

DUARTE REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



BETTY T. YEE
California State Controller

February 2015



BETTY T. YEE
California State Controller

February 12, 2015

Kristen Petersen, Assistant City Manager
Duarte Redevelopment/Successor Agency
1600 Huntington Drive
Duarte, CA 91010

Dear Ms. Petersen:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Duarte Redevelopment Agency (RDA) to the City of Duarte (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 \$27,667,045 in assets after January 1, 2011, including unallowable transfers totaling \$18,780,160, or 67.88% of transferred assets. The unallowable transfers included \$9,145,522 to the City and \$9,634,638 to the Housing Authority.

However, the following corrective actions were taken since the date of the transfer:

- On December 19, 2012, the Housing Authority remitted \$8,363,104 in cash to the Los Angeles County Auditor-Controller for distribution to the taxing entities.
- On August 1, 2012, the Successor Agency effectuated the transfer of housing functions and assets, totaling \$1,271,534, to the Housing Successor.
- On October 17, 2013, the City turned over \$7,390,118 in cash to the Successor Agency.
- On March 31, 2014, the City turned over land assets totaling \$1,645,522 to the Successor Agency.

Therefore, the remaining unallowable asset transfers in the amount of \$109,882 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 or by email at egonzalez@sco.ca.gov.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

cc: Roger Cathey, Financial Services Manager
City of Duarte
John Fasana, Oversight Board Chairperson
Duarte Redevelopment/Successor Agency
John Naimo, Auditor-Controller
Los Angeles County
David Botelho, Program Budget Manager
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
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Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Duarte Redevelopment Agency (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 \$27,667,045 in assets after January 1, 2011, including unallowable transfers totaling \$18,780,160, or 67.88% of transferred assets. The unallowable transfers included \$9,145,522 to the City of Duarte (City) and \$9,634,638 to the Housing Authority.

However, the following corrective actions were taken since the date of the transfer:

- On December 19, 2012, the Housing Authority remitted \$8,363,104 in cash to the Los Angeles County Auditor-Controller for distribution to the taxing entities.
- On August 1, 2012, the Successor Agency effectuated the transfer of housing functions and assets, totaling \$1,271,534, to the Housing Successor.
- On October 17, 2013, the City turned over \$7,390,118 in cash to the Successor Agency.
- On March 31, 2014, the City turned over land assets totaling \$1,645,522 to the Successor Agency.

Therefore, the remaining unallowable asset transfers in the amount of \$109,882 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 Duarte Redevelopment Agency transferred \$27,667,045 in assets after January 1, 2011, including unallowable transfers totaling \$18,780,160, or 67.88% of transferred assets. The unallowable transfers included \$9,145,522 to the City of Duarte (City) and \$9,634,638 to the Housing Authority.

However, the following corrective actions were taken since the date of the transfer:

- On December 19, 2012, the Housing Authority remitted \$8,363,104 in cash to the Los Angeles County Auditor-Controller for distribution to the taxing entities.
- On August 1, 2012, the Successor Agency effectuated the transfer of housing functions and assets, totaling \$1,271,534, to the Housing Successor.

- On October 17, 2013, the City turned over \$7,390,118 in cash to the Successor Agency.
- On March 31, 2014, the City turned over land assets totaling \$1,645,522 to the Successor Agency.

Therefore, the remaining unallowable asset transfers in the amount of \$109,882 must be turned over to the Successor Agency.

Details of our findings are described in the Findings and Orders of the Controller section of this report.

Views of Responsible Officials

We issued a draft review report on September 2, 2014. Jeffrey T. Melchina, Rutan & Tucker, LLP, responded on behalf of the City by letter dated September 18, 2014, partially agreeing 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 of Duarte, the Successor Agency, the Oversight Board, the Housing Authority, 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

February 12, 2015

Findings and Orders of the Controller

FINDING 1— Unallowable asset transfer to the City of Duarte

The Duarte Redevelopment Agency (RDA) made unallowable asset transfers in the amount of \$9,145,522 to the City of Duarte (City). The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

On March 22, 2011, the RDA transferred \$9,145,522 in assets to the City. The assets consisted of the following:

- \$7,500,000 for repayment of a City loan
- \$1,645,522 in land held for resale:
 - \$450,000 for 1263 Huntington Drive
 - \$1,195,522 for 952 and 962 Huntington Drive

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, that were not contractually committed to a third party prior to June 28, 2011. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e).

Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the transfer of assets in the amount of \$9,145,522 and turn over the assets to the Successor Agency. However, On October 17, 2013, the City turned over \$7,390,118 in cash to the Successor Agency. Also, on March 31, 2014, the City turned over the land held for resale totaling \$1,645,522 to the Successor Agency. Therefore, the remaining \$109,882 in unallowable transfers must be turned over to the Successor Agency.

City's Response

The City partially agrees with the SCO Findings and stated that the City recently transferred \$1,645,522 in land assets to the Successor Agency.

However, the City disputes that \$7,500,000 is the correct amount of cash that should be transferred to the Successor Agency. The City disagrees based on a letter from the Department of Finance dated April 13, 2013, regarding the Other Funds and Accounts Due Diligence Review (DDR). This letter determined that \$7,390,118 in unencumbered other funds and accounts should be remitted in relation to the \$7,500,000 City loan when factoring in the available cash balance from the DDR. The City stated that it already remitted \$7,390,118 to the Successor Agency on October 17, 2013, and challenged the SCO's demand that the City transfer an additional \$109,882 to the Successor Agency.

See Attachment for the City's complete response.

SCO Comment

Based on our review of additional documents provided by the City, the SCO revised the report to acknowledge that on March 31, 2014, the City returned the land assets, totaling \$1,645,522 to the Successor Agency. Therefore no further action is necessary.

With regards to the \$7,500,000 repayment, the asset transfer review performed by the SCO is a different and separate review from the Department of Finance's Due Diligence Review. As such, transfers not identified through the DDR process may be identified in the asset transfer review. The RDA transferred assets to the City after January 1, 2011; therefore, the remaining unallowable asset transfers in the amount of \$109,882 should be turned over to the Successor Agency.

FINDING 2— Unallowable asset transfer to the Housing Authority

The RDA made unallowable asset transfers in the amount of \$9,634,638 to the Housing Authority. The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

On various dates, the RDA transferred \$9,634,638 in assets to the Housing Authority. The assets consisted of the following:

- \$8,363,104 cash transfer on April 12, 2011
- \$1,271,534 transfer of properties on June 28, 2011:
 - \$646,555 for the Anita Motel located at 1423 Huntington Drive
 - \$624,979 for the Duarte Trailer Park located at 1437 Huntington Drive

Pursuant to 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, that were not contractually committed to a third party prior to June 28, 2011. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e).

Order of the Controller

Pursuant to H&S Code section 34167.5, the Housing Authority is ordered to reverse the asset transfers in the amount of \$9,634,638 and turn them over to the Successor Agency. However, on December 19, 2012, the Housing Authority remitted \$8,363,104 to the Los Angeles County Auditor-Controller for distribution to the affected taxing entities. Also, on August 1, 2012, the Successor Agency effectuated the transfer of housing functions and assets of \$1,271,534 to the Housing Successor in accordance with H&S Code section 34176(b)(2) and 34177(g) and under Resolution OB 14-03 subsequently approved by the Department of Finance on August 31, 2012. Therefore, no further action is necessary.

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

Unallowable asset transfers to the City of Duarte on March 22, 2011	
Repayment of City loan	\$ 7,500,000
Transfer of land held for resale (1263 Huntington Drive)	450,000
Transfer of land held for resale (952 and 962 Huntington Drive)	<u>1,195,522</u>
Total unallowable asset transfers	9,145,522
On October 17, 2013, the City turned over cash to the Successor Agency	(7,390,118)
On March 31, 2014, the City turned over the land held for resale to the Successor Agency	<u>(1,645,522)</u>
Total asset transfers subject to H&S Code section 34167.5	<u>\$ 109,882</u>

**Schedule 2—
Unallowable Asset Transfers to the Housing Authority
January 1, 2011, through January 31, 2012**

Unallowable asset transfers to the Housing Authority	
Cash transfer on April 12, 2011	\$ 8,363,104
Unallowable asset transfers to the Housing Authority on June 28, 2011	
Transfer of property at 1423 Huntington Drive (Anita Motel)	646,555
Transfer of property at 1437 Huntington Drive (Duarte Trailer Park)	<u>624,979</u>
Total unallowable asset transfers	9,634,638
Less adjustment:	
Amount remitted to the County Auditor Controller on December 19, 2012	(8,363,104)
Housing Assets that reside with the Housing Successor as of August 1, 2012	<u>(1,271,534)</u>
Total asset transfers subject to H&S Code section 34167.5	<u>\$ —</u>

