



Chairperson, Belinda V. Faustinos, Los Angeles County
Vice Chairperson, Gustavo V. Camacho, City of Pico Rivera
Board Members:
Ronald Bates, City of Pico Rivera
Christopher Gutierrez-Lohrman, Los Angeles County Board of Education
Santos H. Kreimann, Los Angeles County
Armando V. Moreno, Los Angeles County
Vicky Santana, Los Angeles County, Rio Hondo Community College

Thursday, January 10, 2013
Special Meeting 5:30 p.m.
Council Chambers
6615 Passons Blvd.
Pico Rivera, California
Resolution No. OB-11-12
Agreement No. OB-002

PLEDGE OF ALLEGIANCE:

AGENDA ITEMS:

1. Minutes.

Recommendation:

- Approve special meeting of Oversight Board of the Successor Agency to the Pico Rivera Redevelopment Agency minutes of October 11, 2012.

2. Meeting Time for the Regular Meetings of the Oversight Board of the Successor Agency for the Pico Rivera Redevelopment Agency.

Recommendation:

1. The Oversight Board of the Successor Agency to the Pico Rivera Redevelopment Agency ("Oversight Board") may wish to change the meeting time from 4:30 p.m. to 5:30 p.m.

3. Due Diligence Review of Other Funds.

Recommendation:

1. Adopt a resolution approving the due diligence review report.

Resolution No. ____ A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE PICO RIVERA REDEVELOPMENT AGENCY APPROVING THE DUE DILIGENCE REVIEW PERFORMED PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5

PUBLIC COMMENTS: (Speakers have three (3) minutes to make their remarks on agenda items only.)

OTHER ITEMS:

ADJOURNMENT:

AFFIDAVIT OF POSTING

I, Anna Jerome, Assistant City Clerk, for the City of Pico Rivera, DO HEREBY CERTIFY, under penalty of perjury under the laws of the State of California, that the foregoing notice was posted at the Pico Rivera City Hall bulletin board, the Pico Rivera Post Office and Pico Rivera Parks (Pico, Smith and Rivera) and distributed to members of the media on this the 7th, day of January, 2013.

Dated this 7th, day of January, 2013



Anna M. Jerome, CMC
Assistant City Clerk

SB343 NOTICE

In compliance with and pursuant to the provisions of SB343 any public writing distributed by the City Clerk to at least a majority of the City Council Members regarding any item on this regular meeting agenda will be available on the back table at the entrance of the Council Chamber at the time of the City Council meeting and at the counter of City Hall at 6615 Passons Boulevard, Pico Rivera, California during normal business hours.



Thursday, December 6, 2012

A Special Meeting of the Oversight Board of the Successor Agency to the Pico Rivera Redevelopment Agency was held in the Council Chamber, Pico Rivera City Hall, 6615 Passons Boulevard, Pico Rivera, California.

Chairperson Faustinos called the meeting to order at 5:30 p.m.

PLEDGE OF ALLEGIANCE: Led by Chairperson Faustinos

PUBLIC COMMENTS: None.

AGENDA ITEMS:

1. Minutes.

Motion by Vice Chairperson Archuleta, seconded by Boardmember Bates to approve special meeting of Oversight Board of the Successor Agency to the Pico Rivera Redevelopment Agency minutes of October 11, 2012. Motion carries by the following roll call vote:

AYES: Archuleta, Bates, Kreimann, Faustinos

NOES: None

ABSENT: Gutierrez-Lohrman, Moreno, Santana

2. Meeting Time for the Regular Meetings of the Oversight Board of the Successor Agency for the Pico Rivera Redevelopment Agency.

Motion by Boardmember Bates, seconded by Vice Chairperson Archuleta to continue the item to the meeting of January 10, 2013 to allow greater participation in the decision from more board members. Motion carries by the following roll call vote:

AYES: Archuleta, Bates, Kreimann, Faustinos

NOES: None

ABSENT: Gutierrez-Lohrman, Moreno, Santana

3. Due Diligence Review of Other Funds.

Director of Finance Matsumoto stated that staff has the due diligence review for other funds and that this meeting is not for discussion regarding the DDR but if any of the board members has comments or questions to direct their concerns to staff.

Boardmember Kreimann requested that staff include language in the resolution and staff report as to whether the deferral payment is properly characterized in the DDR.

Motion by Boardmember Bates, seconded by Vice Chairperson Archuleta to receive the Due Diligence Review for Other Funds. The report will be back before the Oversight Board on January 10, 2013 for discussion and consideration. Motion carries by the following roll call vote:

AYES: Archuleta, Bates, Kreimann, Santana, Faustinos

NOES: None

ABSENT: Guitierrez-Lohrman, Moreno

Boardmember Santana arrived at 5:50 p.m.

PUBLIC COMMENTS:

- a. Chairperson Faustinos opened the public comment period to receive public comments on the Due Diligence Review Report prepared by Moss, Levy & Hartzheim pursuant to Health & Safety Code §34179.5. No speakers came forward to provide public comment.

OTHER ITEMS: None.

ADJOURNMENT:

Chairperson Faustinos adjourned the meeting at 5:54 p.m. There being no objection it was so ordered.

AYES: Archuleta, Bates, Kreimann, Santana, Faustinos

NOES: None

ABSENT: Guitierrez-Lohrman, Moreno

Chairperson, Belinda Faustinos

ATTEST:

Anna M. Jerome, Assistant City Clerk

I hereby certify that the foregoing is a true and correct report of the proceedings of the Oversight Board of the Successor Agency to the Pico Rivera Redevelopment Agency special meeting dated December 6, 2012 and approved by the Oversight Board on January 10, 2013.

