



Chairperson, Belinda V. Faustinos, Los Angeles County
Vice Chairperson, Bob J. Archuleta, City of Pico Rivera

Thursday, October 4, 2012
Special Meeting 5:30 p.m.

Board Members:

Ronald Bates, City of Pico Rivera

Council Chambers
6615 Passons Blvd.

Christopher Gutierrez-Lohrman, Los Angeles County Board of Education

Pico Rivera, California

Resolution No. OB-06-12

Santos H. Kreimann, Los Angeles County

Armando V. Moreno, Los Angeles County

Vicky Santana, Los Angeles County, Rio Hondo Community College

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 July 19, 2012.

2. Agreement for Independent Counsel and Amend Recognized Obligation Payment Schedule.

Recommendation:

1. Approve the engagement agreement among Cummins & White and the Oversight Board to the Successor Agency to the Pico Rivera Redevelopment Agency; and
2. Adopt resolution amending the Recognized Obligation Payment Schedule (ROPS) for the period January 1, 2013 through June 30, 2013 to include the Oversight Board Independent Counsel fees.

Resolution No. _____ A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE PICO RIVERA REDEVELOPMENT AGENCY, PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTIONS 34180 AND 34177, AMENDING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR JANUARY THROUGH JUNE 2013

**3. Due Diligence Review of Low and Moderate Income Housing.
Recommendation:**

1. Receive the Due Diligence Review and receive public comments. The report will be back before the Oversight Board on October 11, 2012.

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

- a. Opening of Public Comment Period to receive the Low and Moderate Income Housing Fund Due Diligence Review Report prepared by Moss, Levy & Hartzheim and opportunity for public comments related thereto pursuant to Health & Safety Code §34179.5.

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 1st, day of October, 2012.

Dated this 1st, day of October, 2012



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, July 19, 2012

A Regular 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 5:00 p.m.

PLEDGE OF ALLEGIANCE: Led by Belinda Faustinos, Chairperson

PUBLIC COMMENTS: None.

AGENDA ITEMS:

1. Minutes.

Motion by Vice Chairman Archuleta, seconded by Boardmember Bates to approve special meeting of Oversight Board of the Successor Agency to the Pico Rivera Redevelopment Agency minutes of April 26, 2012. Motion carries by the following roll call vote:

AYES: Archuleta, Bates, Gutierrez-Lohrman, Kreimann, Moreno, Faustinos

NOES: None

ABSTAIN: Santana

2. Report on AB 1484 Changes Affecting the Oversight Board.

On behalf of the city, Boardmember Bates thanked Boardmember Kreimann for working with the city and arranging a meeting to get the county and the auditor controller to address the long term issues the city has in dealing with the wind down of the Successor Agency. Director of Finance Matsumoto added that the purpose of the meeting was to look at ways to help wind down the Redevelopment/Successor Agency. The cash flows, he stated, are such that the city continues to borrow money to exist. He stated that the city is paying off bonds but continue to borrow deferral from the county and sales tax from the city. The hope, he stated, is that with the Dissolution Act, the city will eventually wind down the Redevelopment Agency. He stated that the city met with the CEO, the Auditor Controller, and the Board of Supervisors. He stated that the

county pointed out that the cash flow is not as bad as city staff thought it was, because the 20% set aside for low and moderate income housing was not required. He also stated that the city and the Department of Finance thought that 20% needed to be set aside for low mod housing. With AB 1484, he stated, it changed things, the state retroactively implemented the Dissolution Act as if the Supreme Court had done the dissolution earlier. He further stated that AB 1484 required the county to send bills on July 9, 2012 to all cities in the county of Los Angeles requesting payment by July 12, 2012. The way AB 1484 affected the city, he stated, was that there should have been no low mod set aside, and with that additional \$700,000, that combined with the sales tax provided sufficient funds to make the June 1, 2012 bond payment and the successor agency is no longer in default.

