelopment functions of the CDC on February 1, 2012, the City Money Transfer of $1,800,000 had been used to pay other enforceable obligations that had become due (*i.e.,* the City Money Transfer was not used to pay off any of the City/CDC loans). In hindsight, the City never would have made the City Money Transfer on June 30, 2011. The only reason for doing so was due to the uncertainty of the law with the enactment of ABx1 26 and ABx1 27 on June

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5 Pursuant to Health and Safety Code section 34191.4, DOF approved Resolution No. OB 13-0016 on November 8, 2013. A copy of DOF's approval is attached to this Response as Exhibit "C" for reference.

6 The principal amount is comprised of the $200,000 loaned by the City to the CDC per "Operative Agreement #28" dated May 10, 2001, the $300,000 loaned by the City to the CDC per "Operative Agreement #30" dated March 12, 2002, and the $1,000,000 loaned by the City to the CDC per "Operative Agreement #37" dated January 23, 2007, all of which, for reference, are attached to this Response as Exhibit "D."

7 Stats. 2011, 1st Ex. Sess., ch. 5.

8 Stats. 2011, 1st Ex. Sess., ch. 6.

9 *California Redevelopment Assn. v. Matosantos* (2011) 53 Cal.4th 231 ("*CRA*").

28, 2011. The State should not unreasonably order the City to return $1,800,000 as part of the Amount, when there is no dispute that the City Money Transfer is not an "unallowable transfer."

Background of Relevant Redevelopment Dissolution Law

ABx1 26, a "budget trailer bill" for the 2011-12 Fiscal Year Budget Act, was signed by the Governor on June 28, 2011 and chaptered by the Secretary of State on June 29, 2011. ABx1 26, and its companion bill, ABx1 27, took effect immediately.

ABx1 26 and the "Suspension" and "Dissolution" of Redevelopment Agencies

The provisions of ABx1 26 that took effect immediately and governed redevelopment agencies (here, the CDC) until February 1, 2012, are in Part 1.8 of Division 24 of the Health and Safety Code ("Part 1.8"), commonly referred to as the "suspension" provisions. (§ 34161.) As the name implies, Part 1.8 suspended the general powers and authorities of all redevelopment agencies, including the ability to adopt ***new*** redevelopment plans or plan amendments, issue ***new*** bonded indebtedness, and enter into ***new*** contracts or incur ***new*** obligations. (§§ 34162(a), 34163(a) & (b), 34164(a).)

Notwithstanding those provisions, Part 1.8 expressly provides that, "Nothing in this part shall be construed to interfere with a redevelopment agency's authority, pursuant to enforceable obligations ***as defined in this chapter***, to (1) make payments due, (2) enforce existing covenants and obligations, or (3) perform its obligations." (§ 34167(f) [emph. added].) Part 1.8 defined "enforceable obligations" as including, among others:

> (2) Loans of moneys borrowed by the redevelopment agency for a lawful purpose, including, but not limited to, moneys borrowed from the Low and Moderate Income Housing Fund, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms.
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> * * *
>
> (5) Any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy. (§ 34167(d).)

The provisions of ABx1 26 that became operative on February 1, 2012 (§ 34170(a); *CRA, supra,* 53 Cal.4th at 274-275), are in Part 1.85 of Division 24 of the Health and Safety Code. "Part 1.85" – commonly known as the "dissolution" provisions – generally has the same substantive definition of "enforceable obligations," which includes, among others:

> (B) Loans of moneys borrowed by the redevelopment agency for a lawful purpose to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms.
>
> * * *
>
> (E) Any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy. (§ 34171(d)(1).)

Unlike Part 1.8, however, Part 1.85 has an "exception" to the broad definition of "enforceable obligation," which provides:

> For purposes of this part, "enforceable obligation" does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency. . . . (§ 34171(d)(2).)

AB 1484, Due Diligence Reviews, Finding of Completion, and Oversight Board and DOF Approval of City/CDC Loans as "Enforceable Obligations"

In part as a response to the *CRA* decision, the Legislature enacted Assembly Bill 1484 ("AB 1484"),[10] another "budget trailer bill" for the 2012-13 Fiscal Year Budget Act, on June 27, 2012, which took effect immediately.

Among other provisions added to the redevelopment dissolution law (Part 1.85), AB 1484 set forth a process known as the "due diligence reviews" ("DDRs"). Under the DDR process, an independent audit was completed and used as a basis for determining amounts that successor agencies would remit to the taxing entities. Two separate DDRs were completed, one to review the Low and Moderate Income Housing Fund of the former redevelopment agency, and one to review all other funds of the former redevelopment agency. (§ 34179.6(a).) When a successor agency made a remittance payment to the taxing entities, based on the amount determined by DOF for each DDR, the successor agency was entitled to receive a "finding of completion." (§ 34179.7.)

Upon receiving a finding of completion, a successor agency, among other powers and authority, may seek oversight board and DOF approval of previously entered into city/redevelopment agency loans that otherwise do not fall in the definition of "enforceable obligation" under Section 34171(d)(2). (§ 34191.4(b).) Applicable provisions added to the dissolution law by AB 1484 provide:

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[10] Stats. 2012, ch. 26.

> Notwithstanding subdivision (d) of Section 34171, upon application by the successor agency and approval by the oversight board, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created the redevelopment agency shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes. (§ 34191.4(b)(1).)

If an oversight board finds that the loan is an enforceable obligation, the accumulated interest on the remaining principal is to be recalculated based on the Local Agency Investment Fund ("LAIF") interest rate from the date of origination of the loan. Principal and interest are payable from RPTTF moneys pursuant to a statutory formula, which is based on the one-half of the "residual" RPTTF moneys available when compared to the base 2012-13 fiscal year, with 20% of all repayments going to the "Low and Moderate Income Housing Asset Fund" administered by the "Housing Successor Agency" selected pursuant to Section 34176. (§ 34191.4(b)(2).)

In Downey, the Successor Agency received its finding of completion on May 13, 2013, a copy of which is attached as Exhibit "E" for reference. As noted above, with Resolution No. OB 13-0016, adopted on September 19, 2013, the Oversight Board approved all of the City/RDA loans as being for legitimate redevelopment purposes, and DOF approved this resolution on November 8, 2013. (See Exhibit "B" & Exhibit "C" attached hereto.)

As such, even if the finding and order in the SCO's Draft Report were not modified, the Successor Agency would be entitled to have paid back 100% of the $1,500,00 in principal, albeit payments would be spread over many years under the Recognized Obligation Payment Schedule ("ROPS") process, the $1,190,032 in interest would be recalculated at the LAIF rate starting from origination of the respective City/CDC loans, and 20% of all repayments would be deposited into the Low and Moderate Income Housing Asset Fund ("Housing Asset Fund") established with the enactment of AB 1484.[11]

Discussion of Applicable Constitutional Provisions

Proposition 22

The SCO may not order the City to return the Amount to the Successor Agency as an "unpermitted transfer" because the Legislature lacked the constitutional authority to enact a law that would result in the SCO's proposed order.

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[11] The City challenges the reduction in interest rate and the 20% "set aside" to the Housing Asset Fund, instead of returning all money owed to the City's general fund, as violating the California Constitution, discussed below.