Anna M. Jerome, Assistant City Clerk



To: Oversight Board of the Successor Agency to the Pico Rivera
Redevelopment Agency

From: Director of Finance

Meeting Date: January 10, 2013

Subject: CHANGE REGULAR MEETING TIME SCHEDULE FOR THE
OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO
THE PICO RIVERA REDEVELOPMENT AGENCY

Recommendations:

Staff recommends the Oversight Board of the Successor Agency to the Pico Rivera Redevelopment Agency ("Oversight Board") meet the third Thursday of the first month of each calendar quarter and consider changing the meeting time from 4:30 p.m. to 5:30 p.m.

Fiscal Impact:

None.

Discussion:

By changing the time from 4:30 p.m. to 5:30 p.m. of the regular meeting schedule it will accommodate better attendance for a certain member of the Oversight Board to participate in the quarterly meetings.

Michael Matsumoto

MM:AJ



To: Oversight Board of the Successor Agency to the Pico Rivera
Redevelopment Agency

From: Director of Finance

Meeting Date: January 10, 2013

Subject: DUE DILIGENCE REVIEW OF OTHER FUNDS

Recommendation:

Adopt a resolution approving the due diligence review report.

Fiscal Impact:

There is no fiscal impact.

Discussion:

On June 28, 2011, the Governor of California signed ABx1 26 which dissolved all California redevelopment agencies. On June 28, 2012, the Governor signed AB1484 which created several new requirements. Health and Safety Code Section 34179.5 requires two Due Diligence Reviews (DDR). The first DDR covered the assets from the former Low and Moderate income housing fund, and the Oversight Board approved DDR 1 during the October 11, 2012 meeting. This second DDR covers the other funds of the Successor Agency (sometimes referred to as the "non-housing fund DDR" or "DDR 2"). The purpose of DDR 2 is solely to determine the unobligated balances available for transfer to taxing entities (H&S Code Section 34179.5).

The law prescribes several due dates for DDR 2:

- The DDR 2 is due to the Oversight Board, County Auditor-Controller, State Controller, and State Department of Finance by December 15, 2012. The DDR was sent out on Friday November 30, 2012.
- The Oversight Board convened a public comment session during a Special Meeting on December 6, 2013. Notice of this comment session was posted in compliance with the Brown Act (at least seventy-two hours prior to the meeting).
- The Oversight Board can consider and approve the DDR five or more business days after the public comment session, but the approval must be made by January 15, 2013. This item is scheduled for the Oversight Board meeting today.
- Although there are no apparent penalties for failing to meet these deadlines, staff works diligently to meet all State mandated deadlines.

On August 27, 2012, the State Department of Finance issued the DDR procedures, and the Successor Agency obtained a quote from Moss, Levy & Hartzheim LLP to perform the DDRs. Moss, Levy & Hartzheim was familiar with Pico Rivera because the County of Los Angeles had hired them to perform the first Agreed Upon Procedure required during early 2012, and the Successor Agency hired them to prepare both DDRs. As required by law, the Successor Agency obtained approval from Los Angeles County prior to hiring Moss, Levy & Hartzheim.

The DDR includes analysis of Successor Agency accounting and transactions including:

Restricted Assets - the DDR includes a schedule of restricted assets which are primarily proceeds of loans from the County and the City.

Loan Repayments - prior to dissolution, the Redevelopment Agency made partial payments for the July 1, 2011 loan payment due to the City. In April 2012 after the State requested documentation of transfers, the Successor Agency reported the loan payments, even though they were loan payments and not transfers, to ensure all the information was available.

At the Oversight Board's Special Meeting on December 6, 2012, a question was raised about the County Deferral and the repayment terms. Attachment B of the DDR includes the County Deferral as one of the obligations of the Successor Agency. The DDR submitted for the Oversight Board's consideration fulfills the requirements and purposes of Health and Safety Code Section 34179.5 and need not be modified to reflect uncertainty regarding the obligations as the DDR concludes there are no funds to transfer to taxing entities, regardless of the County Deferral.

In summary, the DDR identifies no areas of concern, and it supports the accuracy of the Successor Agency's financial analysis and reporting. Staff has done an effective job in complying with the cumbersome requirements of ABx1-26 and AB1484.



Michael Matsumoto
Director of Finance

MM

Attachment - Resolution approving the due diligence review report for other funds.

RESOLUTION NO. _____

**A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR
AGENCY TO THE PICO RIVERA REDEVELOPMENT AGENCY
APPROVING THE DUE DILIGENCE REVIEW PERFORMED
PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5**

WHEREAS, on June 28, 2012, the Governor of California signed AB 1484 which added Health and Safety Code Section 34179.5 requiring successor agencies to send a due diligence review to the Department of Finance and others by January 15, 2013; and

WHEREAS, the Successor Agency to the Pico Rivera Redevelopment Agency retained an accounting firm approved by the County of Los Angeles to conduct the due diligence review of non-housing funds (the “due diligence review” or “DDR”) as required by Health and Safety Code Section 34179.5; and

WHEREAS, the due diligence review was sent to the Oversight Board on November 30, 2012 and, pursuant to Health and Safety Code section 34179.6 the Oversight Board convened a “public comment session” at a Special Meeting held December 6, 2012, at which time the public was afforded the opportunity to provide comment to the Oversight Board; the public comment session was closed with no comment being offered either orally or in writing on said date; and

WHEREAS, Health and Safety Code Section 34179.6 requires the due diligence review be submitted to the Department of Finance and the County Auditor Controller by January 15, 2013 following approval by the Oversight Board; and

WHEREAS, the Successor Agency reserves its right to amend the Due Diligence Review as may be necessary to capture all the obligations the Successor Agency may have in the performance of its duties, subject to any obligation of the Oversight Board to approve such amendments; and

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board of the Successor Agency to the Pico Rivera Redevelopment Agency, California as follows:

SECTION 1. The foregoing Recitals are incorporated into this Resolution by this reference.