**Attachment—
City's Response to
Draft Review Report**

September 18, 2014

VIA E-MAIL AND
FIRST CLASS MAIL

Elizabeth Gonzalez
Chief, Local Government Compliance Bureau
California State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-6874

Re: ***Response and Comments to Draft Report of the State Controller's Office Asset Transfer Review***

Dear Ms. Gonzalez:

I represent the Successor Agency to the Dissolved Redevelopment Agency of the City of Duarte ("Duarte Successor Agency"). This letter is sent in response to the California State Controller's Office's Draft Asset Transfer Review Report for the Duarte Redevelopment Agency, dated September 2, 2014, and received by the Successor Agency on September 8, 2014 ("Draft Report").

The Draft Report found \$9,145,522 in unallowable transfers to the City of Duarte ("City") which consists of \$7,500,000 for repayment of a City loan and \$1,645,522 in land assets. The City recently transferred \$1,645,522 in land assets to the Successor Agency. However, the City disputes that \$7,500,000 is the correct amount of cash that should be transferred to the Successor Agency for the benefit of other taxing entities.

According to the California Department of Finance ("Department"), the amount that should be remitted was \$7,390,118, not \$7,500,000. This is evidenced by a letter the Department sent to the City, dated April 13, 2013, regarding the Other Funds and Accounts ("OFA") Due Diligence Review ("DDR"). That letter determined \$7,390,118 in unencumbered other funds and accounts should be remitted in relation to the \$7,500,000 City loan when factoring in the available cash balance from the DDR. (Health & Saf. Code § 34179.5-34179.6.) The Department then sent the City another letter, dated October 9, 2013, demanding that \$7,390,118 – not \$7,500,000 – be remitted to the Auditor-Controller based on the information provided during the Duarte Successor Agency's OFA DDR.

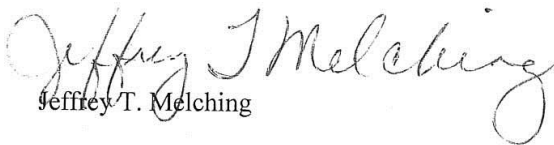
In accordance with the Department's demands (and under protest while reserving all rights) the City already remitted \$7,390,118 to the Successor Agency on or about October 17,

Elizabeth Gonzalez
September 18, 2014
Page 2

2013. Thus, we object to and reserve all rights to challenge the State Controller's Office's demand that the City transfer an additional \$109,882 to the Duarte Successor Agency. The Draft Report's conclusion runs contrary to a previous determination issued by the Department (a determination which the City continues to reserve all rights to dispute) by improperly seeking an additional \$109,882 from the City. For reference, we have attached to this letter the April 13 and October 9, 2013 letters from the Department. Please contact me with any questions.

Very truly yours,

RUTAN & TUCKER, LLP


Jeffrey T. Melching

JTM
Attachments

cc: Kristen Petersen, Assistant City Manager/Finance Director, City of Duarte



DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR. * GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 13, 2013

Ms. Kristen Petersen, Assistant City Manager
City of Duarte
1600 Huntington Drive
Duarte, CA 91010

Dear Ms. Petersen:

Subject: Other Funds and Accounts Due Diligence Review

This letter supersedes the California Department of Finance's (Finance) original Other Funds and Accounts (OFA) Due Diligence Review (DDR) determination letter dated March 11, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Duarte Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on January 10, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Finance issued an OFA DDR determination letter on March 11, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer session was held on March 25, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of those specific items being disputed. Specifically, the following adjustments were made:

- The transfer for repayment of a city loan in the amount of \$7.5 million in March 2011 is disallowed. The loan was made by the City of Duarte's (City) Economic Development Fund to the former redevelopment agency (RDA) on behalf of the Rancho Duarte Phase III Project Area. The Agency was established in 1974 and these loans were issued between October 1988 and October 1989.

Per HSC section 34179.5 (c) (2), the dollar value of assets and cash transferred to the city, county, or city and county that formed the former RDA by the former redevelopment agency or successor agency between January 1, 2011 through June 30, 2012 must be evidenced by documentation of the enforceable obligation that required the transfer. HSC section 34179.5 states "enforceable obligation" includes any of the items listed in subdivision (d) of section 34171, contracts detailing specific work that were entered into prior to by the former redevelopment agency prior to June 28, 2011 with a third party other than the city, county, or city and county that created the former RDA. The agreements between the City and the former RDA are not enforceable obligations unless they were entered into within the first two years of the former RDA's creation, at the time of issuance and solely for the purpose of issuing debt, or until the Agency has received a Finding of Completion from Finance and not before the 2013-14 fiscal year. None of these exceptions apply; therefore, at the time the funds were transferred to the

City, the transfer was not made pursuant to an enforceable obligation and is not permitted. We also note, this item was included on ROPS I; however, no funding was requested. HSC section 34177 (a) (3) states that only those payments listed in the approved ROPS may be made from the funding source specified in the ROPS.