Proposition 22, adopted by the California voters in 2010, amended the State's Constitution to provide in pertinent part:

> The Legislature shall not...[r]equire a community redevelopment agency to pay, remit, loan, or otherwise transfer, directly or indirectly, taxes on ad valorem real property and tangible personal property allocated to [a redevelopment] agency pursuant to Section 16 of Article XVI to or for the benefit of the State, any agency of the State, or any jurisdiction.

(Cal. Const., art. XIII, s. 25.5(a)(7).)

The purpose of Proposition 22 was to prohibit the State from requiring redevelopment agencies to shift their funds to schools or other agencies, and to eliminate the Legislature's authority to redirect a redevelopment agency's property taxes to any other local government.

The California Supreme Court's decision in *CRA* concluded:

> Proposition 22's limit on state restrictions of redevelopment agencies' use of their funds is best read as limiting the Legislature's powers during the operation, rather than the dissolution, of redevelopment agencies. Thus...those taxes so allocated to an operating redevelopment agency may not be restricted to the benefit the state by any further legislation.

(*Id.*, 53 Cal.4th at p. 263.)

The text of Proposition 22 and the decision in the *CRA* case establish that the Legislature cannot, directly or indirectly, reallocate tax increment paid or otherwise transferred by the CDC to the City or any other entity prior to the dissolution of redevelopment. By ordering a return of tax increment, which had been allocated to the CDC to pay an indebtedness owed to the City prior to the enactment (indeed, consideration) of ABx1 26, the SCO is unconstitutionally ordering a reallocation of the CDC's tax increment for the benefit of the State.

Moreover, at the time of the repayment of the principal and interest on the City/CDC loans, Part 1.8, not Part 1.85, governed because the redevelopment functions of the CDC had not yet dissolved. Under Part 1.8, the loans were an "enforceable obligation" and as such, repayment was proper.

In making the payments, the CDC repaid principal and interest on a debt it owed to the City with funds that, under Article XVI, Section 16 of the California Constitution and the CRL (at § 33670(b)), were encumbered to repay an indebtedness of the CDC. A redevelopment agency's financial obligations to other public agencies constituted "indebtedness" of the redevelopment agency, which entitles the other public agencies – in this case the City – to

repayment from the redevelopment agency's available tax increment revenues. (See, Cal. Const., art. XVI, § 16; §§ 33670, 33675 [tax increment provisions]; *Marek v. Napa Community Redevelopment Agency* (1988) 46 Cal.3d 1070, 1087.)

Therefore, under Article XIII, Section 25.5(a)(7), and Article XVI, Section 16 of the California Constitution, the SCO does not have the authority to order the Amount to be returned to the Successor Agency

No Legislative Intent to Appropriate the City's General Funds

Section 1 of ABx1 26 sets forth the Legislature's findings and declarations in enacting ABx1 26. The findings describe the increasing shift of property taxes away from the various taxing agencies that has resulted from the growth and expansion of redevelopment agencies (see, Stats. 2011, 1st Ex. Sess., ch. 5, § 1(e), (f), & (g).) In passing ABx1 26, the Legislature, in Section 1(j), expressly stated that its intent was to:

> (1) Bar existing redevelopment agencies from incurring new obligations, prior to their dissolution.
>
> (2) Allocate property tax revenues to successor agencies for making payments on indebtedness incurred by the redevelopment agency prior to its dissolution and allocate remaining balances in accordance with applicable constitutional and statutory provisions.
>
> (3) Beginning [February 1, 2012], allocate these funds according to the existing property tax allocation within each county to make the funds available for cities, counties, special districts, and school and community college districts.

Based on the expressly-stated intent of the Legislature, it was ***not*** the Legislature's intent to appropriate general fund monies from cities and counties, which would be the effect of disallowing the repayment of loans made by a host city or county to its redevelopment agency.

As a corollary (or even alternative) to the constitutional protection established by Proposition 22 (discussed above), if the money ordered to be returned by the SCO were *not* deemed tax increment—an assumption that the Successor Agency does not advocate based on the timing of the repayment of the City/CDC loans—then the City still has constitutional protection that prohibits the SCO from ordering the Amount (or at least the $1,500,000 in principal and the $1,800,000 City Transfer Amount) to be distributed to other taxing entities by returning that amount to the Successor Agency.

The City loaned ***general fund*** monies to the CDC. It was ***City*** money. Neither the fact of the City's loan nor the CDC's receipt and expenditure of those funds transformed those funds into tax increment. Rather, tax increment revenue consisted of a portion of the local property taxes generated from within a designated redevelopment project area. (§ 33670; *Craig v. City of Poway* (1994) 28 Cal.App.4th 319, 325.) The tax increment financing system, prior to dissolution of redevelopment agencies, worked as follows:

> Redevelopment agencies have no power to tax. Instead, to finance their activities, they are funded primarily through tax increment financing. [Citations.] Under the tax increment system, the assessed value of property within a redevelopment project area is frozen when the redevelopment plan is adopted. (§ 33670.) For the duration of the redevelopment plan, the agency is entitled to the difference between the taxes levied on the base year assessed value and those generated from current assessed value. (*Ibid.*) This increase in, or "increment" of, property tax revenue is known as "tax increment revenue." (*Ibid.*)

Tax increment was ***not*** a general levy on the City's residents and was unique in its allocation to redevelopment agencies, like the CDC here. On the other hand, the source for general fund monies is general taxes imposed on all residents of the City. Because the $1,500,000 in principal and the $1,800,000 City Transfer Amount were general funds, disallowing the City to keep those funds, and requiring the funds to instead be transferred to the Successor Agency (and then presumably to the county auditor-controller for distribution to the taxing entities) is a ***direct appropriation*** of City general fund monies. Such an appropriation violates Article XIII of the California Constitution, Sections 24(b) and 25.5(a)(1), (2) & (3).).

Because the Legislature in passing ABx1 26 did not intend to appropriate general fund monies from cities and counties, but rather intended to shift the allocation of *unobligated* tax increment, the Amount, which, if not tax increment, then must be City general fund money, cannot constitutionally be subject to an order of reversal by the SCO.

Proposition 1A

Similarly, if the Amount is considered City general funds, constitutional provisions prohibit the distribution of the funds used to pay the City to other taxing entities for the benefit of the State.

With the adoption by the voters of Proposition 1A in 2004, certain provision in Article XIII, Section 25.5 of the California Constitution were added to ensure that the percentage allocation of sales and use taxes and ad valorem property taxes to local taxing agencies were not decreased from the percentages that were established in November 2004. Specifically, the constitutional requirements are, in pertinent part:

> (a) On or after November 3, 2004, the Legislature shall not enact a statute to do any of the following:
>
> (1) . . . modify the manner in which ad valorem property tax revenues are allocated in accordance with subdivision (a) of Section 1 of Article XIII A so as to reduce for any fiscal year the percentage of the total amount of ad valorem property tax revenues in a county that is allocated among all of the local agencies in that county below the percentage of the total amount of those revenues that would be allocated among those agencies for the same fiscal year under the statutes in effect on November 3, 2004. . . . .
>
> (2)(A) . . . restrict the authority of a city, county, or city and county to impose a tax rate under, or change the method of distributing revenues derived under, the Bradley-Burns Uniform Local Sales and Use Tax Law set forth in Part 1.5 (commencing with Section 7200) of Division 2 of the Revenue and Taxation Code, as that law read on November 3, 2004.
>
> . . .
>
> (3) . . . change for any fiscal year the pro rata shares in which ad valorem property tax revenues are allocated among local agencies in a county other than pursuant to a bill passed in each house of the Legislature by roll call vote entered in the journal, two-thirds of the membership concurring. . . .