SECTION 2. The Oversight Board approves the due diligence review report prepared by Moss, Levy & Hartzheim LLP dated November 19, 2012 (Attachment A).

SECTION 3. The City Manager and Director of Finance of the Successor Agency (and their designees) are hereby authorized and directed to evaluate and execute necessary changes to the due diligence review report (including changes to formatting as required by DOF) as may be appropriate and/or required by ABx1 26 and/or AB 1484 whether pursuant to its terms, by court order, or as otherwise required by law.

SECTION 4. The City Manager and Director of Finance are further authorized and directed to

notify and forward a copy of this Resolution and the due diligence review report to the County Auditor-Controller, State Department of Finance, the State Controller's Office, and any other entity required by law.

SECTION 5. The Oversight Board has also determined (to the extent it is required to do so) that approval of the Due Diligence Report is not a "project" for purposes of CEQA, as that term is defined by Guidelines section 15378, because the Due Diligence Review is an organizational or administrative activity that will not result in a direct or indirect physical change in the environment, per section 15378(b)(5) of the Guidelines.

SECTION 6. The City Clerk of the City of Pico Rivera shall attest to the passage of this Resolution and it shall be in full force and effect.

APPROVED AND ADOPTED this _____th day of January 2013.

ATTEST:

OVERSIGHT BOARD

Anna Jerome, Assistant City Clerk

Belinda Faustinos, Chairperson

APPROVED AS TO FORM:

Michael R.W. Houston, Board Counsel

AYES:
NOES:
ABSENT:
ABSTAIN:

**SUCCESSOR AGENCY OF THE
REDEVELOPMENT AGENCY OF THE
CITY OF PICO RIVERA
Los Angeles County, California**

**Agreed Upon Procedures – AB1484
Other Funds**

June 30, 2012

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF PICO RIVERA
Los Angeles County, California
Agreed Upon Procedures – AB1484
Other Funds
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MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES**

Oversight Board of the Successor Agency
Of the Redevelopment Agency of the
City of Pico Rivera
Pico Rivera, California

We have performed the procedures enumerated below solely to assist in ensuring that the Successor Agency of the Redevelopment Agency of the City of Pico Rivera is complying with its statutory requirements with respect to AB 1484. Management of the Successor Agency is responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code Section 34179.5.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of 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.

Procedures Applied

Citation:

34179.5(c)(1) The dollar value of assets transferred from the former Redevelopment Agency to the Successor Agency on or about February 1, 2012.

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former Redevelopment Agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

Result:

We found no exceptions as a result of the procedures performed. See Attachment A for the listing of all assets that were transferred.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE
CITY OF PICO RIVERA
AGREED-UPON PROCEDURES OF AB 1484

Citation:

34179.5(c)(2) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the Redevelopment Agency or the Successor Agency to the City, County, or City and County that formed the Redevelopment Agency and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

2. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:

- A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former Redevelopment Agency to the City, County, or City and County that formed the Redevelopment Agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Result:

Cash was transferred to the City in the amounts of \$1,000,000 on July 1, 2011, \$760,000 on December 23, 2011, and \$130,000 on January 23, 2012 to pay accrued interest on loans to the Redevelopment Agency.

- B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the City, County, or City and County that formed the Redevelopment Agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Result:

No assets were transferred from the Successor Agency to any City, County, or City and County during the period February 1, 2012 through June 30, 2012.

- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Result:

We found no exceptions as a result of the procedures performed.

Citation:

34179.5(c)(3) The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the Redevelopment Agency or the Successor Agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:

- A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former Redevelopment Agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Result:

No assets were transferred from the former Redevelopment Agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE
CITY OF PICO RIVERA
AGREED-UPON PROCEDURES OF AB 1484

Citation:

34179.5(c)(3) The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the Redevelopment Agency or the Successor Agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer (continued).

3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures (continued):

- B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) [from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Result:

No assets were transferred from the Successor Agency to any other public agency or to private parties for the period from February 1, 2012 through June 30, 2012.

- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Result:

Procedure 3C was not considered necessary because procedures 3A and 3B did not apply.

Citation:

34179.5(c)(4) The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the Successor Agency on June 30, 2012 to those reported to the Controller for the 2009–10 fiscal year.

4. Perform the following procedures:

- A. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
- B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
- C. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.
- D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Result:

For fiscal year ended June 30, 2010, we compared the financial transactions on Attachment B to the State Controller's report and audited financial statements and found no exceptions as a result of the procedures performed. See Attachment B.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE
CITY OF PICO RIVERA
AGREED-UPON PROCEDURES OF AB 1484

Citation:

34179.5(c)(4) The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the Successor Agency on June 30, 2012 to those reported to the Controller for the 2009–10 fiscal year.

4. Perform the following procedures(continued):

- A. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
- B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
- C. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.
- D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Result (continued):

For fiscal year ended June 30, 2011, we compared the financial transactions on Attachment B to the State Controller's report and audited financial statements and found no exceptions as a result of the procedures performed. See Attachment B.

For the seven months ended January 31, 2012 of the former Redevelopment Agency, we compared the financial transactions on Attachment B to the Agency's trial balance, fixed assets list, and the long-term debt schedule, and found no exceptions as a result of the procedures performed. See Attachment B.

