

**AGENDA
OVERSIGHT BOARD TO THE
CITY OF SAN DIMAS SUCCESSORY AGENCY**

**SEPTEMBER 13, 2012, 4:00 P.M.
SAN DIMAS COUNCIL CHAMBERS CONFERENCE ROOM
245 EAST BONITA AVENUE
SAN DIMAS, CA 91773**

1. Call to Order
2. Approval of minutes of August 23, 2012
3. Update on Review of the Housing Asset List by the Department of Finance
4. Update on the Agreed-Upon Procedures Report from Los Angeles County Auditor Controller
5. Report on Information on Oversight Board Retention of Outside Assistance
6. Public Comment
7. Reports of Board Members
8. Adjournment

MINUTES
OVERSIGHT BOARD TO THE
CITY OF SAN DIMAS SUCCESSOR AGENCY

AUGUST 23, 2012, 4:00 P.M.
SAN DIMAS COUNCIL CHAMBERS CONFERENCE ROOM
245 E. BONITA AVENUE
SAN DIMAS, CA 91773

PRESENT: Chairman Curt Morris, Board Members Bonnie Bowman, A.F. Feldbush, Ann Parks, Larry Stevens, Brian Stiger

Successor Agency Staff: City Manager Blaine Michaelis, Assistant City Manager Ken Duran, Finance Manager Barbara Bishop, Senior Accountant Steven Valdivia, City Attorney J. Kenneth Brown

ABSENT: Board Member David Hall

CALL TO ORDER

Chairman Morris called the meeting to order at 4:00 p.m.

REPORT ON SUBMISSION OF THE HOUSING ASSET LIST TO THE DEPARTMENT OF FINANCE

Mr. Duran reported that the Successor Agency submitted the Housing Asset List by the required deadline of August 1, 2012. He added that the Oversight Board is not required to approve the list; however, he provided it to them for their information.

REVIEW AND CONSIDERATION OF RESOLUTION NO. 12 – A RESOLUTION OF THE OVERSIGHT BOARD OF THE FORMER SAN DIMAS REDEVELOPMENT AGENCY APPROVING THE ADMINISTRATIVE BUDGET OF THE SUCCESSOR AGENCY FOR THE PERIOD OF JANUARY 1, 2013 THROUGH JUNE 30, 2013 PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177

Mr. Duran reported that the Oversight Board is required to approve an Administrative Budget for the Successor Agency for 6 month periods. He added that the January – June 2013 budget is estimated at the same number of personnel hours as the July – December 2012 period. He referenced Exhibit B which shows the actual personnel hours for the January – June 2012 period exceeding the original estimate.

In response to a question by Mr. Stevens, Mr. Duran stated that there is no provision to be reimbursed for expenses that exceeded the estimate; however, there is a mechanism in the ROPS to adjust for actual expenses that were under the estimate.

In response to a question by Mr. Feldbush, Ms. Bishop responded that the personnel hourly rate went down for the proposed period because of adjustments to employee benefit costs.

After the title was read Mr. Stevens made a motion to waive further reading and adopt Resolution No. 12. The motion was seconded by Ms. Sparks and passed unanimously.

REVIEW AND CONSIDERATION OF RESOLUTION NO. 13 – A RESOLUTION OF THE OVERSIGHT BOARD OF THE FORMER SAN DIMAS REDEVELOPMENT AGENCY APPROVING THE JANUARY 1, 2013 THROUGH JUNE 30, 2013 RECOGNIZED PAYMENT OBLIGATION SCHEDULE PURSUANT TO HEALTH AND SAFETY CODE SECTION 34180(g)

Mr. Duran provided an overview of his staff report, reviewing the timeline for the ROPS III submission, description of the new reporting form and the summary description of the enforceable obligation items. He commented that all of the items included on the ROPS III report, with the exception of item #17, were included in the previous two ROPS and approved by the Oversight Board and Department of Finance. He explained that one of the provisions in AB 1484 was to allow as an enforceable obligation expenses associated with the elimination of redevelopment agency staff. He added that the City recently had some staff reductions including the elimination of the redevelopment housing staff. He further added that the amount included on the ROPS as item #17, is the amount of costs associated with the elimination of two positions pursuant to the City's Personnel Rules and Regulations.

In response to a question by Mr. Stevens, Mr. Duran stated that the projects associated with low and moderate income housing are included on the ROPS but not funded from the RTTPF but the low and moderate income housing funds.

Mr. Feldbush asked the staff and City Attorney if they had any consternation over the inclusion of any of the obligation items. Mr. Duran responded that as has been previously reported to the Board staff has issue with City loans not being approved as obligations. However, per the Department of Finance the loans can be identified on the ROPS as long as there is no request for funding. Mr. Stevens added that since there is a provision in AB 1484 to approve City loans after going through certain hurdles they should remain on.

In response to a question by Mr. Feldbush regarding other agencies loans, Mr. Michaelis replied that DOF has consistently not funded City loans. Mr. Feldbush

inquired whether or not there will be litigation regarding the city loans. Mr. Michaelis responded that cities had held out hope that AB 1484 would acknowledge city loans but it does not recognize them entirely, therefore cities may now be looking at options for a legal strategy. He also provided an overview of a recent lawsuit filed against the State by a bond insurer dealing with impairment of contracts and inverse condemnation. There was discussion on the points of that lawsuit.

Mr. Duran also commented that with the original ROPS submittals DOF had questioned the Walker House LLC loan and that after providing them additional documentation and explanation they ultimately approved the obligation.

There was further discussion on when the city would be eligible to submit for payment of the existing City loans and the process to do that.

After the title was read Mr. Stevens made a motion to waive further reading and adopt Resolution No. 13. The motion was seconded by Ms. Sparks and passed unanimously.

DISCUSSION ON OVERSIGHT BOARD RETENTION OF OUTSIDE ASSISTANCE

Mr. Duran reported that Mr. Feldbush had suggested that the Board have a discussion on the merits of retaining outside consulting assistance. He added that Mr., Stinger had also suggested consideration for outside legal assistance. He stated that the item is before the Board for discussion and consideration.

In response to a question by Mr. Morris regarding if there are consultants available, Mr. Duran responded that he is aware of some consulting firms and law firms providing this type of assistance.

Mr. Feldbush commented that he is spending a lot of time reviewing documents and participating in webinars and feels to do his job right he could use some assistance. He added that he felt it would be good to at least find out who might be available.

Ms. Sparks commented that though she does not see a current *need* for assistance, it may not be a bad idea to have resources identified if it becomes necessary.

In response to a question by Mr. Stevens, Mr. Feldbush commented that he does not envision the assistance to do work in lieu of staff but to be an oversight of the staff work.

There was discussion on the Oversight Boards role in the review process.

Mr. Morris suggested that maybe staff could review what resources might be available through the County or by independent consultants. Ms. Bowman suggested finding out what assistance other Oversight Boards requested. Mr. Stiger commented that the Glendale Board that he also serves on hired their own legal counsel. He described the process they went through to make the selection.

It was Board consensus to direct staff to investigate what outside resources are available and what other Boards have done to retain outside assistance.

PUBLIC COMMENT

There were no comments from the public.

REPORTS OF BOARD MEMBERS

Mr. Duran reported that one of the requirements of AB1x 26 was for counties to perform an agreed-upon procedures audit of the first ROPS. He updated the Board that the County recently submitted a draft of the audit for City review and that the City has issue with the short time frame to review the report and some of its findings. He added that the City has requested, and been granted an extension to respond to the report. Mr. Feldbush asked if it would be appropriate for the Board to get a copy of the report. Mr. Duran responded that the final report will be presented to the Board and that a draft of the report with City rebuttal will also be provided.

Mr. Duran also reported that a new requirement pursuant to AB 1484 is a cash audit of low and moderate housing funds and former redevelopment agency cash funds to be initiated by the Successor Agency. Ms. Bishop added that the auditors have been retained and going through a training on the agreed upon procedures. Mr. Duran added that the audit must be submitted to the Oversight Board for review and submitted to the DOF by October 15th.

Ms. Bowman asked if Dr. Hall's question at the prior meeting regarding liability coverage of board members had been answered. Mr. Duran responded that Dr. Hall had confirmed that the Community College provides errors and omission coverage and he believes that satisfied his concerns.

Ms. Bowman commented that she appreciates staff's reports on litigation regarding the dissolution process.

ADJOURNEMENT

There being no further business the meeting was adjourned at 5:00 p.m. until the next regular scheduled meeting on September 13th, 2012 at 4:00 p.m.



August 31, 2012

Mr. Ken Duran, Assistant City Manager
City of San Dimas
245 Bonita Ave.
San Dimas, CA 91773

Dear Mr. Duran:

Subject: Housing Assets Transfer Form

Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of San Dimas Housing Authority (Authority) submitted a Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on August 1, 2012 for the period February 1, 2012 through August 1, 2012.

HSC section 34176 (e) defines a housing asset. Assets transferred deemed not to be a housing asset shall be returned to the successor agency. Finance has completed its review of your Form, which may have included obtaining clarification for various items. Based on a sample of line items reviewed and the application of law, Finance is objecting to Exhibit A, Item 3. The purchase of four condominiums was not required under the Owner Participation and Disposition and Development Agreement. In addition, the purchase took place after June 27, 2011, which is beyond the date the former redevelopment agency would have been allowed to purchase property under an existing contract or agreement. Therefore, this asset is not transferable.

Except for the item disallowed as noted above, Finance is not objecting to the remaining items, if any, listed on your Form. If you disagree with our determination with respect to any items on the Form, you may request a Meet and Confer within five business days of receiving this letter.