Director of Finance Matsumoto stated that AB 1484 required the county to bill all the Successor Agencies for excess property tax distribution. In essence, he stated, whenever there was a payment that would have come through the redevelopment property tax trust fund that didn't actually exist at that time, and was in excess of the amount of the ROPS, that excess had to be refunded and distributed to the taxing entities. He further stated that because our RDA doesn't have sufficient tax revenue to make debt payments, our amount was zero and the county properly billed us for zero. The county, he stated, billed us for \$3,028,332 for pass through. The law, he stated, provides that the county should not bill the city and if there is a short fall in the amount of pass through that they are suppose to hold that from our January 2, 2013 property tax increments. Director Matsumoto stated that staff spoke to the county regarding this and that the county retracted the bill so that the city would not have to pay the county by the July 12, 2012 deadline as previously requested.

Director Matsumoto also stated that other changes made by AB 1484 allow the Oversight Board to now direct staff of the Successor Agency. He stated that after the Oversight Board makes decisions, the Department of Finance will get to review those decisions, and at the same time we send an item to the Oversight Board, staff now must inform the County Auditor Controller, the Department of Finance, and the County Administrator Officer. After an action is taken, he stated, Department of Finance must be notified. He further stated that other changes include changes in the ROPS process, the due date was moved up so the Oversight Board must adopt ROPS by September 1 or there is a \$10,000 a day penalty for not submitting ROPS on time, and the format for the ROPS is the form chosen by the Department of Finance. He added that AB 1484 requires cash audits take place by October 1, 2012 for the audit of the low and moderate housing fund and must be by a county selected/approved auditor. The approval process, he stated, will require four meetings to approve these audits. A meeting, he

stated, will be scheduled for September 27, 2012 and the Board must take public comment at that time. Then in early October, he stated, the Board can approve the first audit. December, he stated, is the second cash audit that is due for all the other funds other than the low mod fund and that must be adopted by January.

Chairperson Faustinos received and filed presentation. There being no objection it was so ordered.

AYES: Archuleta, Bates, Gutierrez-Lohrman, Kreimann, Moreno, Santana, Faustinos

NOES: None

3. Update on Independent Legal Counsel and Insurance.

Director of Finance Matsumoto stated that he worked with Chairman Faustinos' to find independent counsel and that they had difficulty finding an independent firm that is not conflicted. Mr. Matsumoto expressed that the Oversight Board has no money to finance administrative cost and stated his concern for cost with seeking counsel outside the county of Los Angeles. He further stated that insurance has been purchased and is retroactive to the first meeting of the Oversight Board.

In regard to independent legal counsel, Boardmember Santos offered to forward a list to Director Matsumoto of attorney's that the city of Industry compiled for their Oversight Board.

City staff will continue to work with the Chairperson to determine options for the Board.

Chairperson Faustinos received the update on Independent Legal Counsel and Insurance for the Oversight Board. There being no objection it was so ordered.

AYES: Archuleta, Bates, Gutierrez-Lohrman, Kreimann, Moreno, Santana, Faustinos

NOES: None

4. County Agreement.

Director of Finance Matsumoto stated at the direction of the Oversight Board to wind down the affairs of the Redevelopment Agency, that staff is requesting that the Oversight Board provide direction to work with the county to come up with a solution that will help move in that direction by no longer needing to go into debt, which means

no more sales tax debt or county deferral, and as part of that, the city may need to make a contribution from the city to the county and the county may need to reduce their pass through percentage.

Boardmember Kreimann suggested the Oversight Board send a letter to the county stating that we are continuing to incur debt which makes it difficult to unwind the affairs of the agency and that AB 26 is very clear that we are not to incur more debt; therefore the issue needs to be resolved. One of the ways to do that, he stated, is to refinance the bonds, and to re-craft the deferral agreement so that it works for both parties, city and county.

Director Matsumoto stated that he met with a Finance Advisor, Bond Counsel and Underwriter and asked if the city could refund our bonds. He stated that in refunding, because the city was in default for some time, staff would need to explain to any prospective bond holders the refunding issue but they believe that if we have an agreement with the county that we should be able to refund the obligation and have savings in the amount of \$250,000 to \$300,000 per year.

Boardmember Santana suggested that staff continue to seek refinancing of the bonds.