For the five months ended June 30, 2012 of the Successor Agency, we compared the financial transactions on Attachment B to the Agency's trial balance, fixed assets list, and long-term debt schedule, and found no exceptions as a result of the procedures performed. See Attachment B.

Citation:

34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:

(A) A statement of the total value of each fund as of June 30, 2012

5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former Redevelopment Agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

Result:

We found no exceptions as a result of the procedures performed. See Attachment C for the listing of all assets of the Successor Agency as of June 30, 2012.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE
CITY OF PICO RIVERA
AGREED-UPON PROCEDURES OF AB 1484

Citation:

34179.5(c)(5)(B) An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:

A. Unspent bond proceeds:

- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.)
- ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
- iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

Result:

The Successor Agency does not have any unspent bond proceeds.

B. Grant proceeds and program income that are restricted by third parties:

- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
- ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
- iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

Result:

Procedure 6B was not applicable as there were no grant proceeds or program income restricted by third parties.

C. Other assets considered to be legally restricted:

- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
- ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
- iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.

Result:

The Successor Agency has restricted balances, as of June 30, 2012, for Sales Tax Loan proceeds in the amount of \$1,065,000, Loan proceeds in the amount of \$1,464,218, and Cash restricted for accounts payable in the amount of \$20,565. See Attachment D.

D. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.

Result:

The amounts restricted from the loan proceeds are to be expended for their intended purpose. The Sales Tax Amounts are pledged for debt service. Cash is restricted for accounts payable. See Attachment A.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE
CITY OF PICO RIVERA
AGREED-UPON PROCEDURES OF AB 1484

Citation:

34179.5(c)(5)(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.

7. Perform the following procedures:

- A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are **not** liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.

Result:

The long-term loans receivable in the amount of \$429,015 consists of the remaining balances of several loans at June 30, 2012. The loan values are based on purchase cost. Fixed Assets and Land held for Resale are listed at purchase cost. See Attachment C.

- B. If the assets listed at 7A are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.

Result:

We found no exceptions as a result of the procedure performed.

- C. For any differences noted in 7B, inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.

Result:

Based on the information provided, no addition or disposition of assets occurred in the Successor Agency. The assets originally held in the Redevelopment Agency were later separated between the Housing Successor Agency and the Successor Agency to the Redevelopment Agency. We found no exceptions as a result of the procedure performed.

- D. If the assets listed at 7A are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

Result:

Not applicable. The values of non-liquid assets are not listed at estimated market value.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE
CITY OF PICO RIVERA
AGREED-UPON PROCEDURES OF AB 1484

Citation:

34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the Successor Agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the Successor Agency, together with both the amount and timing of the bond debt service payments of the Successor Agency, for the period in which the oversight board anticipates the Successor Agency will have insufficient property tax revenue to pay the specified obligations.

8. Perform the following procedures:

- A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
- i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
 - ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
 - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
 - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

Result:

Cash in the amount of \$772,610 and accrued interest receivable in the amount of \$1,089 as of June 30, 2012, were retained in addition to restricted balances discussed previously. Of the \$1,089 interest receivable, \$324 is restricted. Otherwise, cash and interest receivable are not dedicated or restricted. However, the City of Pico Rivera submitted a Notice of Insufficient Funds to the Los Angeles County Auditor-Controller dated April 26, 2012 detailing the expected shortfall for the period ending December 31, 2012.

- B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:
- i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.
 - ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE
CITY OF PICO RIVERA
AGREED-UPON PROCEDURES OF AB 1484

Citation: 34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the Successor Agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the Successor Agency, together with both the amount and timing of the bond debt service payments of the Successor Agency, for the period in which the oversight board anticipates the Successor Agency will have insufficient property tax revenue to pay the specified obligations.(continued)

8. Perform the following procedures (continued):
- iii. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
 - iv. For the forecasted annual revenues:
 - 1. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.

Result:

We obtained copies of the final ROPS for the periods January through June 2012 and July through December 2012, as well as the California Department of Finance Review Letter dated May 29, 2012. The California Department of Finance approved both of the ROPS, with the exception of City Loans totaling 108.7 Million. The Successor Agency disagrees with this review and is discussing the matter with the California Department of Finance. Major assumptions for revenue include the continued receipt of RPTTF and other revenue of the former Redevelopment Agency in amounts similar to previously received amounts.

- C. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.
- i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
 - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
 - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

Result:

Based on the Report of Insufficient Funds – Period Ending December 31, 2012 provided by the Rosenow Spevacek Group Inc. to the Successor Agency, the projected property tax revenues and other general purpose revenues to be received are estimated to be insufficient to pay bond debt service payments. Based on the CTE Deferral Calculation Schedule sent by the Auditor-Controller, Tax Division, RPTTF will partially meet the bond debt service payment due December 1, 2012 in the amount of \$766,132 and the balance of \$389,218 will be met by the reserve balance. The computation for the January 2013 through June 2013 ROPS was based on a report of estimated revenue provided by the County using 2% growth. The amount to be received on January 2, 2013 has been updated and lowered to \$1,186,547, which is sufficient to pay only the bond debt service payment due June 1, 2013. Sources of funds for future payments are dependent on the property tax revenues and any shortfall would require the use of asset balances to cover the difference.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE
CITY OF PICO RIVERA
AGREED-UPON PROCEDURES OF AB 1484

Citation: 34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the Successor Agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the Successor Agency, together with both the amount and timing of the bond debt service payments of the Successor Agency, for the period in which the oversight board anticipates the Successor Agency will have insufficient property tax revenue to pay the specified obligations. (continued)

8. Perform the following procedures (continued):

- D. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures:
- i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
 - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
 - iii. Include the calculation in the AUP report.