The Agency did not object to the following adjustment made by Finance during the Meet and Confer process. HSC section 34179.6 (d) authorizes Finance to make adjustments. We maintain that the following adjustment is appropriate:

- The Agency's request to retain OFA balances for fiscal year 2012-13 in the amount of \$3 million is denied. Although Finance approved \$6.2 million for obligations during the July through December 2012 ROPS II period, the County Auditor Controller distributed only \$3.2 million on June 1, 2012. Therefore, the Agency is limited to retaining \$3 million for ROPS II enforceable obligations. As such, the OFA balance available for distribution to the taxing entities will be adjusted by \$3.2 million.

To the extent these constitute enforceable obligations, the Agency should request funding for these in a future ROPS.

Should a deficit occur in the future, HSC provides successor agencies with various methods to address short term cash flow issues. These may include requesting a loan from the city pursuant to HSC section 34173 (h), requesting the accumulation of reserves on the Recognized Obligation Payment Schedule (ROPS) when a future balloon or uneven payment is expected, or subordinating pass-through payments pursuant to HSC section 34183 (b). The Agency should seek counsel from their oversight board to determine the solution most appropriate for their situation if a deficiency were to occur.

The Agency's OFA balance available for distribution to the affected taxing entities is \$7,390,118 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ (3,133,933)
Finance Adjustments	
Add:	
Denied ROPS Items:	\$ 7,500,000
Requested retained balance not supported:	\$ 3,024,051
Total OFA available to be distributed:	\$ 7,390,118

This is Finance's final determination of the OFA balances available for distribution to the taxing entities. HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient. Upon submission of payment, it is requested you provide proof of payment to Finance within five business days.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, the successor agency is required to

Ms. Petersen
April 13, 2013
Page 3

take diligent efforts to recover such funds. A failure to recover and remit those funds may result in offsets to the other taxing entity's sales and use tax allocation or to its property tax allocation. If funds identified for transmission are in the possession of a private entity, HSC 34179.6 (h) (1) (B) states that any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Pursuant to HSC sections 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter do not in any way eliminate the Controller's authority.

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

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Dan Slater, City Attorney, City of Duarte
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office



DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR. ■ GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

October 9, 2013

Ms. Kristen Petersen, Assistant City Manager
City of Duarte
1600 Huntington Drive
Duarte, CA 91010

Dear Ms. Petersen:

Pursuant to Health and Safety Code (HSC) section 34179.6 (f), the City of Duarte Successor Agency (Agency) was ordered by the California Department of Finance (Finance) on April 13, 2013 to remit to the county auditor-controller \$7,390,118 in unencumbered other funds and accounts.

According to our records, the Successor Agency has yet to remit the ordered sum. Based on the information provided during the Agency's Other Funds and Assets Due Diligence Review, we understand that of the ordered outstanding amount due \$7,390,118 resides with the city or the county that is performing the duties of the Agency and nothing resides with the Agency. If this is not correct, and the Agency has remitted the full ordered sum, please provide proof of payment to both Finance and the county auditor-controller. In addition, if the unencumbered other funds and accounts do not reside with the city, county, or Agency as indicated above, please send the appropriate supporting documentation to Finance.

I strongly encourage the Agency to promptly remit the ordered sum to the county auditor-controller if you have not already done so. If for some reason the Agency cannot immediately remit the entire sum, HSC section 34179.6 (h) (3) authorizes Finance to review requests for an installment payment plan. If you wish to make installment payments, please notify your Agency's assigned Finance review staff immediately. Upon receipt of your request, Finance will work with your Agency to determine whether installment payments are appropriate, and whether a payment plan can be finalized within the next 30 days.

In the event that the full ordered sum is not remitted within the next 30 days, and no installment plan is requested, Finance will proceed with the following measures pursuant to Per HSC section 34179.6 (h):

For amounts to be remitted that have been transferred to the city or county that created the RDA, Finance will order the Board of Equalization to withhold an equivalent amount of sales and use tax distribution from the city or county that created the former redevelopment agency. Such withholding would likely begin in October 2013 and continue until the entire ordered sum has been withheld.