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Barbara Bishop, Finance Manager, City of San Dimas
Ms. Kristina Burns, Manager, Community Redevelopment Administration Section,
Property Tax Division, Los Angeles County Department of Auditor-Controller
California State Controller's Office

City Council
CURTIS W. MORRIS, Mayor
EMMETT BADAR, Mayor Pro Tem
DENIS BERTONE
JEFF TEMPLEMAN
JOHN EBINER

City Manager
BLAINE M. MICHAELIS

Assistant City Manager / Treasurer
KENNETH J. DURAN

City Attorney
J. KENNETH BROWN



**Assistant City Manager of
Community Development**
LAWRENCE STEVENS

Director of Public Works
KRISHNA PATEL

**Director of Development
Services**
DAN COLEMAN

**Director of Parks
and Recreation**
THERESA BRUNS

City Clerk
INA RIOS

September 6, 2012

Mr. Steve Szalay
Department of Finance
915 L. Street
Sacramento, CA 95814

SUBJECT: San Dimas Housing Asset Transfer Form

Dear Mr. Szalay,

This letter is in response to your letter dated August 31, 2012 regarding the San Dimas Housing Assets Transfer Form review and determination. San Dimas disagrees with the finding disallowing Exhibit A, Item 3. We believe that we have information and documentation that support the allowance of this item as a transferable asset. We therefore are requesting to Meet and Confer or avail ourselves to whatever other appeal process is available. I did leave a voicemail message on September 3rd at the number indicated in your letter but have not received a returned phone call. I look forward to further discussing this issue. I can be contacted at (909) 394-6214 or kduran@ci.san-dimas.ca.us.

Sincerely,


Ken Duran

Assistant City Manager

Ken Duran

From: Linschoten, Susan J. <SLINSCHOTEN@auditor.lacounty.gov>
Sent: Friday, August 17, 2012 3:30 PM
To: Barbara Bishop
Cc: Ken Duran
Subject: Agreed-Upon Procedures Report Package - San Dimas
Attachments: 08-17-2012 San Dimas Package.pdf

Good Afternoon:

Attached please find the unsigned copy of the Agreed-Upon Procedures (AUP) Report package for San Dimas Successor Agency. The attached documents constitute our report on the AUP, and include a summary of the review of a sample of obligations from the Agency's ROPS (Exhibit 1); the AUP (Attachment A); the results of procedures performed by the independent CPA firm (Attachments B and C); and the results of procedures performed by Auditor-Controller staff (Attachment D). In addition, we have attached an analysis prepared by our County Counsel (Attachment E) for those ROPS items that required additional review; and a copy of the Department of Finance ROPS review and final approval letters (Attachment F).

Please review and provide your comments to me no later than August 24, 2012. If no comments are received, the final report will be signed, and distributed to the State Controller's Office, the Oversight Board Members, and your Agency accordingly.

Please contact me if you have any questions.

Thank you,

Susan Linschoten, Special Projects
Department of Auditor-Controller
County of Los Angeles
Phone (213) 974-8593



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

JUDI E. THOMAS
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JAMES L. SCHNEIDERMAN

August XX, 2012

Honorable John Chiang
Controller, State of California
P.O. Box 942850
Sacramento, CA 94250-5872

Dear Mr. Chiang:

**REPORT ON AGREED-UPON PROCEDURES AUDIT PURSUANT TO ABX1 26
OF THE FORMER REDEVELOPMENT AGENCY OF
THE CITY OF SAN DIMAS**

California Health and Safety Code (HSC) Section 34182 requires each county Auditor-Controller (A-C) to conduct, or cause to be conducted, an agreed-upon procedures (AUP) of each former redevelopment agency (RDA or Agency) in their respective county by July 1, 2012. On June 27, 2012, State Assembly Bill 1484 (AB 1484) extended the July 1 deadline to October 1, 2012. The audits are to establish each RDA's assets and liabilities; to document and determine each agency's pass-through payment obligations to other taxing entities; and to determine and document the amount and terms of any indebtedness incurred by the former RDA.

We have completed the AUP engagement of the former RDA of the City of San Dimas, the results of which are attached. The procedures performed were agreed upon by the California State Controller's Office, California Department of Finance (Finance), and Los Angeles County (LAC) A-C. The initial Recognized Obligation Payment Schedule (ROPS) was prepared by, and is the responsibility of, the RDA's Successor Agency's management. Our responsibility was to apply the AUP.

Some of the AUP required legal determinations of whether the obligations were properly authorized, complied with applicable laws and regulations, and were binding on the Agency. We have utilized the Office of the County Counsel to provide the legal determinations required by the AUP. The results of County Counsel's legal analysis are presented in Attachment E.

Except for those obligations listed as "questionable" or "unenforceable", the obligations we reviewed are, to the best of our knowledge, allowable pursuant to the HSC prior to the passage of AB 1484. Questionable obligations identified during this engagement

are summarized in Exhibit 1. Supporting documentation related to terms and amounts for each obligation reviewed during this engagement are available for review upon request.

The AUP were completed by Simpson & Simpson, LLP, an independent Certified Public Accounting (CPA) firm, and LAC A-C staff. The attached documents constitute our report on the AUP and include a summary of the review of a sample of obligations from the Agency's ROPS (Exhibit 1); the AUP (Attachment A); the results of procedures performed by the independent CPA firm (Attachments B and C); and the results of procedures performed by A-C staff (Attachment D). In addition, we have attached an analysis prepared by our County Counsel (Attachment E) for those ROPS items that required additional review; and a copy of the Finance ROPS review and final approval letter (Attachment F).

This report is intended solely for the information and use of the LAC A-C, the Successor Agency, the Successor Agency Oversight Board, and applicable State agencies, and 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.

If you have any questions regarding these reports, please contact the RDA Audit Manager at RDAaudits@auditor.lacounty.gov.

Very truly yours,

Wendy L. Watanabe
Auditor-Controller

WLW:JET:JLS:SJL

Attachments

- c: Ana J. Matosantos, Director, California Department of Finance
Successor Agency Oversight Board
- Barbara Bishop, Finance Manager, Successor Agency of the Former RDA for the
City of San Dimas

Review of a Sample of Obligations from the Recognized Obligation Payment Schedule for the Successor Agency of the City of San Dimas RDA

State Department of Finance – Approval Letter

The State Department of Finance (Finance) approved all items listed on the Recognized Obligation Payment Schedule (ROPS). As a result, the original ROPS submitted by the Successor Agency of the City of San Dimas RDA totaled **\$45,012,728.00**. The final ROPS approved by Finance totaled **\$45,012,728.00**.

Questionable Obligations

The agreed-upon procedures performed by the independent CPA firm and the Auditor-Controller (A-C) determined that the following sample item for period January 1, 2012 to June 30, 2012 was questionable:

| Project Name/Debt Obligation | Description | Total Outstanding Debt or Obligation |
|---------------------------------|--|--------------------------------------|
| Bessire & Casenhiser inc/ CPJIA | Maintenance expenses for Senior Apartments | \$62,989 |
| Total | | \$62,989 |

In addition, the CPA firm also identified \$3,104,713 in questionable obligations subsequently removed from the ROPS.

Unenforceable Obligations

The legal analysis performed by our County Counsel determined that the following sample items were not enforceable obligations:

| Project Name/Debt Obligation | Description | Total Outstanding Debt Or Obligation |
|-------------------------------|--|--------------------------------------|
| Loan to CRA | City of San Dimas - Loan for non-housing projects | \$12,947,756 |
| Loan CRA Walker House fund 30 | City of San Dimas - Loan for rehabilitation project. | 9,273,999 |
| Loan to Rancho San Dimas | City of San Dimas - Loan for non-housing projects | 1,506,021 |
| Loan to CRA Walker House 30 | Walker House Master Tennant - Loan for rehabilitation projects | 2,249,678 |
| Parking Lot Lease | Costco Wholesale Corp. - Lease to ensure adequate public parking | 7,000,000 |
| Total | | \$32,977,454 |

June 2012 Disbursement to Successor Agency

The total obligations approved for the six-month period from July 1 to December 31, 2012 by Finance is **\$1,228,583.00**. Based on the available RDA funds, less pass-through payments paid directly by the A-C and the administrative fees, the A-C remitted **\$1,228,583.00** for the six-month period from July 1 to December 31, 2012 to the Successor Agency, City of San Dimas on June 1, 2012.

**County of Los Angeles
Report on Applying Agreed-Upon Procedures
Pursuant to the Redevelopment Agency
Dissolution Bill (ABx1 26) of 2011
Successor Agency
City of San Dimas, California**

**County of Los Angeles
Agreed-Upon Procedures Engagement
Pursuant to the Redevelopment Agency
Dissolution Bill (ABx1 26) of 2011
Successor Agency
City of San Dimas, California**

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Wendy L. Watanabe
Los Angeles County Auditor-Controller
500 West Temple Street, Suite 525
Los Angeles, California 90012

Independent Accountant's Report on Applying Agreed-Upon Procedures

We have performed the agreed upon procedures enumerated in the Auditor-Controller's statement of work, Attachment A, which were generally agreed to by the California State Controller's Office, Department of Finance, and the Los Angeles County Auditor-Controller, solely to assist you in ensuring that the dissolved redevelopment agency is complying with its statutory requirements with respect to ABX1 26. Management of the successor agency, **City of San Dimas, California** is responsible for the accounting records pertaining to statutory compliance. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures at your direction as set forth in Attachment A. Attachment B identifies the findings noted as a result of the procedures performed.

The Enforceable Obligation Payment Schedule (EOPS) and Recognized Obligation Payment Schedule (ROPS) in Attachment B-1 and Attachment B-2, respectively, are provided by the Auditor-Controller. Attachment C is the Comparative Asset Balance Schedule.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Comparative Assets Balance Schedule, the EOPS, the ROPS, or as to the appropriateness of the results summarized in Attachment B. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County, the successor agency, City of San Dimas, California, and applicable State agencies, and 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.

Los Angeles, California
May 29, 2012



The CPA. Never Underestimate The Value.™

County of Los Angeles
Agreed-Upon Procedures Engagement
Pursuant to the Redevelopment Agency
Dissolution Bill (ABx1 26) of 2011
Successor Agency
City of San Dimas, California

AGREED-UPON PROCEDURES AND RESULTS

A. Redevelopment Agency Dissolution and Restrictions

For each former RDA reviewed, perform the following:

1. Based on the Enforceable Obligation Payment Schedule (EOPS) for the period August 1 through December 31, 2011 provided by the Auditor-Controller (see Attachment B-1):
 - a. For each obligation highlighted in yellow with black font on the EOPS, identify the payee, a description of the nature of the work/service agreed to, and the amount of payment(s) made by month through December 31, 2011, and compare it to the legal document that forms the basis for the obligation. Note any discrepancies. Any obligations for which the successor agency cannot produce a supporting legal document, or for which the supporting legal document does not support the obligation, should be noted as "questionable" in the AUP report.