Motion by Boardmember Bates, seconded by Vice Chairperson Archuleta to request that staff prepare and send letter to Chief Executive Officer to work with Los Angeles County to renegotiate the pass through agreement to eliminate continued debt accumulation by the Successor Agency and for staff to continue to look for refinancing of bonds. Motion carries by the following roll call vote:

AYES: Archuleta, Bates, Gutierrez-Lohrman, Kreimann, Moreno, Santana, Faustinos

NOES: None

5. Recognized Obligation Payment Schedule and Administrative Budget January through June 2013

Director of Finance Matsumoto stated that the Recognized Obligation Payment Schedule (ROPS) was approved by the Successor Agency at the June 26, 2012 meeting before AB 1484 was introduced and that it is on the old format but is the latest format that is available for ROPS. The Department of Finance, he stated, recommended submitting the ROPS after approval from the Oversight Board. He stated that the ROPS are due September 1, 2012 and if it is not approved by this date, the penalty is \$10,000 per day for late submission as well as other penalties that may be incurred.

Boardmember Bates stated that direction was given to reflect in the ROPS the change of the interest rate from 12% to 7% for the city loan.

Director of Finance pointed out that on line item 10, deferral of the pass through payments for the county that the amount is shown as zero. Mr. Matsumoto suggested that the Board may want to include \$200,000 as a payment to the county that would be approved for this time frame, but if the Board approves payment, he recommend that the Board directs that no payments be made to the county or to the city on their loans and asked that until the city get's the \$250,000 for the administrative fees, that staff not make any payments on those loans and that staff come back to the Board before making any payments to either the city or the county.

Boardmember Kreimann suggested that the Oversight Board make the finding that the city loans are indeed legitimate loans to eliminate further discussion on this issue and that in this particular ROPS that staff removes the city loan payment, items 4 and 5, and make the payments zero while leaving the balance intact.

Boardmember Moreno asked questions regarding the Redevelopment Property Tax Fund with Director Matsumoto responding that the Redevelopment Property Tax Trust fund is operated by the county.

Discussion ensued regarding documentation for providing legitimate loans by the city. Boardmember Kreimann suggested that the city refer to the city's CAFRs for verification and come back to the Oversight Board in late September.

Chairperson Faustinos inquired about the administrative cost, and reiterated that the Oversight Board is approving a \$338,000 budget but could only spend \$250,000. She asked if there were other income sources to which Director of Finance stated that he is not aware of any other income sources.

Motion by Boardmember Moreno, seconded by Boardmember Kreimann to adopt the resolution of the Oversight Board of the Successor Agency to the Pico Rivera Redevelopment Agency establishing the Recognized Obligation Payment Schedule (ROPS) and approving the Administrative Budget with the removal of the ROPS payments for the city loans, lines 4 and 5; add two lines items, one for cash audits \$25,000 for each audit (\$50,000); add line item for the property management plan development \$25,000; add \$200,000 to line 10 county deferral payment; direct staff to put asterisk next to the statutory minimum minus \$88,976 to denote that it will be funded by the city of Pico Rivera; and direct the order of payment so that the county

would be paid last among these approved items. Motion carries by the following roll call vote:

Resolution No. OB-06-12 A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE PICO RIVERA REDEVELOPMENT AGENCY, PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTIONS 34180 AND 34177, ESTABLISHING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE AND ADMINISTRATIVE BUDGET FOR JANUARY THROUGH JUNE 2013

AYES: Archuleta, Bates, Gutierrez-Lohrman, Kreimann, Moreno, Santana, Faustinos
NOES: None

ADJOURNMENT:

Chairperson Faustinos adjourned the meeting at 6:27 p.m. There being no objection is was so ordered.

AYES: Archuleta, Bates, Gutierrez-Lohrman, Kreimann, Moreno, Santana, Faustinos
NOES: None

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 July 19, 2012 and approved by the Oversight Board on September 27, 2012.