Result:

The current unrestricted balance in cash and receivables in the total amount of \$1,236,077 will be needed to satisfy future payments, first for the debt service payments and then for any other enforceable obligations listed. Enforceable obligations that do not show payments due or paid in the periods submitted thus far for the ROPS do not have payment schedules. However, the obligations will need to be repaid. Those obligations include loans by the City, which were disallowed. See Result in Procedure 9 below and Attachment F.

Citation:

34179.5(c)(5)(E) An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.

Result:

The Successor Agency is concerned that without the money on hand, the debt service coverage is extremely tight, and the Successor Agency is skeptical about the County estimate of property taxes for January 2, 2013 because the pass through is shown as a negative amount and the County has not explained why the amount is negative. The Successor Agency expects that the December 1, 2012 debt service payment will be funded by a combination of Redevelopment Property Tax Trust Fund (RPTTF), cash on hand, and Sales Tax in Lieu revenues. There is insufficient property tax revenue to fund the debt service payments entirely. However, for the June 1, 2013 bond debt service payment, it is anticipated that the debt service payment will be entirely (or almost entirely) funded with RPTTF revenue. The County has sent a revised and lowered estimate of RPTTF revenue that the Successor Agency will receive, in the amount of \$1,186,547. See Attachment G for the Insufficiency Report submitted to the Los Angeles County Auditor-Controller.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE
CITY OF PICO RIVERA
AGREED-UPON PROCEDURES OF AB 1484

Citation:

34179.5(c)(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the Successor Agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.

10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

Result:

See Attachment F.

11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former Redevelopment Agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

Result:

We found no exceptions as a result of the procedure performed.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion.

This report is intended solely for the information of the Oversight Committee, Management, California State Controller's Office, Department of Finance, and Los Angeles County Auditor-Controller, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
November 19, 2012

**SUCCESSOR AGENCY OF THE REDEVELOPMENT
AGENCY OF THE CITY OF PICO RIVERA
Asset Transfer Listing to the Successor Agency
on February 1, 2012**

Cash	\$	810,309
Long-Term Loans Receivable		437,471
Land Held For Resale		587,610
Fixed Assets		1,426,638
	Total	<u>\$ 3,262,028</u>

SUCCESSOR AGENCY OF THE REDEVELOPMENT
 AGENCY OF THE CITY OF PICO RIVERA
 Summary Schedule of Financial Transactions
 Other Funds

Attachment B

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
Assets (modified accrual basis)				
Cash	\$ (1,125,668) ¹	\$ (1,902,281) ¹	\$ 810,309	\$ 1,858,235
Accounts Receivable	418,960	4,865,483	-	1,497,582
Accrued Interest Receivable	2,041	2,023	-	1,089
Long-Term Loans Receivable	445,651	437,471	437,471	429,015
Due from Other Funds	-	-	-	535,000
Land Held For Resale	587,610	587,610	587,610	75,400
Total Assets	\$ 328,594	\$ 3,990,306	\$ 1,835,390	\$ 4,396,321
Liabilities (modified accrual basis)				
Accounts Payable	\$ 356,636	\$ 13,886	\$ -	\$ 20,625
Other Liabilities	13,929	19,000	5,000	309,453
Due to Other Funds	336,479	336,479	336,479	871,479
Deferred Revenues	435,630	427,679	427,679	2,512,897
Advance From Housing Fund	1,667,788	2,011,156	2,011,156	2,011,156
Advance From Water Authority	33,132,709	32,286,468	31,083,047	31,374,848
Loan Payable - City	27,962,459	28,975,725	20,365,191	20,956,263
Total Liabilities	\$ 63,905,630	\$ 64,070,393	\$ 54,228,552	\$ 58,056,721
Equity	(63,577,036)	(60,080,087)	(52,393,162)	(53,660,400)
Total Liabilities and Equity	\$ 328,594	\$ 3,990,306	\$ 1,835,390	\$ 4,396,321
Total Revenues:	\$ 8,206,176	\$ 11,872,542	\$ 4,216,724	\$ 1,479,374
Total Expenditures:	\$ 11,640,370	\$ 9,215,793	\$ 5,011,074	\$ 2,234,403
Total Transfers*:	\$ 845,190	\$ 839,900	\$ 621,578	\$ (52,905,372)
* Does not Include Cash Advances from City				
Net change in equity	\$ (2,589,004)	\$ 3,496,649	\$ (172,772)	\$ (53,660,401)
Beginning Equity:	\$ (60,988,032)	\$ (63,577,036)	\$ (60,080,087)	\$ -
Ending Equity:	\$ (63,577,036)	\$ (60,080,087)	\$ (52,393,162)	\$ (53,660,400)
Other Information (show year end balances for all three years presented):				
Capital assets as of end of year	\$ 1,431,400	\$ 1,426,638	\$ 1,426,638	\$ 1,421,879
Long-term debt as of end of year	\$ 99,558,929	\$ 134,267,251	\$ 124,453,296	\$ 127,388,267
Long-term debt as of end of year:				
2001 Tax Anticipation Bonds- purchased				
by Water Authority	\$ 33,132,709	\$ 32,286,468	\$ 31,083,047	\$ 31,374,848
Advances from the City	\$ 27,962,459	\$ 61,040,219	\$ 52,429,685	\$ 54,990,933
LA County Deferral	\$ 38,450,131	\$ 40,921,637	\$ 40,921,637	\$ 41,022,486
Compensated Absences	\$ 13,630	\$ 18,927	\$ 18,927	\$ -
Total	\$ 99,558,929	\$ 134,267,251	\$ 124,453,296	\$ 127,388,267

¹ Negative cash represents a due from other funds for financial reporting purposes.