For each obligation highlighted in yellow with red font on the EOPS, obtain documentation and forward them to the Auditor-Controller for County Council review. Also, compare the dollar amount of the obligation to the documentation obtained. Note any discrepancies. Any obligations, for which the successor agency cannot produce documentation, should be noted as "questionable" in the AUP report.

Result

Except for the discrepancies described in Finding Nos. 1 and 3 in Attachment B, no exceptions were found as a result of applying the procedure.

- b. Identify all obligations listed on the EOPS that were entered into after June 29, 2011.

Result

No obligations were entered into after June 29, 2011.

2. Based on the EOPS for the period January 1 through June 30, 2012 provided by the Auditor-Controller (see Attachment B-1):
 - a. Identify and document the project name and project area associated with each obligation.

Result

No exceptions were found as a result of applying the procedure.

County of Los Angeles
 Agreed-Upon Procedures Engagement
 Pursuant to the Redevelopment Agency
 Dissolution Bill (ABx1 26) of 2011
 Successor Agency
 City of San Dimas, California

AGREED-UPON PROCEDURES AND RESULTS

A. Redevelopment Agency Dissolution and Restrictions (Continued)

~~(August - Dec. 31, 2011)~~

2. Based on the EOPS for the period January 1 through June 30, 2012 provided by the Auditor-Controller (see Attachment B-1) (Continued):

- b. For each obligation highlighted in yellow with black font on the EOPS, identify the payee, a description of the nature of the work/service agreed to, and the amount of payment(s) to be made by month through June 30, 2012, and compare it to the legal document that forms the basis for the obligation. Note any discrepancies. Any obligations for which the successor agency cannot produce a supporting legal document, or for which the supporting legal document does not support the obligation, should be noted as "questionable" in the AUP report.

For each obligation highlighted in yellow with red font on the EOPS, obtain documentation and forward them to the Auditor-Controller for County Council review. Also, compare the dollar amount of the obligation to the documentation obtained. Note any discrepancies. Any obligations, for which the successor agency cannot produce documentation, should be noted as "questionable" in the AUP report.

Result

Except for the discrepancies described in Finding Nos. 1 and 3 in Attachment B, no exceptions were found as a result of applying the procedure.

- c. Identify all obligations listed on EOPS that were entered into after June 29, 2011.

Result

No obligations were entered into after June 29, 2011.

3. With regard to the Low and Moderate Income Housing Fund (L&M Fund) of the former redevelopment agency:

- a. Inquire and document whether the former redevelopment agency transferred the L&M Fund to the successor agency.

Result

The successor agency, City of San Dimas, has represented to us that the former redevelopment agency of the City of San Dimas transferred the L&M Fund to the Housing Authority of the City of San Dimas (Housing Authority). We were provided with a copy of Resolution No. 2012-06, authorizing the Housing Authority to retain the housing assets and functions of the former redevelopment agency of the City of San Dimas.

County of Los Angeles
Agreed-Upon Procedures Engagement
Pursuant to the Redevelopment Agency
Dissolution Bill (ABx1 26) of 2011
Successor Agency
City of San Dimas, California

AGREED-UPON PROCEDURES AND RESULTS

A. Redevelopment Agency Dissolution and Restrictions (Continued)

3. With regard to the Low and Moderate Income Housing Fund (L&M Fund) of the former redevelopment agency (Continued):

b. If the L&M Fund was transferred, document the date of transfer and summarize the manner in which the transfer was performed. (e.g., the accounting fund, X, and bank account, Y, were retitled in the name of the successor agency).

Result

The L&M Fund was transferred to the Housing Authority, by retitling Fund No. 34 from "Housing Set Aside Fund" to "Housing Authority 2-1-12 Fund" on February 1, 2012. The successor agency, City of San Dimas, provided us with a copy of the trial balance for Fund No. 34 as of February 1, 2012.

c. Document the total value of the L&M Fund transferred to the redevelopment agency's successor agency and the date of transfer.

Result

The total value of the L&M Fund of \$9,330,010 (fund balance of Fund No. 34 as of February 1, 2012) was transferred to the Housing Authority on February 1, 2012. The successor agency, City of San Dimas, provided us with the unaudited trial balance as of February 1, 2012 for Fund No. 34 titled "Housing Authority 2-1-12 Fund".

4. With regard to the housing activities and assets of the former redevelopment agency:

a. Inquire and document whether the housing activities and/or assets were transferred to the successor agency.

Result

The successor agency, City of San Dimas, has represented to us that the former redevelopment agency of the City of San Dimas transferred the housing assets and functions to the Housing Authority. We were provided with a copy of Resolution No. 2012-06, authorizing the Housing Authority to retain the housing assets and functions of the former redevelopment agency of the City of San Dimas.

County of Los Angeles
 Agreed-Upon Procedures Engagement
 Pursuant to the Redevelopment Agency
 Dissolution Bill (ABx1 26) of 2011
 City of San Dimas, California

AGREED-UPON PROCEDURES AND RESULTS

A. Redevelopment Agency Dissolution and Restrictions (Continued)

4. With regard to the housing activities and assets of the former redevelopment agency (Continued):

b. If housing activities were transferred, obtain the underlying documentation authorizing the transfer (e.g. resolution of the city or county assuming the housing activity from the redevelopment agency).

Result

We were provided with a copy of Resolution No. 2012-06, authorizing the Housing Authority to retain the housing assets and functions of the former redevelopment agency of the City of San Dimas.

c. If the transfer included assets, obtain a list of the assets and their reported value from the successor agency.

Result

The successor agency, City of San Dimas, provided us with the unaudited trial balance as of February 1, 2012 for Fund No. 34 titled "Housing Authority 2-1-12 Fund", which provides for the housing related assets assumed by the Housing Authority.

| <u>Assets</u> | <u>Amount</u> |
|-----------------------------|------------------------|
| Cash | \$ 6,487,680.01 |
| Due From 31 SB68 SERAF Loan | 1,251,330.00 |
| Deferred Loans | 13,353.60 |
| Land Held for Resale | <u>1,591,000.00</u> |
| Total Assets (Fund 34) | <u>\$ 9,343,363.61</u> |

County of Los Angeles
Agreed-Upon Procedures Engagement
Pursuant to the Redevelopment Agency
Dissolution Bill (ABx1 26) of 2011
City of San Dimas, California

AGREED-UPON PROCEDURES AND RESULTS

B. Successor Agency

2. With regard to the administrative responsibilities and assets of the former redevelopment agency:
 - a. Inquire and document whether the former redevelopment agency transferred its administrative responsibilities to the successor agency (e.g., documents and records, etc), and the date of the transfer.

Result

The successor agency, City of San Dimas, has represented to us that by the adoption of Resolution No. 2012-02, *A Resolution of the City Council of the City of San Dimas Determining that the City of San Dimas Elects to, and Shall, Serve as the Successor Agency to the Dissolved San Dimas Redevelopment Agency Pursuant to California Health and Safety Code Section 34173*, the successor agency, City of San Dimas, is authorized to assume all responsibilities (including administrative responsibilities) of the former redevelopment agency of the City of San Dimas.

- b. Inquire whether the former redevelopment agency transferred assets other than real property to the successor agency (e.g. cash and investments).

Result

The former redevelopment agency of the City of San Dimas transferred assets other than real property to the successor agency (e.g. cash and investments).

County of Los Angeles
 Agreed-Upon Procedures Engagement
 Pursuant to the Redevelopment Agency
 Dissolution Bill (ABx1 26) of 2011
 City of San Dimas, California

AGREED-UPON PROCEDURES AND RESULTS

B. Successor Agency (Continued)

2. With regard to the administrative responsibilities and assets of the former redevelopment agency (Continued):
- c. If assets other than real property were transferred, document the transfer date, and summarize the manner in which the transfer(s) were performed (e.g., accounting fund, X, and bank account, Y, were renamed in the name of the successor agency), and the total value of the assets transferred.

Result

Assets other than real property were transferred on February 1, 2012 to the successor agency, City of San Dimas; by transferring the assets account balance from Fund 30 and 35 to Fund 38 as follow.

**Assets Other
 Than Real
 Property
 Transferred**

| | <u>From Former Fund Name</u> | <u>To New Fund Name</u> | <u>Amount</u> |
|--|------------------------------|----------------------------|---------------------|
| Cash | Fund 30 - Creative Growth | Fund 38 - Successor Agency | \$ (714,611) |
| Cash | Fund 35 - Rancho San Dimas | Fund 38 - Successor Agency | <u>(224,777)</u> |
| Total Value of Assets Transferred to Fund 38 | | | <u>\$ (939,388)</u> |

- d. Inquire if real property was transferred from the former redevelopment agency to the successor agency.

Result

Real property was transferred from the former redevelopment agency of the City of San Dimas to the successor agency, City of San Dimas.

County of Los Angeles
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 Pursuant to the Redevelopment Agency
 Dissolution Bill (ABx1 26) of 2011
 Successor Agency
 City of San Dimas, California

AGREED-UPON PROCEDURES AND RESULTS

B. Successor Agency (Continued)

2. With regard to the administrative responsibilities and assets of the former redevelopment agency (Continued):

e. If real property was transferred, examine and document evidence of the transfer(s), such as re-recorded titles filed at the Registrar-Recorder/County Clerk.

Result

Real properties were transferred on February 1, 2012 to the successor agency, City of San Dimas, by transferring the Land Held for Resale account balance from Fund 30 to Fund 38 as follow.

| Real Property | <u>Transferred</u> | <u>From Former Fund Name</u> | <u>To New Fund Name</u> | <u>Amount</u> |
|--|---------------------------|-------------------------------------|--------------------------------|----------------------|
| Land Held for Resale | | Fund 30 - Creative Growth | Fund 38 - Successor Agency | <u>\$ 777,451</u> |
| Total Value of Assets Transferred to Fund 38 | | | | <u>\$ 777,451</u> |

The successor agency, City of San Dimas, did not re-record titles filed at the Registrar-Recorder/County Clerk. The successor agency, City of San Dimas, has represented to us that by the adoption of Resolution No. 2012-02, *A Resolution of the City Council of the City of San Dimas Determining that the City of San Dimas Elects to, and Shall, Serve as the Successor Agency to the Dissolved San Dimas Redevelopment Agency Pursuant to California Health and Safety Code Section 34173*, the successor agency, City of San Dimas, is authorized to assume all responsibilities of the former redevelopment agency of the City of San Dimas.