(Cal. Const., art. XIII, § 25.5.)

Additionally, in 2010, the voters approved Proposition 22, which among other provisions amended Article XIII, Section 24 of the California Constitution to add subdivision (b), which reads:

> The Legislature may not reallocate, transfer, borrow, appropriate, restrict the use of, or otherwise use the proceeds of any tax imposed or levied by a local government solely for the local government's purpose.

Relevant to the City/CDC loan agreements and the Amount at issue here, the City's general fund is comprised of sales and use tax revenue and ad valorem property tax revenue (***not*** tax increment), portions of which are specifically dedicated for the City. Thus, on both the "front" and "back" ends of the City loan transactions—the "front" end being the City's loaning of funds from the general fund, and the "back" end being the loan repayment to the City and the retention of those funds by the City—the Legislature may not change the City's percentage

allocation of these tax revenues. No authority exists under Article XIII, Sections 24(b) and 25.5(a)(2) to reallocate sales and use tax revenue allocations of the City here, and no ability exists under Article XIII, Section 25.5(a)(1) & (3) because neither ABx1 26 nor AB 1484 passed with a 2/3 majority vote from each house of the Legislature.

If a State agency were to require the City to turn over amounts equal to the Amount, the State essentially would be ordering a reallocation of the City's sales and use/property taxes to other taxing entities. Such an order violates Article XIII, Sections 24(b) and 25.5(a)(1), (2) & (3) of the California Constitution.

"Home Rule" / Charter City Constitutional Protection

Article XI, Section 5, of the California Constitution provides in pertinent part that any city may adopt a charter so that its ordinances and regulations adopted thereunder govern all "municipal affairs." Under the "Home Rule Doctrine," the ordinances and regulations of charter cities supersede state law with respect to municipal affairs, while state law is supreme with respect to matters of "statewide concern." (*State Building and Construction Trades Council of California, AFL-CIO v. City of Vista* (2012) 54 Cal.4th 547, 552.)

Downey is a charter city. Its charter reserves to the City various powers to establish standards, procedures, rules or regulations related to public financing and to use the City's various funds, including its general fund moneys. For example, the City's Charter provides as follows:

> Section 400. POWERS OF CITY. The City shall have all powers and privileges which may be exercised by a charter city, subject only to the limitations contained in this Charter and in the State Constitution.
>
> . . .
>
> Section 706. FINANCE. POWERS AND DUTIES. The City Manager's designee responsible for the functions of finance shall have the power and shall be required to:
>
> > (e) See that all taxes, assessments, license fees and other revenues of the City, or for the collection of which the City is responsible, and all other money receivable by the City from the County, State or Federal Government, or from any court, office, department or agency of the City are collected.
>
> . . .

> Section 1207. TAX LIMITS. The City Council shall be authorized to levy and impose taxes, assessments and fees for municipal purposes to the full extent permitted by the State Constitution.

Other City Charter and Municipal Code provisions provide that the City retains all authority, to the maximum extent allowed by the California Constitution, to control its own funds. As the California Supreme Court confirmed, the control over the expenditure of the City's own funds is "quintessentially a municipal affair[.]" (*Vista, supra,* 54 Cal.4th at 559.) "[W]e can think of nothing that is of greater municipal concern than how a city's tax dollars will be spent[.]" (*Id.* at 562.)

If a State agency were permitted to invalidate the City's loans under the "clawback" provision in ABx1 26, the State would unconstitutionally usurp the City's ability under its charter to govern how its tax dollars are to be spent. (Cal. Const., art. XI, § 5; *Vista, supra,* 54 Cal.4th at 559.) Therefore, the proposed finding and order in the Draft Report should be reversed, and the City should be allowed to keep the Amount—or, at a minimum, the $1,500,000 in principal that had been loaned and the $1,800,000 City Money Transfer.

Discussion Concerning Applicable Statutory Provisions

ABx1 26 and AB 1484 (the Dissolution Law) Provisions and the Repayment of the City/CDC Loans

The "Clawback Provision" in ABx1 26 at issue—Section 34167.5—purports to authorize the SCO to act as follows:

> Commencing on the effective date of the act adding this part, the Controller shall review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency or any other public agency, and the redevelopment agency. If such an asset transfer did occur during that period and the government agency that received the assets is not contractually committed to a third party for the expenditure or encumbrance of those assets, to the extent not prohibited by state and federal law, the Controller shall order the available assets to be returned to the redevelopment agency or, on or after October 1, 2011, to the successor agency, if a successor agency is established pursuant to Part 1.85 (commencing with Section 34170). Upon receiving such an order from the Controller, an affected local agency shall, as soon as practicable, reverse the transfer and return the applicable assets to the redevelopment agency or, on or after October 1, 2011, to the

> successor agency, if a successor agency is established pursuant to Part 1.85 (commencing with Section 34170). The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in the furtherance of the Community Redevelopment Law and is thereby unauthorized.

This provision of ABx1 26 was stayed by the California Supreme Court pending the court's decision in the *CRA* case, which was not resolved until December 29, 2011. The Court, in its decision, also delayed the date of dissolution of redevelopment agencies until February 1, 2012.

The language of Section 34167.5 lacks clarity and must be interpreted in light of the Legislature's apparent intent in including it in ABx1 26.[12] The terms "asset" and "transfer" are not defined and so the context is critical to understanding the intent of the Legislature and why no "asset transfer" occurred when the CDC made loan repayments during the subject time period.

It is important to note that the Governor's initial redevelopment dissolution proposal, announced in January 2011, subsequently became Senate Bill 77 and an identical companion bill, Assembly Bill 101. Senate Bill 77 was rejected by the Legislature on March 16, 2011.[13] There was no active redevelopment dissolution bill in the Legislature until mid-June 2011 when ABx1 26 was launched and eventually signed into law on June 28, 2011.

ABx1 26 made certain changes to the CRL and added Parts 1.8 and 1.85, as noted above. ABx1 26 states, in part, that "[t]he Legislature hereby finds that a transfer of assets by a redevelopment agency [after January 1, 2011] is deemed not to be in the furtherance of the [CRL] and is thereby unauthorized." ABx1 26 further states, in part, that "[c]ommencing [February 1, 2012], ... arrangements between the city ... that created the redevelopment agency and the redevelopment agency are invalid...;" and that "[a]ll ... properties [and] buildings ... of the former redevelopment agency are transferred on [February 1, 2012], to the control of the successor agency."

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[12] Section 34167.5 was not amended by AB 1484.