**SUCCESSOR AGENCY OF THE REDEVELOPMENT
AGENCY OF THE CITY OF PICO RIVERA
Asset Transfer Listing of the Successor Agency
As of June 30, 2012**

Cash	\$	1,858,235
Accounts Receivable		1,497,582
Accrued Interest Receivable		1,089
Long-Term Loans Receivable		429,015
Due from Other Funds		535,000
Land Held For Resale		75,400
Fixed Assets		1,421,879
Total	\$	<u>5,818,200</u>

**SUCCESSOR AGENCY OF THE REDEVELOPMENT
AGENCY OF THE CITY OF PICO RIVERA**
Asset Listing for Restricted Balances
June 30, 2012

<u>Assets</u>	<u>Period of Restriction</u>	<u>Purpose</u>	<u>Amounts</u>
Cash	June 30, 2012 until date of use	Sales Tax Loan proceeds - exempt from calculation	\$ 1,065,000
Cash	June 30, 2012 through August 31, 2012	Pay Current Liabilities	20,625
Accounts Receivable	June 30, 2012 until date of use	Loan Proceeds - exempt from calculation	1,464,218
		Total	<u>\$ 2,549,843</u>

**SUCCESSOR AGENCY OF THE REDEVELOPMENT
AGENCY OF THE CITY OF PICO RIVERA**
Recognized Obligation Payment Schedule
For the Period of July 2012 through June 2013

Project Name/Debt Obligation	Payee	Description/Purpose	Funding	Amount
2001 Tax Allocation Refunding Bonds	U.S. Bank	Bonds issued to fund projects	Property Tax Trust Fund and Sales Tax	\$ 3,348,075
City Loan entered into on December 18, 1972	City of Pico Rivera	Loan for Redevelopment	Property Tax Trust Fund	1,314,764
City Loan entered into on December 18, 1972	City of Pico Rivera	Sales Tax Loan- for CRD Bond Coverage	Property Tax Trust Fund	1,445,214
Administration Costs	Employees and others	Payroll and other administrative costs	Property Tax Trust Fund & Admin Allowance	500,002
Insurance & maintenance - Agency	CJPIA and other	Insurance and maintenance - Agency property	Property Tax Trust Fund	60,000
Pass through Payments	LA County	Deferral of Pass Through Payments - LA County	Property Tax Trust Fund	2,700,000
Deferral of pass-through payments	LA County	Deferral of pass thru payments - LA county	Property Tax Trust Fund	200,000
Cash Audits for Low & Mod and other	consultant	Audits required by H&S 34179.5	Property Tax Trust Fund	50,000
Property Management Plan	consultant	Develop Property Management Plan	Property Tax Trust Fund	25,000
		Less: Reductions made by State		
		Loan for Redevelopment	Property Tax Trust Fund	(1,314,764)
		Sales Tax Loan- for CRD Bond Coverage	Property Tax Trust Fund	(1,445,214)
		Less:		
		Pass-thru Payments withheld from June 2012 remittance by LA County	Property Tax Trust Fund	(2,700,000)
			Revised Total	\$4,183,077
			Total of Submitted ROPS:	\$ 9,643,055
			ROPS Subtotal	6,883,077

SUCCESSOR AGENCY OF THE REDEVELOPMENT
 AGENCY OF THE CITY OF PICO RIVERA
 OTHER FUNDS

Attachment F

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

	<u>Other Funds</u>
Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	5,818,200
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	(2,549,843)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	(1,926,294)
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)	-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	(4,183,077)
Plus: L&M Income Housing Fund obligation towards bonded debt service	749,634
Plus: Anticipated receipts from LA County in January 2013	1,186,547
Plus: County Deferral Receipts	904,833
Amount to be remitted to county for disbursement to taxing entities	<u>\$0</u>

CITY OF PICO RIVERA
Successor Agency
Notice of Insufficient Funds
June 30, 2012



Michael Matsumoto
Director of Finance

City of Pico Rivera
FINANCE DEPARTMENT

6615 Passons Boulevard · Pico Rivera, California 90660
(562) 801-4392

Web: www.pico-rivera.org · e-mail: mmatsumoto@pico-rivera.org

City Council

Bob J. Archuleta
Mayor
Gustavo V. Camacho
Mayor Pro Tem
David W. Armenta
Councilmember
Gregory Salcido
Councilmember
Brent A. Tercero
Councilmember

**NOTICE OF INSUFFICIENT FUNDS
PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34813(b)**

**FOR THE PAYMENT PERIOD OF
JULY 1 – DECEMBER 31, 2012**

**REDEVELOPMENT SUCCESSOR AGENCY OF THE
CITY OF PICO RIVERA**

April 26, 2012

VIA CERTIFIED MAIL – 7002 2030 0003 1937 6225
RETURN RECEIPT REQUESTED

Ms. Wendy L. Watanabe
LOS ANGELES COUNTY AUDITOR-CONTROLLER
500 West Temple Street, Room 525
Los Angeles, CA 90012

Pursuant to California Health and Safety Code Section 34183(b), enclosed please find the report of insufficient funds to make payments for the six month period ending December 31, 2012 for the Redevelopment Successor Agency of the City of Pico Rivera ("Successor Agency").