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: October 4, 2012

Subject: AGREEMENT FOR INDEPENDENT COUNSEL AND
AMEND RECOGNIZED OBLIGATION PAYMENT
SCHEDULE

Recommendations:

1. Approve the engagement agreement among Cummins & White and the Oversight Board to the Successor Agency to the Pico Rivera Redevelopment Agency.
2. Adopt a resolution amending the Recognized Obligation Payment Schedule (ROPS) for the period January 1, 2013 through June 30, 2013 to include the Oversight Board Independent Counsel fees.

Fiscal Impact:

The cost of the Oversight Board independent counsel is estimated at \$30,000 for six months.

Discussion:

On June 28, 2011, the Governor of California signed ABx1 26 which dissolves all California redevelopment agencies. Effective February 1, 2012, all redevelopment agencies in California were dissolved, and the City is now acting as the Successor Agency to manage the operation of the dissolved Pico Rivera Redevelopment Agency.

On June 26, 2012, the Successor Agency adopted the ROPS for January 1, 2012 through June 30, 2012. On June 28, 2012, the Governor signed AB 1484 which required the Successor Agency to provide independent counsel to the Oversight Board if the Board desired independent counsel. On July 19, 2012, the Oversight Board requested the Successor Agency provide independent counsel. On August 20, 2012, the Chair of the Oversight Board, with assistance from an additional board member and Successor Agency staff, selected Cummins and White as independent counsel.

Cummins and White suggested it would be prudent for the Oversight Board to approve the agreement for Cummins and White to provide independent counsel services and to amend the ROPS to include the cost of independent counsel services.

Staff has reviewed the engagement agreement, which accurately reflects the submitted proposal with the appropriate hourly rate of \$225.



Michael Matsumoto

Director of Finance

MM

Attachments

1. Engagement Agreement among Cummins & White and the Oversight Board to the Successor Agency to the Pico Rivera Redevelopment Agency.
2. Resolution amending the Recognized Obligation Payment Schedule (ROPS).

ENGAGEMENT AGREEMENT

THIS ENGAGEMENT AGREEMENT is made between the Oversight Board to the Successor Agency to the Pico Rivera Redevelopment Agency, a California local governmental agency (referred to as "Client"), and Cummins & White, LLP ("Lawyers"). Client and Lawyers hereby agree as follows:

1. **Services.** Client engages Lawyers to provide all legal services ("Services") reasonably required to represent Client in connection with the matter(s) ("Matter") described in the attached Schedule "A" of Services ("Schedule"), as well as such other matters as may be specifically directed by Client; as noted below, if litigation is instituted or defended, an additional retainer deposit may be required prior to commencing representation on litigation. Client shall be truthful with Lawyers in discussing the Matter and shall keep Lawyers apprised of all developments regarding the Matter.

2. **Fees.**

A. Client agrees to compensate Lawyers for the Services at the hourly rates set forth in Schedule "B" of Fee. Fees will be billed by time keepers in one-tenth (1/10) hour increments. These fees are subject to increases from time to time as may be agreed to between Client and Lawyers.

B. Time billed to Client's account may include, without limitation, time spent waiting in court, time spent in travel and time spent in office conferences between the legal personnel assigned to the Matter. When such personnel engage in office conferences, each person will account for the amount of time expended. Likewise, if more than one of Lawyers' legal personnel attends a meeting, court hearing or other proceeding, each will account for the amount of time expended. Adjustments in time to reflect value of research and development that was previously done may be made; but in no case will such exceed the actual time that would be expended had such research and development not previously been done in part or whole by the firm on another matter.

C. Lawyers may furnish Client with estimates of the amounts of fees which will be charged for certain Services from time to time. All such estimates are provided for Client's budgeting purposes. These estimates are by their nature inexact and are not binding on either Client or Lawyers. However, Lawyers will endeavor to realize estimates wherever possible.