[13] SB 77 failed to obtain the required votes for passage and later was amended to address to a completely different topic. AB 101 was never voted on when it addressed redevelopment dissolution. Ultimately, AB 101 was amended to address a completely different topic. From March 16, 2011 until June 14, 2011 when ABx1 26, previously a placeholder budget bill, was amended in the Legislature to add redevelopment dissolution provisions, there were no active bills in the Legislature to dissolve redevelopment agencies.

After the Governor's initial proposal was announced in January 2011 and prior to enactment of ABx1 26, some redevelopment agencies in the State made "no consideration" transfers of property and money to their cities. The Legislature obviously responded to these "no consideration" transfers of real property by some redevelopment agencies by including Section 34167.5 in the subsequently enacted ABx1 26.[14] By forcing a return of these transferred assets to the account of the dissolved redevelopment agency, the cash and value of non-cash assets may be used to help pay the enforceable obligations of the dissolved redevelopment agency.

By contrast, the loan repayments made by the CDC to the City were not an "asset transfer" as contemplated by Section 34167.5 nor the type of transaction Section 34167.5 seeks to remedy. The principal and interest payments were for lawful and valid loans that pre-dated both ABx1 26 and even the Governor's initial announcement in early January 2011 of his intent to seek legislation to eliminate redevelopment agencies.

Even if Section 34167.5 is used by the SCO to effect a reversal of the lawful principal and interest payments, the purported legal basis for doing so would not be that the CDC loan payments were *unlawful* at the time when entered into and when made, but rather the State is permitted to effect an "impairment of contract" by retroactive application of a law. But the State may not do so in this case. Under Article 1, Section 9, of the California Constitution, the State may not adopt a law impairing the obligations of contracts. There is an analogous and binding provision set forth in Article 1, Section 10, of the United States Constitution which prohibits states from enacting laws impairing the obligations of contracts. Section 34167.5, if sought to be applied here, obviously would result in an impairment of contract, but presumably the State's theory would be that a redevelopment agency and a city are subordinate entities of the State and therefore the Legislature may lawfully impair contracts between a redevelopment agency and a city (including impairment to the extent of voiding and reversing lawful contracts). That theory rests on a number of debatable assumptions, but that theory should not be applicable here, where the impairment would effectively ***result*** in a State take of City general funds comprised of

[14] The California Attorney General's office itself has stated on the record that it is "far from clear" that ABx1 26 invalidates all city-redevelopment loans and that the apparent intent of those provisions of ABx1 26 was to invalidate only the "last minute" loan agreements and other arrangements between cities and their redevelopment agencies that took place *after* January 1, 2011. The statement was made on January 27, 2012, by the Deputy Attorney General Ross Moody (who also argued before the California Supreme Court on behalf of the State in the *CRA* case) in Sacramento County Superior Court at the hearing for preliminary injunction in the case *City of Cerritos et al. v. State of California, et al.*, Sacramento County Superior Court Case No. 34-2011-80000952. That hearing was prior to the enactment of AB 1484 but AB 1484 did not amend Health and Safety Code section 34171(d)(1)(B), which concerns city-redevelopment agency loans as enforceable obligations.

sales/use and property tax revenues (the source of the loans to the CDC) in violation of Proposition 1A, or, as discussed above, would impermissibly effect a reallocation of tax increment funds allocated to the CDC.

Moreover, Section 34179.5, the section requiring the DDR added by AB 1484, does not change the conclusion. AB 1484 established the DDR process "in furtherance of" Section 34177(d). (See, §§ 34179.5, 34179.6.) Section 34177(d) provides in pertinent part, that successor agencies are required to:

> Remit ***unencumbered*** balances of redevelopment agency funds to the county auditor-controller for distribution to the taxing entities, including, but not limited to, the unencumbered balance of the Low and Moderate Income Housing Fund of a former redevelopment agency.

The DDR was intended to determine "the ***unobligated*** balances" of "cash or cash equivalents" previously held by the redevelopment agency prior to dissolution available for distribution to the taxing entities. (§ 34179.5(a).) As part of that determination, AB 1484 has a very specific definition of "transferred" that is to be applied when an accountant or auditor, performing the DDR, was to determine whether any specific assets, cash, or cash equivalents should be included in the calculation of funds available for remittance to the taxing entities. (See, §§ 34179.5(c)(1)-(6); 34179.6(c).) Specifically, Section 34179.5(b)(3) defines "transferred" for purposes of the DDR as:

> [T]he transmission of money to another party that is not in payment for goods or services or an investment or where the payment is de minimus. Transfer also means where the payments are ultimately merely a restriction on the use of the money.

Here, the interest payment and loan repayment were payments by the CDC for an investment in the form of a loan made by the City in the redevelopment project area.

Further, Section 34179.5(b)(2) defines "enforceable obligation" as follows as including three categories:

> (1) any of the items listed in Section 34171(d),
>
> (2) contracts detailing specific work to be performed that were entered into by the former redevelopment agency prior to June 28, 2011, with a third party that is other than the city, county, or city and county that created the former redevelopment agency,[15] and

[15] The phrase "with a party that is other than the city" only modifies the contracts dealing with specific works – the second category. If the legislature wanted to impose that limitation on the

(3) indebtedness obligations as defined in Section 34171(e).

The loan repayments by the CDC are expressly covered by Category 1 above—Section 34171(d). Specifically, subdivision (d)(1)(B) of Section 34171 covers loans of moneys borrowed by a redevelopment agency for a lawful purpose to the extent they are required to be paid back (as was the case here). The CDC interest payment and loan repayment fall squarely in the first category of enforceable obligations for purposes of the DDR.

To anticipate a possible counter-argument, we note that Section 34171(d)(2) also states "For purposes of this part, 'enforceable obligation' does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency." Prior to February 1, 2012, city-redevelopment agency loans were deemed to be enforceable obligations under Part 1.8 of ABx1 26, and applicable constitutional and case law, namely Article XIII, Section 25.5(a)(7) added by Proposition 22 (2010) and *Marek v. Napa Community Redevelopment Agency* (1988) 46 Cal.3d 1070, 1082. (*See also, CRA, supra,* 53 Cal.4th at pp. 253-254.) What is critical to note is that the "part" being referred to in Section 34171(d)(2)—Part 1.85—did not become effective until February 1, 2012 Thus, for sake of argument, even in the worst case for the CDC and City—that as of February 1, 2012, City/CDC loans were no longer enforceable obligations unless they meet the exceptions listed—Section 34171(d)(2) does *not* imply that *prior* to February 1, 2012, city loans to a redevelopment agency were *not* enforceable obligations.

Our office is aware that there have been Sacramento County Superior Court decisions that have ruled, in the context of a writ of mandamus, that some city-redevelopment agency agreements do not constitute "enforceable obligations." To the extent these superior court cases tangentially may have common operative facts to Downey's situation, they are not binding on Downey or any other agency other than the one in litigation. No appellate court has decided the constitutionality of a SCO-ordered "clawback" that results in the reallocation of city general fund moneys comprised of sales/use and property taxes, or the retroactive "undoing" of repaid city loans by shifting CDC's tax increment revenues that could not be shifted by the Legislature under Proposition 22 prior to the dissolution of redevelopment. Indeed, it is expected these issues will likely be decided by the court of appeal, but until such time of such decision, there is no binding case that governs Downey's situation of repayment of interest and principal of CDC/City loans prior to February 1, 2012.