3. Determine if the successor agency has established the Redevelopment Obligation Retirement Fund(s) in its accounting system.

Result

The successor agency, City of San Dimas, established the Redevelopment Obligation Retirement Fund in its accounting system as Fund 39, Redevelopment Obligation Retirement Fund.

County of Los Angeles
Agreed-Upon Procedures Engagement
Pursuant to the Redevelopment Agency
Dissolution Bill (ABx1 26) of 2011
Successor Agency
City of San Dimas, California

AGREED-UPON PROCEDURES AND RESULTS

B. Successor Agency (Continued)

4. Obtain audited financial statements of the redevelopment agency for the fiscal years ended June 30, 2010 and June 30, 2011. Prepare a schedule listing the name and balance of each asset shown in the government-wide financial statements for each of the two years, as of June 30th (or fiscal year end, if different). Obtain unaudited asset balances as of January 31, 2012 from the successor agency which are comparable to the 2010 and 2011 amounts and include those on the schedule (marked as "unaudited"). If the successor agency is unable to provide comparable balances, indicate the reason and leave the 2012 column blank. Include the comparative asset listing as an attachment to the AUP report.

Result

We performed the procedure and the result is presented in the Comparative Asset Balance Schedule in Attachment C.

C. Draft Recognized Obligation Payment Schedule (ROPS)

5. Obtain a list of all payments from the successor agency's general ledger for the period February 1 through April 30, 2012. Trace and agree all payments made by the successor agency to a corresponding obligation on the draft ROPS provided by the Auditor-Controller (Attachment B-2). Note any discrepancies.

Result

Except for the discrepancies described in Finding Nos. 5 and 6 in Attachment B, no exceptions were found as a result of applying the procedure.

**County of Los Angeles
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 Pursuant to the Redevelopment Agency
 Dissolution Bill (ABx1 26) of 2011
 Successor Agency
 City of San Dimas, California**

AGREED-UPON PROCEDURES AND RESULTS

6. Compare each obligation highlighted in yellow with black font on the ROPS provided by the Auditor-Controller (Attachment B-2) to the legal document that forms the basis for the obligation (c.g. contract, bond indenture, etc.) Note any discrepancies. Any obligations for which the successor agency cannot produce a supporting legal document, or for which the supporting legal document does not support the obligation, should be noted as “questionable” in the AUP report.

For each obligation highlighted in yellow with red font on the ROPS provided by the Auditor-Controller (Attachment B-2), obtain documentation and forward them to the Auditor-Controller for County Council review. Also, compare the dollar amount of the obligation to the documentation obtained. Note any discrepancies. Any obligations, for which the successor agency cannot produce documentation, should be noted as “questionable” in the AUP report.

Result

Except for the discrepancies described in Finding No. 1, 2, 3, and 4 in Attachment B, no exceptions were found as a result of applying the procedure.

For ROPS Nos. 4 and 6, “Loan for Non-Housing Projects”, the successor agency, City of San Dimas, has represented to us that these were City loans to the former redevelopment agency for the funding of year-end deficits. These loans were approved by the City Council; and supported by debt service schedules, staff report, and City’s manager memorandum.

| ROPS No. | Payee | Description | Obligation Amount |
|---|-------------------|-------------------------------|--------------------------|
| <i>Project Area: Creative Growth and Rancho San Dimas to be Adopted 2-28-12</i> | | | |
| 4 | City of San Dimas | Loan for Non-Housing Projects | \$ 12,947,756.00 |
| 6 | City of San Dimas | Loan for Non-Housing Projects | 1,506,021.00 |

**County of Los Angeles
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Pursuant to the Redevelopment Agency
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Successor Agency
City of San Dimas, California**

SCHEDULE OF FINDINGS

Finding No. 1 – Supporting Documentation for Obligations Was Not Provided

In performing procedures A.1.a, A.2.b, and C.6, the following obligations are noted as questionable.

The successor agency, City of San Dimas, did not provide the supporting documentation for the following obligations on the EOPS or ROPS (highlighted in yellow with black font).

| EOPS No. | ROPS No. | Payee | Description | Obligation Amount |
|---|-----------------|---------------------------------|--|--------------------------|
| <i>Project Area: Creative Growth and Rancho San Dimas to be Adopted 2-28-12</i> | | | | |
| - | 9 | McKenna, Long & Aldridge | Administrative Costs – Legal | \$ 18,498.00 |
| - | 9 | Lance, Soll, Lunghard | Administrative Costs – Audit Services | 24,250 |
| - | 9 | US Bank | Administrative Costs - Bond Trustee | 7,400 |
| - | 9 | HDL | Administrative Costs – Prop/Sales Tax Analysis | 9,159.00 |
| - | 10 | McKenna Long & Aldridge | Housing Legal Services | 53,728.00 |
| - | 13 | Bessire & Casenhiser Inc./CPJIA | Maintenance & Operating Expenses for Senior Apartments | 62,989.00 |
| 3 | - | US Bank | Bond Issue to Fund Housing Projects | 200,509.00 |
| 16 | - | Agency Board Members | Stipend to Attend Meetings | On-Going |
| 18 | - | Sorcinelli Architects | Downtown Façade Designs | 14,505.00 |
| 19 | - | HDL | Analyze Taxes | 30,000.00 |
| 21 | - | Lowes | Commitment per Development Agreement | 50,000.00 |
| 25 | - | CJPIA | Property insurance | On-Going |
| 28 | - | CJPIA | Property Insurance | On-Going |
| 29 | - | Keyser Marston | Low-Mod Analysis | 2,500.00 |
| 30 | - | CRA | Membership Dues | 3,820.00 |
| 31 | - | Diana Kasayama | Car Allowance | 4,800.00 |

The successor agency, City of San Dimas, has represented to us that the reason for not providing the supporting documentation for the obligations ROPS Nos. 9 and 10, and EOPS Nos. 3, 16, 18, 19, 21, 28, 29, 30, and 31 is because these obligations were subsequently removed from the amended ROPS; and therefore, no longer applicable.

ROPS No. 13 and EOPS No. 25 are estimated on-going expenses and no supporting documentation was provided by the successor agency, City of San Dimas.

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Successor Agency
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SCHEDULE OF FINDINGS

Finding No. 1 – Supporting Documentation for Obligations Was Not Provided (Continued)

Also, the successor agency, City of San Dimas, did not provide supporting documentation for the following obligations on the ROPS (highlighted in yellow with red font).

| ROPS No. | Payee | Description | Obligation Amount |
|---|---------------|--|-------------------|
| <i>Project Area: Creative Growth and Rancho San Dimas to be Adopted 2-28-12</i> | | | |
| 14 | CRA M&O | Temporary Advance to Cover Prior Year Debt | \$ 671,280.17 |
| 15 | Rancho SD M&O | Temporary Advance to Cover Prior Year Debt | 238,593.28 |

The successor agency, City of San Dimas, has represented to us that the reason for not providing the supporting documentation for the above obligations is because these obligations were subsequently removed from the amended ROPS; and therefore, no longer applicable.

Finding No. 2 – Obligation Amount Did Not Agree with Supporting Documentation

In performing procedure C.6, the following obligations are noted as questionable.

We noted that the obligation amount did not agree with the supporting documentation for the following obligations on the ROPS (highlighted in yellow with black font).

| ROPS No. | Payee | Description | Obligation Amount | Supporting Documentation | Variance |
|---|----------------------------------|--|-------------------|--------------------------|-------------|
| <i>Project Area: Creative Growth and Rancho San Dimas to be Adopted 2-28-12</i> | | | | | |
| 10 | Olson Company / Successor Agency | Housing Assistance Per Development Agreement | \$2,700,000.00 | \$ 2,709,000.00 | \$ 9,000.00 |

The successor agency, City of San Dimas, has represented to us that the above obligation amount was subsequently revised in amended ROPS to agree with the supporting documentation.

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Successor Agency
City of San Dimas, California**

SCHEDULE OF FINDINGS

Finding No. 2 – Obligation Amount Did Not Agree with Supporting Documentation (Continued)

Also, we noted that the obligation amount did not agree with the supporting documentation for the following obligation on the ROPS (highlighted in yellow with red font).

| ROPS No. | Payee | Description | Obligation Amount | Supporting Documentation | Variance |
|---|------------------------|---|-------------------|---|----------|
| <i>Project Area: Creative Growth and Rancho San Dimas to be Adopted 2-28-12</i> | | | | | |
| 12 | Costco Wholesale Corp. | Lease to ensure adequate public parking | \$ 7,000,000.00 | Promissory Note with the principal of \$6,550,000.00 Plus Interest Accruals at 7.0% per annum | (a) |

- (a) The obligation amount of \$7,000,000 was calculated based on the term of Exhibit M promissory note of the Amended and Restated Disposition and Development Agreement (DDA) between the former redevelopment agency and Costco Wholesale Corporation. The former redevelopment agency promises to pay the principal sum of \$6,550,000 plus interest at the rate of 7.0% per annum, to be compounded quarterly until the promissory note is paid in full or otherwise forgiven.

Finding No. 3 – Insufficient Documentation

In performing procedure A.1.a, A.2.b, and C.6, the following obligations are noted as questionable.

The successor agency, City of San Dimas, did not provide sufficient supporting documentation for the following obligations on the EOPS (highlighted in yellow with black font).

| EOPS No. | Payee | Description | Obligation Amount | Documentation Provided |
|---|-------------------|---|-------------------|---|
| <i>Project Area: Creative Growth and Rancho San Dimas to be Adopted 2-28-12</i> | | | | |
| 11 | City of San Dimas | Payroll and Rent Costs | \$ 2,072,485.00 | Administrative Service Agreement with the City of San Dimas |
| 33 | Driver Utilities | Insurance, Utilities/ Grove Station Housing Units | 9,320.00 | Annual Capital and Operating Budget |

The successor agency, City of San Dimas, has represented to us that the above obligation amounts were subsequently removed from the amended ROPS.