3. **Costs and Expenses.** Client agrees to pay Lawyers all costs and expenses incurred in rendering Services. However, Lawyers shall not be required to advance any amount to pay costs or expenses attributable to Client. Costs and expenses may include, without limitation, long-distance telephone calls, messenger and other delivery fees, postage,

charges for computer research and outside assisted legal research, travel expenses such as mileage (except that fees and costs incurred from traveling from Orange County to Client's offices in Pico Rivera for regular and special meetings of the Oversight Board shall not be billed to Client), parking, which shall be in addition to the hourly rates for travel time, clerical staff, overtime, word processing charges, process server's fees, filing fees and other charges assessed by courts and other public agencies, court reporter's fees, jury fees, witness fees, investigator's fees, expert's fees or consultant's fees, copy costs (at our customary rate, unless volume and then allows for copying by outside service), and other similar items. Except as may be listed on the Schedule, all such items will be charged to Client at Lawyers' cost. No substantial costs will be incurred without Client's advance approval.

4. **Statements.** Lawyers will send Client statements on a monthly basis setting forth the fees and costs incurred by Client. Client shall pay each such statement upon receipt. Client shall notify Lawyers promptly in writing if Client disputes any entry for legal services or costs on any statement; and if Client fails to do so within thirty (30) days after receipt thereof, all such entries shall be acknowledged as correct as between Lawyers and Client. If Client so requests, Attorney will provide a statement within 10 days. The statements shall include the amount, rate, basis of calculation or other method of determination of the fees and costs, which costs will be clearly identified by item and amount.

5. **Deposit.** At this time, no deposit is requested, as reflected in Schedule "A." At any time during the representation of Client, Lawyers may request a retainer to be used as a deposit as security against future fees and, if Lawyers' services are required for litigation, an additional retainer may be required. Typically, the amount to be requested as an additional retainer will be equal to Lawyers' estimate of a high month's worth of fees to be incurred in connection with Lawyers' representation of Client.

6. **Intentionally Deleted.**

7. **Results.** Lawyers have made no promises or guarantees to Client concerning the outcome of the Matter, and nothing in this Agreement shall be construed as such a promise or guarantee.

8. **Termination of Services.**

A. Client shall have the right to terminate Lawyers' services at any time upon written notice to Lawyers. Such termination shall not, however, relieve Client of the obligation to pay the amounts owed to Lawyers for services rendered and costs incurred prior to such termination. After receiving a termination notice, Lawyers shall immediately cease to render additional services, except for such services as Lawyers may be required to provide under applicable law or as Lawyers deem reasonably necessary to transfer the Matter to

Client or to successor legal counsel and Lawyers shall be compensated for all such services. Client will fully cooperate with Lawyers' efforts to withdraw and transfer the Matter.

B. Lawyers shall have the right to immediately terminate this Agreement at any time upon written notice to Client. After delivering such termination notice, Lawyers shall immediately cease to render additional services, except for such services as Lawyers may be required to provide under applicable law or as Lawyers deem reasonably necessary to transfer the Matter to Client or to successor legal counsel. Upon such termination, Client shall take all steps necessary to free Lawyers of any obligation to perform further legal services, including without limitation, the execution of any documents necessary to complete Lawyers' discharge or withdrawal. The rights of Lawyers hereunder are in addition to those created by statute or recognized by rules of professional conduct.

9. Arbitration.

A. Other than a dispute over the amount of fees or costs due and owing, any dispute concerning the rights of any of the parties hereto, including, but not limited to, any dispute over alleged malpractice, shall, if any such dispute cannot be resolved between the parties hereto, be decided by arbitration by a retired judge of the Superior Court to be agreed upon by the parties. Client understands that it may well be entitled to a jury trial as to any claim against Lawyers for malpractice or for other claims and that Client waives hereby any such right. Client represents that it has had the opportunity to consult independent counsel of its choice regarding its waiver of any right to a jury as specified above and as to the other terms of this Agreement and has either done so or has knowingly and willingly of its own free choice chosen not to consult such independent counsel. If the parties cannot agree upon an arbitrator, the presiding judge of the Superior Court of Los Angeles shall be requested to appoint a retired judge to act in such capacity, upon petition of any party hereto. In the event the presiding judge fails or refuses for thirty (30) days after a request to make such appointment, the court shall be petitioned to appoint a lawyer licensed to practice in California as sole arbitrator.