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other two categories of enforceable obligations, it would have done so expressly. That fact that it did not implies the legislature did not intend to so limit category (1) or (3).

The City/CDC Loan Agreements Are Forever Valid under Validation Proceedings

At the time the City/CDC loans were approved, applicable law provided (and still provides) that any challenge to the validity of the warrants, contracts, obligations, or other evidence of indebtedness of the CDC to the City had to be brought within 60 days of the date of the action approving such indebtedness. (Gov. Code §§ 53510, 53511; Code Civ. Proc. §§860-870.5; *City of Ontario v. Superior Court of San Bernardino County* (1970) 2 Cal.3d 335, 341-344.) The relevant City/CDC loan agreements, as a City/CDC contract, obligation, and evidence of indebtedness—which committed CDC tax increment and other funds for repayment—falls squarely within this ambit of local agency "financial obligations" that are subject to the validation/reverse validation action statutes. (See, e.g., *City of Ontario, supra,* 2 Cal.3d at 344; *City of Cerritos v. Cerritos Taxpayers Assn.* (2010) 183 Cal.App.4th 1417, 1423, 1427-1428 & fn.3; see also, Code Civ., Proc. § 864.) As such, challenges to the City's loan to the CDC under the City/CDC loan agreements and repayment obligations thereunder—including the principal and interest payments at issue here as part of the Amount—could only be brought within the 60-day limitations period, and none were timely brought. As such, any attempt to invalidate the City/CDC loan agreements and the repayments made pursuant to those agreement, including by the SCO, is forever barred.

In *City of Ontario,* the California Supreme Court explained that, when public agency actions are subject to the validation provisions in Code of Civil Procedure Section 860 *et seq.*, "an agency may indirectly but effectively 'validate' its action *by doing nothing to validate it;* unless an 'interested person' brings an action of his own under *section 863* within the 60-day period, the agency's action will become immune from attack whether it is legally valid or not." (2 Cal.3d at 341-342; see also *McLeod v. Vista Unified Sch. Dist.* (2008) 158 Cal.App.4th 1156, 1169.) On the flip side, if a "validation action" is timely brought by a public agency, or a "reverse validation action" is timely brought by any other interested person, the final adjudication of that action is "forever binding and conclusive" as to all matters adjudicated ***or that could have been adjudicated***, and on all parties ***and all other interested persons.*** (Code Civ. Proc. §§869, 870; see also, *Cerritos, supra,* 183 Cal.App.4th at 1428-1429.)

The purpose behind the short limitations period is "to further the important policy of speedy determination of the public agency's action." (*McLeod, supra,* 158 Cal.App.4th at 1166.) If either the CDC were continuously subject to challenge for borrowing the City's funds, or the City were continuously susceptible to challenge (as it is now by the SCO) for not being repaid, then both agencies would be impeded in their ability to operate based on the reliance of those funds being available under the agreed upon terms. (*Id.* at 1169.)

The SCO like any other other "interested person" under the validation statutes is bound by the longstanding validity of the City/CDC loan agreements from the dates they became "validated." (Code Civ. Proc. §§869, 870; see also, *Moorpark Unified Sch. Dist. v. Superior*

Court of Ventura County (1990) 223 Cal.App.3d 954, 956, 959 [county and school district all "interested parties" under validation statute].) Indeed, the CRL expressly provided (and still provides) that, "[f]or the purpose of protecting the interests of the state, the Attorney General and [DOF] are interested persons pursuant to Section 863 of the Code of Civil Procedure . . . ." (§ 33501(d); see also, 41A West's Ann. HSC (1999 ed.) former § 33501(b) [DOF is an "interested person" to protect the interests of the State].) SCO cannot now, through the "asset transfer review audit" or otherwise, invalidate loan repayments made under the terms provided in City/CDC loan agreements, which, as a matter of law, are deemed valid for all time. (*City of Ontario, supra,* 2 Cal.3d at 341-342; *McLeod, supra,* 158 Cal.App.4th at 1169.)

Common Sense and Legislative Intent to Expeditiously Wind Down Redevelopment Activities Merit a Decision Allowing the City to Keep the Amount

Notwithstanding the legal grounds as to why the repaid City/CDC loans cannot be "undone" by order of the SCO as discussed in this Response, as a practical matter, allowing the City to keep the Amount makes more fiscal sense for not only the City but also the State. Indeed, one of the Legislature's stated intents with the enactment of ABx1 26 is to have the Successor Agency "wind down" as expeditiously as possible the affairs of the CDC. (Stats. 2011, 1st Ex. Sess., ch. 5, § 1(j)(4).)

The $1,500,000 in principal, which the City would get back in any event as Oversight Board/DOF-approved City/CDC loans vis-a-vis Resolution No. OB 13-0016, coupled with the $1,800,000 for which there is no dispute is City money, equal more than the Amount ordered to be returned to the Successor Agency. All of this money ($1,800,000 City Money Transfer + $1,500,000 principal = $3,300,000) would eventually be returned to the City, some of which through the RPTTF/ROPS cycle, which would prolong the winding down of the CDC's redevelopment activities and prolong the existence of the Successor Agency, solely because the SCO's proposed finding and order. The Successor Agency respectfully submits that, in this case, it makes more sense not to return the Amount to the Successor Agency.

Conclusion

For all of the foregoing reasons, the CDC's repayments of the Amount to the City were, and remain, lawful and valid payments. If you have any questions concerning the above, please do not hesitate to contact me.

Very truly yours,

RUTAN & TUCKER, LLP

William H. Ihrke

cc: Gilbert A. Livas, City Manager
Aldo E. Schindler, Community Development Director
Anil H. Gandhy, Downey Finance Director
Ed Velasco, City of Downey

Exhibit A

Ihrke, Bill

From: Aldo E. Schindler [aschindler@downeyca.org]
Sent: Friday, June 27, 2014 9:11 AM
To: Ihrke, Bill; Anil H. Gandhy; Maurina Lee; Ed Velasco
Cc: Kim Sodetani
Subject: Fwd: City of Downey Letter
Attachments: EGonzalez Letter.pdf; ATT00001.htm

FYI

Sent from my iPhone

Begin forwarded message:

> **From:** <EGonzalez@sco.ca.gov>
> **Date:** June 27, 2014 at 8:42:43 AM PDT
> **To:** <KSodetani@downeyca.org>
> **Cc:** <aschindler@downeyca.org>, <sfreesmeier@sco.ca.gov>
> **Subject: RE: City of Downey Letter**
>
> Good morning Ms. Sodetani,
> We look forward to receiving the City of Downey's response by August 3rd, 2014. You may email your response to my and Scott Freesmeier's attention and follow with hard copy.
> Regards,
> ~Liz
>
> *Elizabeth González*
> Bureau Chief
> Local Government Compliance Bureau
> Division of Audits
> State Controller's Office
> 916-324-0622 ***office*** | 916-517-8779 ***mobile*** | 916-327-6636 ***fax***
>
> CONFIDENTIALITY NOTICE: This communication, with its contents as well as any attachments, may contain confidential and/or legally privileged information. It is solely for the use of the intended recipient(s). Unauthorized interception, review, use or disclosure is prohibited and may violate applicable laws including the Electronic Communications Privacy Act. If you are not the intended recipient, please contact the sender and destroy all copies of the communication.
>
> **From:** Kim Sodetani [mailto:KSodetani@downeyca.org]
> **Sent:** Thursday, June 26, 2014 2:19 PM
> **To:** Gonzalez, Elizabeth
> **Cc:** Aldo E. Schindler
> **Subject:** City of Downey Letter
>
> Good Afternoon Ms. Gonzalez,
>
> Thank you for returning my call. As per our conversation, attached is a scan of the letter that is already on its way to you.
>
> Have a great day,
>
> Kim