**County of Los Angeles
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Pursuant to the Redevelopment Agency
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Successor Agency
City of San Dimas, California**

SCHEDULE OF FINDINGS

Finding No. 4 – Payee Was Not Identified

In performing procedure C.6, the successor agency, City of San Dimas, did not identify the payee for the following obligation on the ROPS (highlighted in yellow with black font).

| ROPS No. | Payee | Description | Obligation Amount |
|---|-------|--|-------------------|
| <i>Project Area: Creative Growth and Rancho San Dimas to be Adopted 2-28-12</i> | | | |
| 10 | | Housing Assistance Per Development Agreement | \$ 2,684,000.00 |

The successor agency, City of San Dimas, has represented to us that the payee was subsequently identified in amended ROPS.

Finding No. 5 – Payments Made Not Listed on the Draft ROPS

In performing procedure C.5, we noted the following payments made by the successor agency, City of San Dimas, did not trace and agree to a corresponding obligation on the draft ROPS provided by the Auditor-Controller.

| Payee | Description | Post Date | Payment Amount |
|----------------------------|------------------------------|-----------|----------------|
| Sorcinelli Architects Inc. | Architect Service for Facade | 2/29/2012 | \$ 13,825.00 |
| City of San Dimas | Stipend | 2/29/2012 | 150.00 |

The successor agency, City of San Dimas, subsequently transferred \$13,975 from Fund 1 (City of San Dimas General Fund) to Fund 38 (Successor Agency) to reimburse the Successor Agency for the above payments that were not listed on the draft ROPS. The successor agency, City of San Dimas, provided us with the Journal Entry No. 239 as supporting documentation for the transfer.

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Pursuant to the Redevelopment Agency
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City of San Dimas, California**

SCHEDULE OF FINDINGS

Finding No. 6 – Discrepancies between the Payments and Obligation Amounts on the Draft ROPS

In performing procedure C.5, we noted the following discrepancies between the payments made by the successor agency, City of San Dimas for the period from February 1 through April 30, 2012 and the obligation amounts on the draft ROPS provided by the Auditor-Controller.

| Actual Payment | | | | Per Draft ROPS | | | | | | | | |
|--|-----------------------------|-----------|----------------|----------------|----------------------------|-------------------------|------|------|------|------|-----------|--------------|
| Payer | Description | Post Date | Payment Amount | ROPS No. | Payer | Total Due During Period | Jan | Feb | Mar | Apr | May | Jun |
| <i>Project Areas: Creative Growth & Rancho San Dimas</i> | | | | | | | | | | | | |
| U.S. Bank | 1991 Bond Interest reclass | 2/29/2012 | \$ 19,106.25 | 1 | U.S. Bank | \$ 40,125.00 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 40,125.00 |
| U.S. Bank | 1998 Bond Interest reclass | 2/29/2012 | 65,500.00 | 2 | U.S. Bank | 540,500.00 | - | - | - | - | - | 540,500.00 |
| U.S. Bank | Administrative Costs | 4/16/2012 | 345.00 | 9 | U.S. Bank | 7,400.00 | - | - | - | - | - | 7,400.00 |
| HDL Coren & Cone | Property/Sales Tax Analysis | 2/29/2012 | 3,375.00 | 9 | HDL Coren & Cone | 9,159.00 | - | - | - | - | 9,159.00 | - |
| HDL Coren & Cone | Property/Sales Tax Analysis | 2/29/2012 | 1,297.50 | | | | | | | | | |
| | | | 4,672.50 | | | | | | | | | |
| McKenna, Long and Aldridge | Legal Services | 2/24/2012 | 10,647.01 | 10 | McKenna, Long and Aldridge | 53,728.04 | - | - | - | - | 26,864.00 | 26,864.04 |
| McKenna, Long and Aldridge | Legal Services | 2/29/2012 | 1,100.00 | | | | | | | | | |
| McKenna, Long and Aldridge | Legal Services | 4/30/2012 | 2,394.03 | | | | | | | | | |
| | | | 14,141.04 | | | | | | | | | |

The successor agency, City of San Dimas, has represented to us the reason for the above identified discrepancies between the actual payments and obligation amounts on the draft ROP is because the successor agency incorrectly included the expected payments for July 1, 2012 through December 31, 2012 in May and June 2012 of the draft ROPS. Also, the successor agency, City of San Dimas, has represented to us that the draft ROPS were subsequently amended.

Name of Redevelopment Agency:
Project Area(s)

San Dimas Redevelopment Agency
Creative Growth and Rancho San Dimas

Revised 1/24/12

ATT

ENFORCEABLE OBLIGATION PAYMENT SCHEDULE

Per AB 26 - Section 34167 and 34169 (*)

August 31, 2011 through June 30, 2012

(Unaudited)

| | Project Name / Debt Obligation | Payee | Description | Total Outstanding Debt or Obligation | Total Due During Fiscal Year |
|---------------------------|---|-----------------------|---|--------------------------------------|------------------------------|
| 3) | 1996 Housing Set Aside Bond Issue | US Bank | Bond issue to fund housing projects | 200,509.00 | 200,509.00 |
| 11) | Administrative Agreement- Housing Fund 34 | City of San Dimas | Payroll and rent costs | 2,072,485.00 | 414,497.00 |
| 16) | Boardmember Meeting Stipends | Agency Boardmembers | Stipend to attend meetings | ongoing | 3,600.00 |
| 18) | Facade Assistance | Sorcinelli Architects | Downtown Façade designs | 14,505.00 | 14,505.00 |
| 19) | Property /Sales Tax Analysis | HDL | Analyze taxes | 30,000.00 | 30,000.00 |
| 21) | Lowe's Business Assistance | Lowe's | Commitment per development agreement | 50,000.00 | 50,000.00 |
| 23) | Grove Station Street Improvements | Ruiz Engineering | Street improvements per development agreement | 45,000.00 | 45,000.00 |
| 25) | Monte Vista Insurance | CJPIA | Property insurance | ongoing | 7,370.00 |
| 28) | Charter Oak Insurance | CJPIA | Property insurance | ongoing | 8,233.00 |
| 29) | Housing Consultants | Keyser Marston | Low-Mod Analysis | \$2,500.00 | 2,500.00 |
| 30) | Membership Dues | CRA | | \$3,820.00 | 3,820.00 |
| 31) | Housing Administration | Diana Kasayama | Car Allowance | \$4,800.00 | 4,800.00 |
| 32) | Grove Station Low/Mod Housing | Olson Co | Housing assistance per development agreement | 2,700,000.00 | 2,700,000.00 |
| 33) | Grove Station M&O | Driver Utilities | Insurance, Utilities/ Grove Station Housing Units | 9,320.00 | 9,320.00 |
| Totals - This Page | | | | \$ 5,132,939.00 | \$ 3,494,154.00 |

HIGHLIGHT LEGEND:

| | |
|-----------------------------|---|
| BLACK FONT/YELLOW HIGHLIGHT | CPA Firm to review validity and amount of obligation. |
|-----------------------------|---|

Name of Redevelopment Agency:
Project Area(s)

San Dimas Redevelopment Agency
Creative Growth and Rancho San Dimas to be Adopted 2-28-12

RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR MAY 2012 - JUNE 2012
(Unaudited)

| Footnotes | Project Name / Debt Obligation | Payee | Description | Total Outstanding Debt or Obligation as of June 30 2011 | Total Due May-June 2012 | Source |
|-----------|--|--------------------------------|--|---|-------------------------|--------|
| | 1) 1991 Taxable Bond Issue creative growth | US Bank | Bond issue to fund non-housing projects | 425,939.00 | 60,125.00 | RPTF |
| | 2) 1996 Taxable Bond Issue Creative Growth Refinance Portion | US Bank | Bond issue to fund non-housing projects | 3,552,250.00 | 540,500.00 | RPTF |
| | 3) 1996 Charter Oak Mobile Home Park | US Bank | Bond issue to fund housing projects | 10,319,195.00 | 574,980.00 | RPTF |
| | 4) Loan to CRA | City of San Dimas | Loan for non-housing projects | 12,947,750.00 | 647,380.00 | RPTF |
| | 5) Loan CRA Walker House fund 30 | City of San Dimas | Loan for rehabilitation project | 9,273,909.00 | 546,177.00 | RPTF |
| | 6) Loan to Rancho San Dimas | City of San Dimas | Loan for non-housing projects | 1,506,021.00 | 64,015.00 | RPTF |
| | 7) Loan to CRA Walker House 30 | Walker House Master Tennant | Loan for rehabilitation projects | 2,249,678.00 | 132,470.00 | RPTF |
| | 8) GERAFF loan | Housing Set Aside | Repayment to housing fund | 1,668,441.00 | 0.00 | RPTF |
| | 9) Administrative Costs Total * Includes | City of San Dimas | Administrative | 59,307.00 | | |
| | City Attorney* | McKenna, Long & Aldridge | Legal | | 18,498.00 | RPTF |
| | City Auditors* | Lance, Sell, Lingham | Audit Services | | 24,250.00 | RPTF |
| | Bank Trustee* | US Bank | Bond Trustee | | 7,400.00 | RPTF |
| | Consultant* | HDL | Prop/Sales Tax Analysis | | 5,159.00 | RPTF |
| | to be determined Successor Agency Admtn* | City of San Dimas | Administration - of Successor Agency | | | |
| | 10) Housing Projects Total ** Includes | | | 5,424,000.00 | | |
| | Bonita Canyon Gateway Low/Med Housing | | Housing assistance per development agreement | | 2,684,000.00 | |
| | Grove Station/Low and Moderate Housing | Olson Company/Successor Agency | Housing assistance per development agreement | | 2,700,000.00 | Hous |
| | Housing Legal/M&O Fees | McKenna Long & Aldridge | Housing legal services | | 53,728.04 | Hous |
| (1) | 11) Parking Assessment Puddingstone Center | Puddingstone Parking District | Parking lot maintenance operations | 9,814.00 | 1,444.00 | RPTF |
| | 12) Parking Lot Lease | Costco Wholesale Corp. | Lease to ensure adequate public parking | 7,000,000.00 | 319,808.00 | RPTF |
| | 13) Monte Vista Maintenance & Operations | Bessre & Caschiser Inc./CPJIA | Maintenance & Operating Expenses for Senior apartments | 62,969.00 | 51,390.04 | Hous |
| | 14) Creative Growth Obligations | CRA M&O | Temporary Advance to Cover Prior Year Debt | 671,280.17 | 671,280.17 | RPTF |
| | 15) Rancho San Dimas Obligations | Rancho SD M&O | Temporary Advance to Cover Prior Year Debt | 238,593.28 | 238,593.28 | RPTF |
| | Totals - This Page | | | \$ 55,409,262.53 | \$ 9,345,008.53 | \$ |
| | Totals - Page 2 | | | \$ 350,007.93 | \$ 350,007.93 | \$ |
| | Grand total - All Pages | | | \$ 55,759,270.46 | \$ 9,695,016.46 | \$ |

* RPTF = Redevelopment Property Tax Trust Fund (formerly tax increment)

HIGHLIGHT LEGEND:

| | |
|-----------------------------|---|
| RED FONT | Auditor/Controller staff responsible for calculating Pass-Through and Administrative costs. No further work proposed. |
| RED FONT/GREY HIGHLIGHT | Potentially unenforceable obligation and requires County Counsel review. No further work proposed. |
| GREEN FONT | Auditor/Controller staff has verified the obligation exists and is valid. No further work proposed. |
| RED FONT/YELLOW HIGHLIGHT | CPA Firm, please obtain documentation and forward to Auditor/Controller for County Counsel review. In addition, CPA firm is responsible for verifying the |
| BLACK FONT/YELLOW HIGHLIGHT | CPA Firm to review validity and amount of obligation. |

FOOTNOTES:

(1) The total obligation amount is immaterial. No further work proposed.