The prevailing party in any proceeding, whether arbitration, Superior Court or Federal Court action, related to any provision of this agreement will be awarded attorneys' fees and costs incurred in that action or proceeding, including without limitation the value of the time spent by Lawyers to prosecute or defend such an action, or support other counsel in the prosecution or defense of such action calculated at the hourly rates(s) then normally charged by Lawyers to clients which it represents on an hourly basis.

B. In the event of a dispute hereunder over the amount of fees or costs due and owing to Lawyers, Lawyers are required to serve Client prior to or at the time of filing an action or other proceeding against Client via personal service or first class mail the California State Bar's "Notice of Client's Right to Arbitrate" form. Client's failure to request arbitration within thirty (30) days after receipt of the "Notice of Client's Right to

Arbitrate” form from Lawyers shall be deemed a waiver of Client’s right to arbitration. (California Business & Professions Code § 6201.) In the event of Client’s failure to request arbitration within thirty (30) days, Lawyers in their discretion shall have the right to proceed with an action to collect fees and costs either via a civil action or by arbitration. In the event that Client elects to arbitrate the fee dispute within thirty (30) days or Lawyers choose to proceed with arbitration following Client’s waiver of its right to arbitrate, such arbitration shall be held in accordance with the procedures of the California State Bar Association.

The prevailing party in any proceeding for the collection of fees and costs, whether by arbitration or Superior Court action, will be awarded attorneys' fees and costs incurred in that action or proceeding, including without limitation the value of the time spent by Lawyers to prosecute or defend such an action, or support other counsel in the prosecution or defense of such action calculated at the hourly rates(s) then normally charged by Lawyers to clients which it represents on an hourly basis.

10. Entire Agreement.

A. This Agreement contains the entire understanding among the parties hereto and supersedes any prior understandings and agreements among them with respect to the subject matter herein. There are no representations, agreements, arrangements or understandings among the parties, oral or written, relating to the subject matter of this Agreement that are not fully expressed herein. Any statements, promises or inducements, whether made by any party or agent of any party, that are not contained in this written Agreement shall not be valid or binding. This Agreement may not be enlarged, modified or altered except by a written agreement signed by all the parties hereto.

B. The place of performance of this Agreement shall be California. Client hereby agrees to submit to the jurisdiction of the California State or Federal Courts in the County of Los Angeles with respect to any action that is brought to enforce the terms of this Agreement.

C. It is mutually understood and agreed that this Agreement shall be governed by the laws of the State of California, both as to interpretation and performance.

11. Severability. If any provision of this Agreement is determined by a court of competent jurisdiction or arbitrator to be illegal or unenforceable, said provision shall be deemed to be severed and deleted and neither such provision, its severance nor its deletion shall affect the validity of the remaining provisions of this Agreement.

12. Notice. All notices, requests, demands or other communications necessary to be given hereunder shall be in writing and shall be deemed to have been given if delivered or if mailed by United States Mail, postage prepaid, to the parties at the following addresses (or

at such other addresses as a party may notify the other party of in writing in accordance with this section).

If to Lawyers address to:

Cummins & White, LLP
2424 S.E. Bristol Street, Suite 300
Newport Beach, CA 92660-0764
Attention: Michael R.W. Houston

If to Client address to:

Oversight Board to the Successor Agency to the Pico Rivera
Redevelopment Agency
c/o Michael Matsumoto, Director of Finance
P.O. Box 1016
6615 Passons Blvd.
Pico Rivera, CA 90660-1016
Marked as follows: Only to be opened by Oversight Board Staff

13. Cooperation of Clients. It is understood and agreed that Client shall notify Lawyers of any change of address or telephone number(s) where Client can be reached and shall furnish sufficient information so that Client may be contacted in a reasonable and timely manner during the course of Lawyers' representation of Client. It is further understood and agreed that if the representation of Client involves litigation in the State of California, it may require the presence of Client or its representative, at its expense, for the purpose of discovery or trial. It is further understood and agreed that successful defense of any litigation will require the cooperation and assistance of Client which Client agrees to give to Lawyers. It is further understood and agreed that the absence of reasonable cooperation will, at Lawyers' option, be sufficient grounds to warrant withdrawal of Lawyers from representation of Client.