EXHIBIT A

Kim Sodetani
Executive Secretary
Community Development Department

City of Downey
11111 Brookshire Avenue
Downey, CA 90241
downeyca.org
(562) 904-7151 phone
(562) 622-4816 fax

EXHIBIT A

Exhibit B

The foregoing instrument is a full, true and correct copy of the original on file in this office

ATTEST: _____, CMC

City Clerk of the City of Downey

OVERSIGHT BOARD RESOLUTION NO. OB 13-0016

A RESOLUTION OF THE OVERSIGHT BOARD OF THE DOWNEY SUCCESSOR AGENCY APPROVING RESTATED AND AMENDED LOAN AGREEMENTS BETWEEN THE CITY OF DOWNEY AND THE DOWNEY SUCCESSOR AGENCY

WHEREAS, the Oversight Board for the Downey Successor Agency (the "Oversight Board") has been appointed pursuant to the provisions of Health and Safety Code Section 34179; and,

WHEREAS, the Downey Successor Agency ("Successor Agency") is a public agency pursuant to Health and Safety Code Section 34173; and,

WHEREAS, the City of Downey ("City") is a California municipal corporation operating under the laws of the State of California; and,

WHEREAS, the Downey Community Development Commission ("CDC") is a public body, corporate and politic, exercising governmental functions and previously exercised powers under the Community Redevelopment Law, Health and Safety Code Section 33000 et seq. ("CRL"); and,

WHEREAS, under the CRL, the City had the expressed authority to provide the CDC with financial assistance for purposes of implementing redevelopment activities (see, e.g., Health and Safety Code Sections 33132, 33133, 33220, 33445, 33445.1, 33600, 33601, 33610, 33614; see also Government Code section 53600 et seq.); and,

WHEREAS, pursuant to the authority granted under the CRL, the City and CDC entered into certain Operative Agreements, Public Works Master Agreement and City Aid Master Agreement ("Loan Agreements"). A list of the Loan Agreements are attached hereto as Exhibit "A" and incorporated herein by this reference; and,

WHEREAS, in January 2011, the Governor of California first proposed as part of the 2011-12 budget the possible dissolution of redevelopment agencies to cover an estimated $25 billion shortfall. In June 2011, Assembly Bill 26 from the 2011-12 First Extraordinary Session of the California Legislature ("ABxl 26") was enacted as a bill related to the 2011 Budget Act. In June 2012, Assembly Bill 1484 from the 2011-2012 Regular Session of the California Legislature ("AB 1484") was enacted as a bill related to the 2012 Budget Act. ABx1 26, as modified by the California Supreme Court Decision in *California Redevelopment Association v. Matosantos* (2011) 53 Cal.4th 231, dissolved all redevelopment agencies and redevelopment functions of community development commissions in California on February 1, 2012; and,

WHEREAS, pursuant to Health and Safety Code Section 34173, added by ABx1 26 and amended by AB 1484, the Successor Agency assumed on February 1, 2012, all authority, rights, powers, duties, and obligations previously vested with the CDC, except for those provisions of the CRL that were repealed, restricted, or revised pursuant to Part 1.85 of Division 24 of the Health and Safety Code; and,

WHEREAS, pursuant to Health and Safety Code Section 34171(d)(2), added by ABx1 26, commencing on February 1, 2012, loan agreements between the city, county, or city and county that created the redevelopment agency and the redevelopment agency, not entered into within the first two years of the creation of the redevelopment agency, were not "enforceable obligations"; and,

EXHIBIT B

WHEREAS, pursuant to Health and Safety Code section 34191.4(b), added by AB 1484, loan agreements between the city, county or city and county that created the redevelopment agency and the redevelopment agency shall be deemed "enforceable obligations" so long as a successor agency receives a "finding of completion" pursuant to Health and Safety Code Section 34179.7 and the successor agency's oversight board makes a finding that the loans were for legitimate redevelopment purposes; and,

WHEREAS, pursuant to Health and Safety Code Section 34180(a), added by ABx1 26 and amended by AB 1484, an oversight board is authorized to approve a request by a successor agency to reestablish loan agreements between the successor agency and the city, county, or city and county that formed the redevelopment agency in accordance with the provisions in Health and Safety Code Section 34191.4; and,

WHEREAS, pursuant to Health and Safety Code Section 34191.4(b)(2), if an oversight board finds that the loan is an enforceable obligation, any accumulated interest on the remaining principal amount of the loan shall be recalculated from origination at the interest rate earned by funds deposited into the Local Agency Investment Fund, and the loan must be repaid to the city, county, or city and county in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by funds deposited into the Local Agency Investment Fund. The annual loan repayments provided for in the recognized obligations payment schedules are subject to the additional following provisions:

(A) Repayments shall not be made prior to the 2013-14 fiscal year. Beginning in the 2013-14 fiscal year, the maximum repayment amount authorized each fiscal year for repayments made for a reestablished city/redevelopment agency loan and repayments for any amounts owed to the former redevelopment agency's Low and Moderate Income Housing Fund as repayment for the funding of the Supplemental Education Revenue Augmentation Fund (SERAF) shall be equal to one-half of the increase between the amount distributed to the taxing entities pursuant to Health and Safety Code Section 34183(a)(4) in that fiscal year and the amount distributed to taxing entities pursuant to that paragraph in the 2012-13 base year. Loan or deferral repayments made to city/redevelopment agency loans are to be second in priority to amounts to be repaid as part of any SERAF loan.

(B) Payments received by a city, county, or city and county that formed the redevelopment agency shall first be used to retire any outstanding amounts borrowed and owed to the Low and Moderate Income Housing Fund of the former redevelopment agency for purposes of the SERAF and shall be distributed to the Low and Moderate Income Housing Asset Fund established pursuant to Health and Safety Code Section 34176(d).

(C) Twenty percent of any loan repayment for a city/redevelopment agency loan shall be deducted from the loan repayment amount and shall be transferred to the Low and Moderate Income Housing Asset Fund established pursuant to Health and Safety Code section 34176(d), after all outstanding loans from the Low and Moderate Income Housing Fund for purposes of the SERAF have been repaid; and

WHEREAS, the CDC did not pay for the SERAF requirement with any funds from the former Low and Moderate Income Housing Fund; and,

WHEREAS, none of the Loan Agreements has accumulated interest, as the CDC paid such accumulated interest; and,

EXHIBIT B

WHEREAS, the Successor Agency received its "Finding of Completion" on or about MAY 15, 2013.