Name of Redevelopment Agency:

San Dimas Redevelopment Agency

Project Area(s)

Creative Growth and Rancho San Dimas to be Adopted 2-28-12

RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR MAY 2012 - JUNE 2012
 Estimated Pass Thru (11-12 rates paid 11/12 up 2%)
 (Unaudited)

| Footnotes | Project Name / Debt Obligation | Payee | Description | Total Outstanding Debt or Obligation June 30 2011 | Total Outstanding Debt or Obligation June 30 2012 | Total Due Date Fiscal Year 2012-13 |
|-----------|--------------------------------|---|--------------------------------|---|---|------------------------------------|
| | 1) Pass Thru Obligations | Los Angeles County Library | Payments per CRL 33607.5 and 7 | 16,757.31 | 17,092.46 | 17,092.46 |
| | 2) Pass Thru Obligations | Consolidated Fire Protection District | Payments per CRL 33607.5 and 7 | 81,572.83 | 83,204.29 | 83,204.29 |
| | 3) Pass Thru Obligations | LA County Flood Control Imp. District Maint. | Payments per CRL 33607.5 and 7 | 1,408.81 | 1,436.99 | 1,436.99 |
| | 4) Pass Thru Obligations | LA County Flood Control Maint. | Payments per CRL 33607.5 and 7 | 7,973.70 | 8,133.17 | 8,133.17 |
| | 5) Pass Thru Obligations | County Sanitation District No 22 Operating | Payments per CRL 33607.5 and 7 | 9,801.56 | 9,997.59 | 9,997.59 |
| | 6) Pass Thru Obligations | Three Valley MWD - 111 | Payments per CRL 33607.5 and 7 | 2,670.63 | 2,724.04 | 2,724.04 |
| | 7) Pass Thru Obligations | Three Valley MWD Original Area | Payments per CRL 33607.5 and 7 | 3,206.98 | 3,271.12 | 3,271.12 |
| | 8) Pass Thru Obligations | County School Services | Payments per CRL 33607.5 and 7 | 903.14 | 921.20 | 921.20 |
| | 9) Pass Thru Obligations | Children's Institutional Tuition Fund | Payments per CRL 33607.5 and 7 | 1,792.24 | 1,828.08 | 1,828.08 |
| | 10) Pass Thru Obligations | Citrus Community College District | Payments per CRL 33607.5 and 7 | 280.10 | 285.70 | 285.70 |
| | 11) Pass Thru Obligations | Children's Center Fund Citrus Community College | Payments per CRL 33607.5 and 7 | 7.31 | 7.46 | 7.46 |
| | 12) Pass Thru Obligations | Mt San Antonio Community College | Payments per CRL 33607.5 and 7 | 19,001.71 | 19,381.74 | 19,381.74 |
| | 13) Pass Thru Obligations | Mt San Antonio Childrens Center Fund | Payments per CRL 33607.5 and 7 | 183.37 | 187.04 | 187.04 |
| | 14) Pass Thru Obligations | Bonita Unified School District | Payments per CRL 33607.5 and 7 | 108,182.04 | 110,345.68 | 110,345.68 |
| | 15) Pass Thru Obligations | County School Services Fund - Bonita | Payments per CRL 33607.5 and 7 | 4,497.61 | 4,587.56 | 4,587.56 |
| | 16) Pass Thru Obligations | Dev Center HDCPD Minor - Bonita | Payments per CRL 33607.5 and 7 | 500.43 | 510.44 | 510.44 |
| | 17) Pass Thru Obligations | Glendora Unified School District | Payments per CRL 33607.5 and 7 | 2,307.05 | 2,353.19 | 2,353.19 |
| | 18) Pass Thru Obligations | County School Services Fund - Glendora | Payments per CRL 33607.5 and 7 | 98.07 | 100.03 | 100.03 |
| | 19) Pass Thru Obligations | Dev Center HDCPD Minor - Glendora | Payments per CRL 33607.5 and 7 | 10.87 | 11.09 | 11.09 |
| | 20) Pass Thru Obligations | San Dimas Creative Growth 98 Annex | Payments per CRL 33607.5 and 7 | 59,706.33 | 60,900.46 | 60,900.46 |
| | 21) Pass Thru Obligations | San Dimas Vehicle PD#1 & #2 | Payments per CRL 33607.5 and 7 | 148.08 | 149.00 | 149.00 |
| | 22) Pass Thru Obligations | San Dimas Lt District Zone A & B | Payments per CRL 33607.5 and 7 | 22,166.27 | 22,609.60 | 22,609.60 |
| | Totals - This Page | * RPTF = Redevelopment Property Tax Trust Fund (formerly tax increment) | | \$ 343,174.44 | \$ 350,037.93 | \$ 350,037.93 |

HIGHLIGHT LEGEND:

| | |
|-----------------------------|---|
| RED FONT | Auditor-Controller staff responsible for calculating Pass-Through and Administrative costs. No further work proposed. |
| RED FONT/GREY HIGHLIGHT | Potentially unenforceable obligation and requires County Counsel review. No further work proposed. |
| GREEN FONT | Auditor-Controller staff has verified the obligation exists and is valid. No further work proposed. |
| RED FONT/YELLOW HIGHLIGHT | CPA Firm please obtain documentation and forward to Auditor-Controller for County Counsel review. In addition, CPA firm is responsible for ventying the |
| BLACK FONT/YELLOW HIGHLIGHT | CPA Firm to review validity and amount of obligation. |

FOOTNOTES:

(1) The total obligation amount is immaterial. No further work proposed.

County of Los Angeles
Agreed-Upon Procedures Engagement
Pursuant to the Redevelopment Agency
Dissolution Bill (ABx1 26) of 2011
Successor Agency
City of San Dimas, California

Comparative Asset Balance Schedule (Unaudited)

| | As of January 31, 2012 | As of June 30, 2011* | As of June 30, 2010* |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| ASSETS | | | |
| Cash and Investments | \$ 5,548,292 | \$ 4,728,216 | \$ 4,586,166 |
| Receivables: | | | |
| Tax Increment | \$ - | \$ 361,718 | \$ 246,675 |
| Accounts | - | 8,554 | 88,917 |
| Loans | 1,264,684 | 13,354 | 30,687 |
| Total Receivables | 1,264,684 | 383,626 | 366,279 |
| Deposits with Others | - | - | 93,863 |
| Land Held for Resale (Net) | 2,368,451 | 5,315,020 | 5,221,157 |
| Restricted Assets: | | | |
| Cash and Investments with Trustees | 2,661,042 | 2,895,854 | 2,685,697 |
| Capital Assets (Net of Depreciation): | | | |
| Land and Improvements | 7,184,581 | 7,574,862 | 7,574,862 |
| Total Capital Assets | 7,184,581 | 7,574,862 | 7,574,862 |
| TOTAL ASSETS | <u>\$ 19,027,050</u> | <u>\$ 20,897,578</u> | <u>\$ 20,528,024</u> |

* Obtained from audited financial statements of the redevelopment agency for the fiscal years ended June 30, 2010 and June 30, 2011.

Successor Agency – City of San Dimas

The results of those procedures performed by the Auditor-Controller (A-C) are as follows:

Procedure B.1.a

Inspect evidence that the successor agency was established by February 1, 2012.

Results

No exceptions were noted as a result of performing this procedure.

Procedure B.1.b

Inspect evidence that the oversight board members were appointed and their names were submitted to the Department of Finance (Finance) by May 1, 2012.

Results

No exceptions were noted as a result of performing this procedure.

Procedure C.1

Obtain a copy of the draft Recognized Obligation Payment Schedule (ROPS) from the successor agency.

Results

No exceptions were noted as a result of performing this procedure.

Procedure C.2

Inspect evidence that the initial draft ROPS was prepared by March 1, 2012 by the successor agency.

Results

No exceptions were noted as a result of performing this procedure.

Procedure C.3

Determine if the certified draft ROPS was approved by the oversight board. If the certified draft ROPS was not approved by the date of this report, we noted it as a finding.

Results

No exceptions were noted as a result of performing this procedure.

Procedure C.4

Determine if the draft ROPS was submitted to the County A-C, State Controller, and Finance.

Results

No exceptions were noted as a result of performing this procedure.

Procedure E.1

Obtain a copy of pass-through payment agreements from the successor agency.

Results

No exceptions were noted as a result of performing this procedure. The successor agency has provided the A-C with copies of all pass-through agreements.

Procedure E.2

Obtain a list of pass-through obligations from the successor agency as of January 31, 2012, including the recipient and terms of each pass-through obligation.

Results

The City of San Dimas Successor Agency asserts that they did not make any pass-through payments for the period July 1, 2011 to January 31, 2012. The former redevelopment agency's practice was to remit payment of their pass-through obligations in November of the following fiscal year.

Procedure E.3

Obtain a list of pass-through payments made between July 1, 2011 and January 31, 2012 and verify payments.