As indicated in the attached report prepared by the Successor Agency's consultant, the Successor Agency will not have sufficient funds to remit payment of a) taxing agency payments as specified under Health and Safety Code Section 34183(a)(1), b) payments listed on the Successor Agency's Recognized Obligation Payment Schedule for the period ending December 31, 2012 specified under Section 34183(a)(2) as transmitted to you on February 15, 2012, and c) the Successor Agency's administrative cost allowance specified under Section 34183(a)(3). In total, we anticipate a shortfall of \$985,317 for this period, exclusive of any pass through payment.

Pursuant to Health and Safety Code Section 34183(b), the Successor Agency requests that you expeditiously perform the required notifications and actions in order so that the Successor Agency may be able to meet its fiduciary obligations and avoid default on debts of the former Redevelopment Agency of the City of Pico Rivera.

Please contact me if you have any questions regarding this notice or the attached report.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael Matsumoto".

Michael Matsumoto
Director of Finance

Enclosure

CITY OF PICO RIVERA
Successor Agency
Notice of Insufficient Funds
June 30, 2012



ROSENOW SPEVACEK GROUP INC. T 714 541 4585
309 WEST 4TH STREET F 714 541 1175
SANTA ANA, CALIFORNIA E INFO@WEBRSG.COM
92701-4502 WEBRSG.COM

April 25, 2012

Michael Matsumoto, Director of Finance
CITY OF PICO RIVERA
6615 Passons Boulevard
Pico Rivera, CA 90660

REPORT OF INSUFFICIENT FUNDS – PERIOD ENDING DECEMBER 31, 2012
SUCCESSOR AGENCY OF THE CITY OF PICO RIVERA

Dear Mr. Matsumoto:

This letter presents RSG's independent evaluation of the Successor Agency's ability to meet certain obligations for the period ending December 31, 2012 from our estimates of the amounts that may be available for distribution by the Los Angeles County Auditor-Controller's Redevelopment Property Tax Trust Fund ("RPTTF") on June 1, 2012.

As summarized in this report, the Successor Agency will not have sufficient funds necessary to meet enforceable obligations and must notify and seek a remedy with the County Auditor-Controller to avoid defaulting on existing payments including bond debt service. Notice is required by May 1, 2012, so time is of the essence.

BACKGROUND

In March 2012, RSG determined that the Successor Agency would not have sufficient funds necessary to service obligations of the former Redevelopment Agency for the period ending June 30, 2012, and has been asked to review the Successor Agency's projected revenues and expenditures for the next period ending December 31, 2012. Based on this review, a successor agency may report and notify the county auditor-controller of any insufficiency as part of a process that entails subsequent review by the auditor-controller, State Controller, and Department of Finance which may result in remedies to avoid default.

The components of the analysis required are outlined in Section 34183(b) of the Health and Safety Code, and include:

1. Review of revenues and assets, including:
 - a. Amount of the corresponding period's RPTTF disbursement
 - b. Amount of any other funds transferred from the former redevelopment agency to the successor agency
 - c. Funds that have or will become available through asset sales and all redevelopment operations

COMMUNITY INVESTMENT & IMPROVEMENT
LOCAL GOVERNMENT SOLUTIONS
FINANCIAL ANALYSIS

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HOUSING

CITY OF PICO RIVERA
 Successor Agency
 Notice of Insufficient Funds
 June 30, 2012

Michael Matsumoto, Director of Finance
 CITY OF PICO RIVERA
 April 25, 2012
 Page 3

2. Review of payments required for the six-month period, including:
 - a. Payments to taxing agencies for various fiscal mitigation obligations with the former redevelopment agency, as described in Health and Safety Code Section 34183(a)(1)
 - b. Payments listed on the corresponding period's Recognized Obligation Payment Schedule ("ROPS")
 - c. The successor agency's administrative allowance

In the event that the payments exceed the revenues and assets available to a successor agency for that period, the agency shall first notify the county auditor-controller to report the insufficiency not later than May 1, 2012 for the scheduled June 1, 2012 disbursement. Following notification to the State Controller and Department of Finance and verification by the county auditor-controller, the State Controller, may authorize the county auditor-controller to deduct the deficiency in the following order of priority:

1. First, from any net distribution to the taxing agencies from the RPTTF after successor agency administrative costs, ROPS payments, and fiscal mitigation payments. (We note this amount would always be zero if a deficiency existed and question why the legislature put this in the law to begin with.)
2. Second, from the administrative allowance.
3. Third, from any fiscal mitigation payments explicitly subordinate to debt service payments for enforceable obligations.

The code is silent as to how any remaining deficiency may be rectified. Section 34183(c) does authorize (but not require) the county treasurer to make loans from the county treasury to ensure prompt payments of redevelopment agency debts. The terms and conditions of such loans are not described, nor are such loans clearly described as enforceable obligations for which the successor agency may receive subsequent payment to fund such debt service.

Because of these missing provisions, unless cleanup legislation is enacted by the legislature, some successor agencies may be facing default on some obligations. The Los Angeles County Auditor-Controller's Property Tax Division Chief, Arlene Barrera, stated to the March 19 Town Hall audience that she was empowered to work with special situations to avoid deficiencies, although it was unclear the extent of that authority.