For amounts to be remitted that reside with the Agency, Finance will direct the withholding by the county auditor-controller of an equivalent amount of property tax from the amount of

Redevelopment Property Tax Trust Fund (RPTTF) otherwise payable to the Agency. Such withholding would likely begin with the January 2014 RPTTF allocation and continue until the entire ordered sum has been withheld. Since the Agency maintains possession of these funds, the withholding should not hinder the Agency's ability to fund approved ROPS obligations.

Please note that based on an Agency's particular circumstances, Finance may not seek the remedies described above. However, the county auditor-controller may decide, at his or her own discretion pursuant to HSC section 34179.6 (h), to reduce the property tax allocation to the Agency or the local agency that currently possesses the sums in question.

Finance has no desire to seek any of the above remedies against either the Agency or the city or county that is performing the duties of the Agency. **However, if the Agency fails to remit the ordered sum to the county auditor-controller within 30 days of the date of this letter, and no installment plan is requested, Finance is prepared to utilize any of the above-described remedies provided for by law.**

If Finance does not immediately pursue the remedies described above, additional actions are still available to seek your compliance with the ministerial duties set forth in HSC section 34179.6. For example, Finance will determine if it is appropriate to file a petition for writ of mandate in the Sacramento Superior Court seeking an order for the Agency to remit the ordered sum to the county auditor-controller.

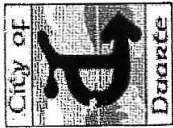
If you have questions regarding remittance instructions, please contact your county auditor-controller's office to ensure that they have reported the accurate remittance amount to Finance.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Dan Slater, City Attorney, City of Duarte
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office



RAC Journal Entry Register

Packet: GLPKT07708 - Rvr JE30805B-DOF/DDR Ltr-Tsf Land fr 100>690

JEs @ 60914 + 60914A

City of Duarte

RAC 4/9/14
KP 5/20/14 Approved

Adjusting Entry: N

Posting Date: 3/31/2014

Accrual Date:

Journal: 60914

Description: Rvr JE30805B-DOF Ltr-Tsf Land fr 690
Summary: Rvrs-JE#30805B (3/24/11) which had Tsf'd Land fr RDA to City of Duarte-per Final DOF-Determination Letter 10/9/13- Need to Tsf Land from fund 100>fund 690
Proceeds for 1263 Huntington APN#8530-003-930 & 931 and 946, 952, 962 Huntington Dr. APN#8530-013-902, 903, 904

Account	Account Name	Description	IFT	Amount
100-1600	Land	Rvr JE30805B-DOF Ltr- 946,952,962 Hunt Dr		-1,195,521.60
100-1600	Land	Rvr JE30805B-DOF Ltr-1263 Hunt Dr		-450,000.00
100-1905-9040	Transfer Out-Successor Agency	Rvr JE30805B/Tsf Out to SA Properties		1,645,521.60

Adjusting Entry: N

Posting Date: 3/31/2014

Accrual Date:

Journal: 60914A

Description: Rvr JE30805B-DOF Ltr-Tsf Land fr 100
Summary: Rvrs-JE#30805B (3/24/11) which had Tsf'd Land fr RDA to City of Duarte-per Final DOF-Determination Letter 10/9/13- Need to Tsf Land from fund 100>fund 690
Proceeds for 1263 Huntington APN#8530-003-930 & 931 and 946, 952, 962 Huntington Dr. APN#8530-013-902, 903, 904

Account	Account Name	Description	IFT	Amount
690-1600	Land	Rvr JE30805B-DOF Ltr- 946,952,962 Hunt Dr		1,195,521.60
690-1600	Land	Rvr JE30805B-DOF Ltr- 1263 Hunt Dr		450,000.00
690-6901	SA Transfer In-Gen Fund	Rvr JE30805B/Tsf in from GF Properties		-1,645,521.60

Account Summary

Account Name	Amount
Land	-1,645,521.60
Transfer Out-Successor Agency	1,645,521.60
Land	1,645,521.60
SA Transfer In-Gen Fund	-1,645,521.60

Account
<u>100-1600</u>
<u>100-1905-9040</u>
<u>690-1600</u>
<u>690-6901</u>

Journal Summary

Journal Count:	2
Entry Count:	6
Debits:	3,291,043.20
Credits:	-3,291,043.20

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

<http://www.sco.ca.gov>