Results

As indicated, the City of San Dimas Successor Agency asserts that they did not make any pass-through payments for the period July 1, 2011 to January 31, 2012. However, the A-C distributed the County Entities' share of contractual and statutory pass-through payments for the period November 1 to December 31, 2011, and invoiced January 2012. The amounts paid and owed are as follows:

| Pass-through Taxing Entity | Pass-through Amount Paid | Pass-through Amount Owed |
|-----------------------------------|---------------------------------|---------------------------------|
| County Entities | \$495,356.06 | \$6,179.94 |
| Other County Entities | 189,177.21 | 0 |
| City | 0 | 0 |
| Special Districts | 0 | 0 |
| Schools | 0 | 0 |
| TOTAL | \$684,533.27 | \$6,179.94 |



COUNTY OF LOS ANGELES
OFFICE OF THE COUNTY COUNSEL

648 KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012-2713

TELEPHONE
(213) 974-1921
FACSIMILE
(213) 617-7182
TDD
(213) 633-0901

JOHN F. KRATTLI
County Counsel

August 15, 2012

TO: WENDY WATANABE
Auditor-Controller

FROM: JUDY W. WHITEHURST 
Assistant County Counsel
Government Services Division

RE: **Legal Analysis of San Dimas ROPS Items**

Pursuant to your request, our office conducted a legal analysis to supplement the agreed-upon procedures audit conducted pursuant to Health & Safety Code section 34182(a). Specifically, you requested that we review five items listed on the Recognized Obligation Payment Schedule ("ROPS") submitted by the successor agency to the former San Dimas Redevelopment Agency ("Former Agency") to determine whether each is an "enforceable obligation" pursuant to ABx1 26 (Chapter 5, Statutes 2011) and AB 1484 (Chapter 26, Statutes 2012). We have consulted with outside counsel and reviewed correspondence from the Department of Finance ("DOF") in its review of the ROPS,¹ and have come to the conclusions discussed below.

Findings

1. Item #6 on the ROPS, a repayment schedule for amounts advanced by the City of San Dimas ("City") to the Former Agency in connection with the Rancho San Dimas Redevelopment Plan, is not an enforceable obligation.

¹ In its correspondence to the Former Agency on May 26, 2012, the DOF approved all items listed on the San Dimas ROPS. However, the DOF stated that its determination was only "with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations." Three of the five items identified for review requested no allocation from the RPTTF for the relevant period, and it can be presumed that the DOF made no determination on those items for that reason. Nevertheless, this legal analysis concludes that all five items identified for review are not enforceable obligations based upon applicable laws and DOF guidelines.

2. Item #13 on the ROPS is a lease agreement ("Lease") between the City and Costco Wholesale Corporation ("Costco") involving the operation of a public parking lot. The Former Agency does not have any obligations under the Lease, and therefore the Lease is not an enforceable obligation.

3. Item #4 on the ROPS is a consolidated repayment plan for loans from the City to the Former Agency, and is not an enforceable obligation.

4. Item #5 on the ROPS is a loan from the City to the Former Agency in connection with the historic restoration of Walker House from the General Fund 01 Loan ("General Fund 01 Loan"). The General Fund 01 Loan is not an enforceable obligation.

5. Item #7 on the ROPS is a loan from the City to the Former Agency in connection with the historic restoration of Walker House from the Walker House LLC Fund 03 ("Walker House LLC Fund 03 Loan"). The Walker House LLC Fund 03 Loan is not an enforceable obligation.

Discussion

A. Repayment Agreement and Advance

Item #6 on the ROPS is a repayment schedule for amounts advanced by the City to the Former Agency in connection with the Rancho San Dimas Redevelopment Plan. A memorandum from the City Manager dated October 28, 1997 reflects that the City advanced a total of \$1,218,307 to the Former Agency for the completion of a Target Shopping Center. The payment schedule reflects that a grand total of \$2,338,219 in payments is due from June 30, 1999 through June 30, 2035.

The agreed upon repayment schedule is unenforceable and invalid under Health & Safety Code sections 34171(d)(2) and 34178(a), respectively. In defining "enforceable obligations," section 34171(d)(2) excludes "any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency." Further, Health & Safety Code section 34178(a) states that "agreements, contracts, or arrangements between the city or county . . . that created the redevelopment agency and the redevelopment agency are invalid and shall not be binding on the successor agency . . ." Neither section was amended by AB 1484, and construed together, they invalidate Former Agency-City agreements.

There are two exceptions to the general rule excluding agreements between a redevelopment agency and its creating entity from the definition of enforceable obligations: 1) written agreements entered into at the time of issuance

of indebtedness obligations and solely for the purpose of securing or repaying those indebtedness obligations; and 2) loan agreements entered into between a redevelopment agency and the city or county that created it, within two years of the date of the creation of the redevelopment agency. Section 34171(d)(2).

The repayment schedule does not meet either exception because neither transaction created an "indebtedness obligation." Health & Safety Code section 34171(e) defines indebtedness obligations as "bonds, notes, certificates of participation, or other evidence of indebtedness, issued by the redevelopment agency . . . to third-party investors . . ." (emphasis added). No third-party investors are related to the Repayment Agreement or the Advance. Finally, the City's advances were not made within two years of the creation of the Former Agency in 1972. Accordingly, Item #6 is not an enforceable obligation. It should be noted that no RPTTF was requested to fund this obligation on the ROPS, and it was not addressed by the DOF in its May 26, 2012 determination letter.

B. Lease Agreement with Costco

Item #13 on the ROPS is a Lease between the City and Costco for the operation of a public parking lot intended to serve a retail development that would include Costco as an anchor tenant. The Lease provides for rental payments from the City (the "Tenant") to Costco (the "Landlord"), funded by net sales tax proceeds generated by the retail development.

The Former Agency is not a party to and does not appear to incur obligations under the Lease. The Lease states that it was entered into pursuant to the Restated Disposition and Development Agreement by and between Costco and the Former Agency dated April 6, 2007. Nevertheless, the Former Agency does not appear to have any obligations under the Lease. Accordingly, the Lease is not an enforceable obligation of the Former Agency. It should be noted that RPTTF was requested to fund this obligation on the ROPS, however, it was not addressed by the DOF in its May 26, 2012 determination letter.

C. Consolidated Repayment Plan

Item #4 on the ROPS is a revised loan schedule for payments due from the Former Agency to the City's General Fund. The Agenda Item Staff Report dated August 14, 2001, reflects a revised principal balance of \$9,408,969. The attached payment schedule reflects a grand total of \$19,421,634 in payments due from June 30, 2002 through June 31, 2031.

Health & Safety Code sections 34171(d)(2) and 34178(a) rendered unenforceable and invalidated all Former Agency-City agreements unless they were entered into contemporaneously with the creation of an indebtedness

obligation or a loan provided to the Former Agency within two years of its creation. Neither condition was present at the time the Loan Agreement was executed. Therefore, Item #4 is not an enforceable obligation. It should be noted that no RPTTF was requested to fund this obligation on the ROPS, and it was not addressed by the DOF in its May 26, 2012 determination letter.

It should be noted that the documents provided in support of Item #4 include several earlier loan agreements, consolidation agreements, and resolutions reflecting loans from the City to the Former Agency. We understand these loans to have been consolidated as set forth in the August 14, 2001 Agenda Item Staff Report. Nevertheless, to the extent these items were not consolidated, they do not appear to be enforceable obligations for the same reason that the 2001 revised loan schedule is not an enforceable obligation.

D. General Fund 01 Loan

On January 23, 2007, the City and the Former Agency each approved the use of tax increment revenue to acquire the historic Walker House. A City Staff Report for the June 9, 2009 City Council meeting indicates that as of that date, the Former Agency's project fund had a negative balance after expending funds to acquire and restore the Walker House. In order to eliminate the negative cash balance, the City made two loans to the Former Agency, and set a repayment schedule through June 2028.

Item #5 on the ROPS reflects the balance remaining on the funds loaned to the Former Agency by the City from the General Fund 01 ("General Fund 01 Loan") in the amount of \$9,273,999.

The General Fund 01 Loan was rendered unenforceable and invalidated by Health & Safety Code sections 34171(d)(2) and 34178(a), respectively, and neither of the exceptions rendering City-Former Agency loans enforceable applies to the General Fund 01 Loan. Therefore, the General Fund 01 Loan is not an enforceable obligation. It should be noted that no RPTTF was requested to fund this obligation on the ROPS, and it was not addressed by the DOF in its May 26, 2012 determination letter.

E. Walker House LLC Fund 03

Item #7 on the ROPS is the balance remaining on funds loaned to the Former Agency by the City in connection with the Walker House restoration project from the Walker House LLC Fund 03 Loan.

For the reasons discussed above, the Walker House LLC Fund 03 Loan was rendered unenforceable and invalid by ABx1 26, and neither of the exceptions rendering City-Former Agency loans enforceable applies to the Walker House LLC Fund 03 Loan. Therefore, the Walker House LLC Fund 03 Loan is not an enforceable obligation. It should be noted that RPTTF was requested to fund this obligation on the ROPS, however, it was not addressed by the DOF in its May 26, 2012 determination letter.

JWW:SC:vcv



DEPARTMENT OF
FINANCE

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

May 26, 2012

Ken Duran, Assistant City Manager
City of San Dimas
245 Bonita Ave.
San Dimas, CA 91773

Dear Mr. Duran:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of San Dimas Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 23, 2012 for the periods of January to June 2012 and July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items. Based on our review, we are approving all of the items listed on your ROPS at this time.

This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. In addition, items not questioned during this review are subject to subsequent review if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. This amount is and never was an unlimited funding source. Therefore as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available in the RPTTF.

Please direct inquiries to Evelyn Suess, Supervisor or Mindy Patterson, Lead Analyst at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Ms. Kristina Burns, Program Specialist III, Los Angeles County

Albany
Atlanta
Brussels
Denver
Los Angeles
New York

McKenna Long & Aldridge^{LLP}

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J. KENNETH BROWN
213.687.2101

EMAIL ADDRESS
kbrown@mckennalong.com

August 23, 2012

Susan Linschoten, Special Projects
Department of Auditor-Controller
500 W. Temple, Suite 410
Los Angeles, CA 90012

Re: San Dimas Successor Agency

Dear Ms. Linschoten:

I am the attorney for the Successor Agency of the City of San Dimas Redevelopment Agency (the "Former Agency") and am in receipt of your REPORT ON AGREED-UPON PROCEDURES AUDIT (the "Audit") which was emailed to Mr. Duran at the City of San Dimas (the "City") at the close of business on Friday, August 17, 2012. I spoke with Mr. Duran and he told me that when the auditors from Simpson & Simpson were at the City, they frequently had questions about, and requests, for documents. This provided the opportunity for open dialogue with Mr. Duran and other members of the City/Former Agency staff. Mr. Duran said that at no time during those discussions, nor during the exit interviews (of which there were a number) were there any questions that were not addressed; much less any indication that there were issues that required the review by County Counsel. If there had been, Mr. Duran would have requested the opportunity to talk and/or meet with whomever in the County Counsel's office in order to address those issues.