WHEREAS, the Loan Agreements were proper and legally-authorized loan agreements under the CRL made by the City to the CDC for legitimate redevelopment purposes, including but not limited to the elimination of blight in the redevelopment project areas, administrative functions, and construction of public infrastructure; and,

WHEREAS, if the amounts due under the Loan Agreements were not paid back to the City, then other public services provided by the City, such as public safety, fire protection, wet and dry utilities, and waste and water management, would be impacted, thereby negatively impacting the other taxing entities and their provision of services that use and benefit from these City services; and,

WHEREAS, each of the Loan Agreements, upon approval by the Oversight Board, will have an Restated and Amended Agreement (attaching the original Loan Agreement) with the Restated and Amended Agreement restating the terms and conditions of the original Loan Agreement and amending it to conform to the loan repayment terms required by Health and Safety Code Section 34191.4(b), added by AB 1484. The Restated and Amended Agreements for each Loan Agreement are attached hereto as Exhibits "B" through "M" and incorporated herein by this reference (the "Restated Agreements").

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board as follows:

SECTION 1. The above recitals are true and correct and incorporated herein.

SECTION 2. The Oversight Board hereby finds and declares as follows:

A. Each Loan Agreement is a "loan agreement" as described in Health and Safety Code Section 34191.4(b).

B. Each Loan Agreement was for legitimate redevelopment purposes, including the following:

(i) The CDC was implementing the redevelopment of the project area(s) under the duly adopted redevelopment plan(s) and the CRL as referenced and identified in the specific Loan Agreement;

(ii) The redevelopment plan(s) for the project area(s) specifically authorized the City to assist the CDC, and for the CDC to accept funding from any public or private agency, including the City, in furtherance of redevelopment activities authorized under the CRL;

(iii) The CRL (Health and Safety Code Sections 33132, 33133, and 33600) specifically authorized the CDC to accept financial assistance from public sources, including the City, and to expend those moneys for any redevelopment project within the CDC's area of operation or for the CDC's activities, powers, and duties;

EXHIBIT B

(iv) The CRL (Health and Safety Code Section 33220) specifically authorized the CDC to enter into agreements with any other public body, including the City, for the purpose of aiding and cooperating in the planning, undertaking, construction, or operation of redevelopment projects upon the terms and with or without consideration as determined necessary by the CDC;

(v) The CRL (Health and Safety Code Sections 33445 and 33445.1) specifically authorized the CDC, with the consent of the City, to pay all or a part of the value of the land for and the cost of the installation and construction of any publicly owned building, facility, structure, or other improvement;

(vi) The CRL (Health and Safety Code Section 33601) specifically authorized the CDC to borrow money from any public agency, including the City, for any redevelopment project within its area of operation, and comply with any conditions of such loan or grant;

(vii) The CRL (Health and Safety Code Section 33610) specifically authorized the City to appropriate to the CDC such amounts as the City deemed necessary for the administrative expenses and overhead of the CDC, with such moneys appropriated by the City to be repaid by the CDC as a loan on such terms and conditions as the City may have provided;

(viii) California law (Government Code sections 53600 et seq. and 53601(e) specifically) authorized the City to invest moneys not required for the immediate needs in evidences of indebtedness of any local agency, including the CDC, within the State of California.

C. Based on the facts applicable to the Loan Agreements, the amended repayment terms in the Restated Agreements complies with the limitations on the terms of repayment for the Loan Agreements.

D. The Loan Agreements, as restated and modified by the Restated Agreements, are "enforceable obligations."

SECTION 3. The Oversight Board hereby approves the Restated Agreements and authorizes the City and Successor Agency to enter into and execute the same.

SECTION 4. The Secretary shall certify to the adoption of this Resolution.

APPROVED AND ADOPTED this 19th day of September, 2013.

BRIAN SAEKI, Chair

ATTEST:

ADRIA M. JIMENEZ, CMC
Secretary

EXHIBIT B

State of California)
County of Los Angeles)ss
City of Downey)

I, Adria M. Jimenez, Secretary of the Oversight Board of the Successor Agency to the former Redevelopment Agency of the City of Downey, California ("Oversight Board"), do hereby certify the foregoing Resolution was duly adopted by said Oversight Board at an adjourned regular meeting held on the 19th day of September, 2013, by the following vote, to sit:

Ayes:	Oversight Board Members:	Delawalla, Flores, Latham LaPlante, Chair Saeki
Noes:	Oversight Board Members:	None
Excused:	Oversight Board Members:	Brossmer, Helvey
Abstained:	Oversight Board Members:	None

ADRIA M. JIMENEZ, CMC
Secretary

EXHIBIT B

Exhibit C

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. ▪ GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

November 8, 2013

Mr. Edward Velasco, Housing Manager
City of Downey
11111 Brookshire Avenue
Downey, CA 90241

Dear Mr. Velasco:

Subject: Approval of Oversight Board Action

The City of Downey Successor Agency (Agency) notified the California Department of Finance (Finance) of its September 19, 2013 Oversight Board (OB) resolution on September 26, 2013 Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB Resolution 13-0016 is approved. It is our understanding the resolution approves the reinstatement of twelve loan agreements between the City of Downey and the Agency. In addition, the OB makes findings that the loans were for legitimate redevelopment purposes. It is also our understanding the Agency received a Finding of Completion from Finance on May 15, 2013.

Although these loans are considered enforceable obligations, the loan repayments are subject to the formula outlined in HSC section 34191.4 (b) (2) which limits repayment amounts in each fiscal year to one-half of the increase between the ROPS residual amounts distributed to the taxing entities in that fiscal year and the ROPS residual amounts distributed to the taxing entities in the 2012-13 base year.

In addition, HSC section 34191.4 (b) (2) requires the interest be calculated from loan origination at the Local Agency Investment Fund (LAIF) rate. The accumulated interest on the loan should be recalculated from the date of loan origination using the quarterly LAIF interest rate at the time when the Agency's OB makes a finding that the City loan was for legitimate redevelopment purposes. This will supersede any existing interest rates in the loan agreement. The repayments of these loans are subject to Finance's review on a future Recognized Obligation Payment Schedule.

Finance notes that ten of the twelve loan agreements allow for the repayment to be made with proceeds of tax allocation bonds that the Agency may have issued for the same purpose. HSC section 34177 (l) (1) allows Redevelopment Property Tax Trust Fund (RPTTF) to be used for enforceable obligations, but only to the extent no other funding sources are available. Therefore, to the extent bond proceeds exist that can be used to repay these loans, the bond proceeds should be exhausted before requesting RPTTF.

EXHIBIT C

Please direct inquiries to Kylie Le, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Brian Saeki, Director of Community Development, City of Downey
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office

EXHIBIT C

Exhibit D

OPERATIVE AGREEMENT #28

THIS AGREEMENT, entered into this 10th day of May, 2001 by and between the **CITY OF DOWNEY** (hereinafter referred to as "City"), and the **COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF DOWNEY** (hereinafter referred to as "Commission").

WITNESSETH:

WHEREAS, the Commission is implementing the Woodruff Project Area pursuant to California Redevelopment Law; and

WHEREAS, the Commission has certain operating expenses;

WHEREAS, said Commission requests a loan from the City in the sum of $200,000 to assist it in defraying expenses heretofore incurred and expenses which will be incurred hereinafter in carrying out the budgeted projects of said Commission.