METHODOLOGY AND ASSUMPTIONS

RSG computed the available revenues and expenditure based on records from the City Finance Department and applying various assumptions as described in the matrix below:

CITY OF PICO RIVERA
 Successor Agency
 Notice of Insufficient Funds
 June 30, 2012

Michael Matsumoto, Director of Finance
 CITY OF PICO RIVERA
 April 25, 2012
 Page 4

Revenue Component	Assumption
Corresponding Period's RPTTF Disbursement	<p>This amount is not known at this time due to the fact that the 2012-13 assessment roll is not finalized until July 2012. Preliminary estimates by the County Assessor in April 2012 indicate that <u>Countywide</u> the roll will be approximately 0.4 percent greater than 2011-12; however this is a much smaller amount of growth than the Assessor estimated in December 2011 and the assessment process is still very much preliminary. Moreover, Pico Rivera housing prices (which account for 70 percent of the total roll in Los Angeles County) fell by 6.2 percent in Pico Rivera compared to 4.4 percent Countywide during 2011 according to DataQuick.</p> <p>As a result of these factors, RSG would anticipate that 2012-13 property taxes in Pico Rivera would not exceed amounts in 2011-12. For the six-month period ending December 31, 2011, the former Redevelopment Agency collected a total of \$3,883,987 in gross tax increment revenue from the County of Los Angeles. Assuming these receipts remain constant based on the foregoing analysis, RSG estimates that the amount of the RPTTF disbursement would not exceed this same amount of \$3,883,987.</p>
Amount of any other funds transferred to Successor Agency	<p>On March 28, 2012, RSG provided an analysis of the cash flows for the period ending June 30, 2012 and concluded that the Successor Agency would face a deficiency of funds necessary to service debt for the corresponding six-month period. Presuming that the Successor Agency receives relief of not more than the shortfall, the beginning unencumbered cash balance of the Successor Agency as of July 1, 2012 would be \$0.</p> <p>Other revenues include \$530,000 of former RDA sales tax receipts between July 1, 2012 and December 31, 2012, which are subject to a \$1,065,000 annual cap in accordance with bond covenants.</p>
Funds that have or will become available through asset sales and all redevelopment operations	<p>None for this period. The Successor Agency has compiled an inventory of other assets but has not yet met with the Oversight Board to direct the disposition of these properties. The largest parcel is a contaminated property with little or no market value and the only other parcel available for sale is at an estimated value of \$400,000. However, due to the fact that the Oversight Board has not</p>

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Revenue Component	Assumption
	convened nor is it clear if title insurance or an appraisal on the property can be obtained, the Successor Agency is not in a position to market this property at this time.

Expenditure Component	Assumption
Payments to taxing agencies for fiscal mitigation obligations with former redevelopment agency	Total pass through to the County of Los Angeles is estimated to be \$2,609,459 for the period ending December 31, 2012, based on actual property tax increment revenues computed for the same six month period of 2011.
Payments listed on the corresponding period's ROPS	According to the ROPS filed with the County Auditor-Controller on February 15, 2012, the total amount of payments exclusive of the administrative allowance is \$5,020,328 for the period ending December 31, 2012.
Administrative allowance	The Successor Agency's administrative allowance for the period ending June 30, 2012 is \$378,976 . The actual amount of administrative costs and the allowance is subject to Oversight Board and Department of Finance review.

ANALYSIS

The table below presents a calculation of the Successor Agency's funds and expenditures for the period ending December 31, 2012. As shown in the table, the Successor Agency will not have sufficient funds for the period and faces a shortfall of \$3,594,776 including the fiscal mitigation payment to the County of Los Angeles, or \$985,317 without the fiscal mitigation payment.

Breakdown of December 31, 2012 Revenues and Expenditures

Revenues		<u>\$ 4,413,987</u>
Periodic RPTTF Distribution	\$ 3,883,987	
Other Funds Transferred	530,000	
Asset Sale Proceeds	-	
Expenditures		<u>(8,008,763)</u>
Fiscal Mitigation Payments	(2,609,459)	
ROPS Payments	(5,020,328)	
Administrative Allowance	(378,976)	
Insufficient Funds for Period		<u>\$ (3,594,776)</u>
Insufficiency exclusive of Fiscal Mit Pmts		<u>(985,317)</u>

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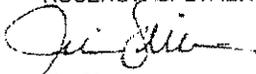
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CONCLUSIONS

Based on the preceding analysis, RSG has concluded that the Pico Rivera Redevelopment Successor Agency will face a shortfall of \$985,317, exclusive of any pass through payments remitted by the Auditor-Controller for the period ending December 31, 2012. RSG advises the City to notify the County of Los Angeles Auditor-Controller of the \$985,317 insufficiency no later than May 1, 2012 and pursue all statutory and legal remedies to ensure that it may obtain the necessary funding to meet debt obligations from the December 31, 2012 Recognized Obligation Payment Schedule.

If you have any questions, please do not hesitate to contact me.

Sincerely,
ROSENOW-SPEVAEK GROUP, INC.



Jim Simon
Principal

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ENFORCEABLE OBLIGATIONS:

Health & Safety Code 34171(d) defines “enforceable obligations” to include bonds and all lawful loans etc.; however, subsection *(d)(G)(2)* states;

“For purpose of this part ‘enforceable obligation’ does **not include** any agreement, contracts or arrangements between the city that created --- the former redevelopment agency and the redevelopment agency.”

UNLESS:

(A) **Written agreement entered into at the time of issuance of indebtedness obligation**, but in no event later than December 31, 2010,
and

(B) Solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations for purposes of this part.

HOWEVER, this section goes on to state:

“Notwithstanding this paragraph, **loan agreements** entered into between the redevelopment agency and the city that created it, within two years of the date of creation of the redevelopment agency, may be deemed to be enforceable obligations.”

QUERY: Exception under (A) requires a written agreement at the time of issuance of the loan. Pico Rivera has not provided documentation that there was a written agreement at the time of the issuance of the two loans; ostensibly relying on the December 18, 1972 resolution.

However, there is documentation the City Council did pass a resolution to loan money (“**loan agreement**”) to the agency on December 18, 1972; within two years of the creation of the agency (1972).