Since that was not done and we have just received a copy of Ms. Whitehurst, Assistant County Counsel's August 15th Legal Analysis of San Dimas Items, I am asking that we be provided the opportunity to respond to you in writing regarding her analysis and, if appropriate, meet to address her concerns. I am therefore requesting that you do not finalize your report and send it to the State Controller's Office or the Oversight Board members until we have had that opportunity. I expect that we will have a written response, along with the backup materials, to you by August 31, 2012.

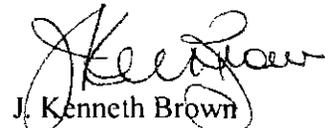
From my initial review of Ms. Whitehurst's analysis, I see that she has raised issues regarding some "enforceable obligations" that were previously approved by the Oversight Board and the Department of Finance (the "DOF"). These were included on the ROPS schedule filed for the July 1st - December 31, 2012 period and money was paid to the Successor Agency from the property tax revenues deposited into the Redevelopment Property Tax Trust Fund. As part of

Susan Linschoten, Special Projects
August 23, 2012
Page 2

our written response we will provide the documents which were previously provided to and approved by the DOF to support these "enforceable obligations". We believe these will address Ms. Whitehurst's concerns.

I would appreciate your acknowledging both receipt of this email and your agreement not to finalize your report until we have had the opportunity to submit our written response to you and, if necessary, meet to review any of your concerns or those of Ms. Whitehurst. I look forward to an amicable resolve of this matter.

Respectfully submitted,



J. Kenneth Brown
Counsel for the Successor Agency

JKB:lb

cc: Michael Antonovich
Los Angeles County Supervisor
5th Supervisorial District
Ken Duran

City Council
CURTIS W. MORRIS, Mayor
EMMETT BADAR, Mayor Pro Tem
DENIS BERTONE
JEFF TEMPLEMAN
JOHN EBINER

City Manager
BLAINE M. MICHAELIS

Assistant City Manager / Treasurer
KENNETH J. DURAN

City Attorney
J. KENNETH BROWN



September 5, 2012

**Assistant City Manager of
Community Development**
LAWRENCE STEVENS

Director of Public Works
KRISHNA PATEL

**Director of Development
Services**
DAN COLEMAN

**Director of Parks
and Recreation**
THERESA BRUNS

City Clerk
INA RIOS

Susan Linschoten, Special Projects
Department of Auditor-Controller
500 W. Temple, Suite 410
Los Angeles, CA 90012

Re: San Dimas Successor Agency Report on Agreed-Upon Procedures

Dear Ms. Linschoten:

This letter is a follow-up to the letter submitted to you on August 23, 2012 from Ken Brown, attorney for the Successor Agency of the San Dimas Redevelopment Agency. His letter expressed our concerns with some of the findings in the draft Report on Agreed Upon Procedures Audit and requested an opportunity to respond to you in writing regarding those concerns. You kindly agreed to allow us the time to submit this response.

The concerns are with issues raised in Ms. Whitehurst, Assistant County Counsel's, August 15th Legal Analysis of San Dimas ROPS Items that resulted in the Report's findings that five items were deemed Unenforceable Obligations. It appears from the comments in her report that Ms. Whitehurst may not have had the benefit of all of the facts and documents supporting those facts to in reaching her conclusion. This letter, and the included supporting documents, should serve to provide a further explanation of these items and in our opinion lead to the conclusion that they are Enforceable Obligations.

**Project Name – #4 Loan to CRA, #5 Loan CRA Walker House Fund 30, #6 Loan to Rancho San Dimas:
collectively City Loans**

While items 4, 5, and 6, City Loans, may not be recognized as financial obligations under HSC Section 34171 (b) (2), the loan agreements are never the less legal, proper, and binding financial obligations of the former Redevelopment Agency enacted under the authority of HSC Section 33600 long before Agency dissolution. In addition the provisions of AB 1484, HSC Section 34191.4 specifically provides for city loans to be recognized as enforceable obligations subject to certain procedures and conditions. We intend to meet all of those conditions. It is therefore appropriate to include the city loans on the ROPS as an obligation – requests for payments on those obligations can commence when the provisions of 34191.4 are met.

Project Name - #13 Parking Lot Lease

The County Counsel review states that "The Former Agency is not a party to and does not appear to incur obligations under the Lease..." The Lease Agreement is only one exhibit to the Amended and Restated Disposition and Development Agreement (DDA) between the San Dimas Redevelopment Agency and Costco. The DDA clearly states the obligations for the Agency's financial participation in the project. In particular Section 19 beginning on page 28 of the DDA outlines that obligation. Furthermore, Exhibit M of the DDA provides the Promissory Note securing that Agency obligation. The Parking Lot Lease Agreement, Exhibit H, is only the mechanism for making the payment. The item description on the ROPS probably should have been more accurately described as Costco DDA Obligation.

Project Name - # 7 Walker House LLC Fund 03

The County Counsel analysis identifies this item as "funds loaned to the Former Agency by the City..." This statement is incorrect in that the loan was made to the Former Agency by the Walker House LLC, a separate and distinct legal entity. The Walker House LLC was incorporated in June 2008 authorized by the San Dimas Redevelopment Agency; see Resolution No. 188 and accompanying staff report, establishing the Walker House LLC entity. The Walker House LLC was created as a part of the program for the Walker House renovation project to be the beneficiary of Federal Historic Tax Credits as allowed by the Internal Revenue Code. The Walker House LLC was created to be the recipient of the Federal Historic Tax Credit funds to be used for the ongoing maintenance and operation of the Walker House. The operating Agreement of the Walker House LLC is also included for your review. The Walker House LLC agreed to loan some of those funds to the Redevelopment Agency with the intention of the repayment of those funds be paid back to the LLC to be used for ongoing maintenance of the House. The source of funding to the Walker House LLC was from Federal Historic tax Credits. The City had, nor has, any relationship to the Walker House LLC and City general funds were not the source of revenue for the loan. The loan agreement for repayment of those funds was between the Walker House LLC and the Former Agency; see staff report and minutes of Agency action June 9, 2009. The historic tax credit funds and the funds received as repayment to the loan are held in separate fund from the City general fund.

The County Counsel analysis for both items #12 and 7 states that "...the RPTTF was requested to fund this obligation on the ROP; however, it was not addressed by the DOF in its May 26, 2012 determination letter." Both items were approved by the DOF by its May 26, letter. The DOF letter states, "We are approving all of the items listed on your ROPS at this time." The Walker House LLC loan and Parking Lot Lease were specific items with specific payment amounts. As further evidence that the DOF specifically approved those items are a number of correspondence documents between the DOF and the Successor Agency. After the initial submittal of the Agency ROPS, DOF had asked for additional documents to support seven items on the ROPS, including the Walker House LLC loan and the Parking Lot Lease, see e-mail from Susan Calvino dated April 9, 2012. In response to that request the Agency responded by providing documents supporting each item, see e-mails from Ken Duran dated April 18, 2012 and May 18, 2012. In the case of the Walker House LLC loan those documents included copies of the Resolutions making the findings that the Walker House Restoration Project was an eligible Redevelopment project, the Resolution establishing the Walker House LLC entity, The Walker House LLC

Operating Agreement and the report and background on the loan agreement between the Walker House LLC and the Redevelopment Agency. Further to the DOF specific approval of this item is an e-mail correspondence from the DOF to Mr. Duran dated May 21, 2012 specifically confirming approval of this specific item. The Agency also provided DOF documents in regards to the Parking Lot Lease. Specifically, those included the Costco DDA, Exhibit H – Lease Agreement and the Lease Payment Spreadsheet which shows the calculation formula for the item. DOF did not make any additional requests for information regarding that item. Telephone discussions, e-mails and formal correspondence, the May 26, 2012 letter, confirm approval of all of the items included on the ROPS, including the Parking Lot Lease Agreement.

We realize that each obligation included on an Agency's ROPS has a history and explanation, many of them quite complicated. We have tried to simplify the explanation and provide relevant supporting documents, but there obviously is a bigger picture to each. We would more than happy, and encourage, further discussion with you and/or County Counsel on each of these items over the phone or in person. I look forward to your response.

Sincerely,



Ken Duran
Assistant City Manager

Attachments: Costco DDA
Walker House file
Walker House Operating Agreement
E-Mail Correspondence

Ken Duran

From: Linschoten, Susan J. <SLINSCHOTEN@auditor.lacounty.gov>
Sent: Friday, August 17, 2012 3:30 PM
To: Barbara Bishop
Cc: Ken Duran
Subject: Agreed-Upon Procedures Report Package - San Dimas
Attachments: 08-17-2012 San Dimas Package.pdf

Good Afternoon:

Attached please find the unsigned copy of the Agreed-Upon Procedures (AUP) Report package for San Dimas Successor Agency. The attached documents constitute our report on the AUP, and include a summary of the review of a sample of obligations from the Agency's ROPS (Exhibit 1); the AUP (Attachment A); the results of procedures performed by the independent CPA firm (Attachments B and C); and the results of procedures performed by Auditor-Controller staff (Attachment D). In addition, we have attached an analysis prepared by our County Counsel (Attachment E) for those ROPS items that required additional review; and a copy of the Department of Finance ROPS review and final approval letters (Attachment F).

Please review and provide your comments to me no later than August 24, 2012. If no comments are received, the final report will be signed, and distributed to the State Controller's Office, the Oversight Board Members, and your Agency accordingly.

Please contact me if you have any questions.

Thank you,

Susan Linschoten, Special Projects
Department of Auditor-Controller
County of Los Angeles
Phone (213) 974-8593