NOW, THEREFORE, in consideration of the foregoing recitals, the parties heretofore do agree as follows:

Section 1: Pursuant to the provisions of the Community Redevelopment Law of the State of California, the City of Downey shall lend to the Commission the sum of $200,000 for the purpose of defraying project expenses of the Commission.

Section 2: The Commission shall accept and administer the funds loaned to it in accordance with the provisions of said Community Redevelopment Law

Section 3: The Treasurer of the City is authorized to credit the Commission in the amount of $200,000 (Fund 89) from the City's General Fund.

Section 4: The Commission shall repay the City for said loan and pay interest thereon, at the rate of 12% per annum, to the City from any available funds of the Commission, including the portion of taxes mentioned in Subdivision (b) of Section 33670 of the Health and Safety Code of the State of California, when such funds become available to the Commission and which legally may be utilized for such repayment, if such funds are not reasonably needed for other purposes of the Commission. The Commission shall be entitled to repay this loan from the proceeds of tax allocation bonds that the Commission may issue for such purpose in the future.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and through their respective offices thereunto duly authorized on the date written below their signature.

CITY OF DOWNEY

By: _____
Mayor Robeert C. Winningham

Date: May 10, 2001

ATTEST:
_____
City Clerk

COMMUNITY DEVELOPMENT COMMISSION

By: _____
Chair Robert C. Winningham

Date: May 10, 2001

ATTEST:
_____
Secretary

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EXHIBIT D

OPERATIVE AGREEMENT #30

THIS AGREEMENT, entered into this 12th day of March, 2002 by and between the **CITY OF DOWNEY** (hereinafter referred to as "City"), and the **COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF DOWNEY** (hereinafter referred to as "Commission").

WITNESSETH:

WHEREAS, the Commission is implementing the Woodruff Project Area pursuant to California Redevelopment Law; and

WHEREAS, the Commission has certain operating expenses;

WHEREAS, said Commission requests a loan from the City in the sum of $300,000 to assist it in defraying expenses heretofore incurred and expenses which will be incurred hereinafter in carrying out the budgeted projects of said Commission.

NOW, THEREFORE, in consideration of the foregoing recitals, the parties heretofore do agree as follows:

Section 1: Pursuant to the provisions of the Community Redevelopment Law of the State of California, the City of Downey shall lend to the Commission the sum of $300,000 for the purpose of defraying project expenses of the Commission.

Section 2: The Commission shall accept and administer the funds loaned to it in accordance with the provisions of said Community Redevelopment Law

Section 3: The Treasurer of the City is authorized to credit the Commission in the amount of $300,000 (Fund 89) from the City's General Fund.

Section 4: The Commission shall repay the City for said loan and pay interest thereon, at the rate of 12% per annum, to the City from any available funds of the Commission, including the portion of taxes mentioned in Subdivision (b) of Section 33670 of the Health and Safety Code of the State of California, when such funds become available to the Commission and which legally may be utilized for such repayment, if such funds are not reasonably needed for other purposes of the Commission. The Commission shall be entitled to repay this loan from the proceeds of tax allocation bonds that the Commission may issue for such purpose in the future.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and through their respective offices thereunto duly authorized on the date written below their signature.

CITY OF DOWNEY

By: Meredith Perkins
Mayor Meredith Perkins

Date: March 13, 2002

ATTEST:
Kathleen K. Middleton
City Clerk

COMMUNITY DEVELOPMENT COMMISSION

By: Meredith Perkins
Chair Meredith Perkins

Date: March 13, 2002

ATTEST:
Kathleen K. Middleton
Secretary

tmck
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EXHIBIT D

OPERATIVE AGREEMENT #37

THIS AGREEMENT, entered into this 23rd day of January, 2007 by and between the **CITY OF DOWNEY** (hereinafter referred to as "City"), and the **COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF DOWNEY** (hereinafter referred to as "Commission").

WITNESSETH:

WHEREAS, the Commission is implementing Amendment Number 4 of the Firestone Project Area pursuant to California Redevelopment Law; and

WHEREAS, the Commission has certain operating expenses;

WHEREAS, said Commission requests a loan from the City in the sum of $1,000,000 to assist it in defraying expenses heretofore incurred and expenses which will be incurred hereinafter in carrying out the budgeted projects of said Commission.

NOW, THEREFORE, in consideration of the foregoing recitals, the parties heretofore do agree as follows:

Section 1: Pursuant to the provisions of the Community Redevelopment Law of the State of California, the City of Downey shall lend to the Commission the sum of $1,000,000 for the purpose of defraying project expenses of the Commission.

Section 2: The Commission shall accept and administer the funds loaned to it in accordance with the provisions of said Community Redevelopment Law

Section 3: The Treasurer of the City is authorized to credit the Commission in the amount of $1,000,000 (Fund 86) from the City's General Fund.

Section 4: The Commission shall repay the City for said loan and pay interest thereon, at the rate of 12% per annum, to the City from any available funds of the Commission, including the portion of taxes mentioned in Subdivision (b) of Section 33670 of the Health and Safety Code of the State of California, when such funds become available to the Commission and which legally may be utilized for such repayment, if such funds are not reasonably needed for other purposes of the Commission. The Commission shall be entitled to repay this loan from the proceeds of tax allocation bonds that the Commission may issue for such purpose in the future.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and through their respective offices thereunto duly authorized on the date written below their signature.

CITY OF DOWNEY

By: _____
Rick Trejo, Mayor

Date: 01-25-07

ATTEST: _____
Kathleen L. Midstokke, City Clerk

COMMUNITY DEVELOPMENT COMMISSION

By: _____
Rick Trejo, Chair

Date: 01-25-07

ATTEST: _____
Kathleen L. Midstokke, Secretary

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EXHIBIT D

Exhibit E

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 15, 2013

Mr. Brian Saeki, Director of Community Development
City of Downey
11111 Brookshire Avenue
Downey, CA 90241

Dear Mr. Saeki:

Subject: Finding of Completion

The California Department of Finance (Finance) has completed the Finding of Completion for the City of Downey Successor Agency.

Finance has completed its review of your documentation, which may have included reviewing supporting documentation submitted to substantiate payment or obtaining confirmation from the county auditor-controller. Pursuant to Health and Safety Code (HSC) section 34179.7, we are pleased to inform you that Finance has verified that the Agency has made full payment of the amounts determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5.

This letter serves as notification that a Finding of Completion has been granted. The Agency may now do the following:

- Place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Loan repayments will be governed by criteria in HSC section 34191.4 (a) (2).

- Utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC section 34191.4 (c).

Additionally, the Agency is required to submit a Long-Range Property Management Plan to Finance for review and approval, per HSC section 34191.5 (b), within six months from the date of this letter.

Please direct inquiries to Andrea Scharffer, Staff Finance Budget Analyst, or Chris Hill, Principal Program Budget Analyst, at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Edward Velasco, Housing Manager, City of Downey
Ms. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office
California State Controller's Office

EXHIBIT E

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

http://www.sco.ca.gov