14. Retention/Destruction of Client's File.

A. Client is entitled to a copy of the file materials maintained or generated by Lawyers with respect to Client's representation by Lawyers, except those undisclosed work product materials reflecting Lawyers' impressions, conclusions, opinions, legal research or theories, internal accounting records and other documents not reasonably necessary to Client's representation (hereinafter "Client File"), upon reasonable notice and at Client's expense. Where Lawyers withdraw, Client cancels this Agreement and substitutes Lawyers out as attorneys of record in any litigation in which Lawyers were representing Client, or upon completion of the work for which Lawyers were retained by Client, Client is entitled, upon giving Lawyers reasonable notice, to custody of the original Client File and Lawyers, at their expense, are entitled to keep a copy of any of said Client File materials they deem desirable.

B. Subject to Paragraph 14(a) above, at the conclusion of the handling by Lawyers of the Matter to which this Agreement pertains, Lawyers may at any time, in Lawyers' absolute discretion, store the original Client File or destroy all or part of said file.

ACCEPTED:

OVERSIGHT BOARD OF THE SUCCESSOR
AGENCY FOR THE PICO RIVERA
REDEVELOPMENT AGENCY, a California
local agency

Dated:

By: _____
Belinda Faustinos, Chair

ATTESTED:

By: _____
_____, Board Secretary

ACKNOWLEDGED AND AGREED TO:

SUCCESSOR AGENCY FOR THE PICO RIVERA REDEVELOPMENT AGENCY, a
California local agency

Dated: _____

By: _____
Ronald Bates, Executive Director

APPROVED AS TO FORM:

Arnold Alvarez-Glasman, Counsel
to the Successor Agency

ACCEPTED:

CUMMINS & WHITE, LLP

Dated:

By: _____
James R. Wakefield, P.C.

THIS AGREEMENT HAS IMPORTANT LEGAL SIGNIFICANCE. YOU SHOULD CONSIDER CONSULTING WITH ANOTHER ATTORNEY BEFORE SIGNING THIS AGREEMENT AS IT WOULD BE INAPPROPRIATE FOR THIS FIRM TO RENDER LEGAL ADVICE CONCERNING THIS DOCUMENT.

SCHEDULE "A" OF SERVICES

Matter:

- 1) Representation regarding oversight board activities and board member duties, obligations and responsibilities.
- 2) Negotiations with the County of Los Angeles regarding pass through agreement obligations as requested.
- 3) Other matters, within the scope of the Oversight Board, as requested.

Deposit:

None

CUMMINS & WHITE, LLP

SCHEDULE "B" – FEES

<p>General Legal Services Included in Hourly Rate of \$225 per hour for all attorneys (other staff to be billed as provided below)</p>	<p>Attendance at all Oversight Board meetings (<i>with no fee being billed for the travel time to attend these meetings</i>); attendance at Oversight Board management staff meetings and other routine meetings as requested by the Oversight Board; consultation with Oversight Board members and management on legal issues as requested; review of public meeting agendas, agenda submittals, and minutes of Oversight Board meetings; provision of routine legal advice on behalf of the Oversight Board and the issuance of legal opinions, as requested by the Oversight Board; monitoring and review of proposed and enacted legislation affecting the Oversight Board; the preparation or review of routine Oversight Board resolutions; routine advice on government ethics and conflicts of interest.</p>
<p>Hourly Rates for Services Not Included in General Legal Services Above</p>	<p>Specialized Non-Litigation Legal Services (items not listed above) \$250 Litigation: \$250</p>

[T494|916325.DOC;2]

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RESOLUTION NO. _____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE PICO RIVERA REDEVELOPMENT AGENCY, PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTIONS 34180 AND 34177, AMENDING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR JANUARY THROUGH JUNE 2013

WHEREAS, pursuant to Health & Safety Code Section 34177(l), successor agencies are required to adopt recognized obligation payment schedules every six months; and

WHEREAS, pursuant to Health & Safety Code Section 34177(l), the recognized obligation payment schedules are designed to cover six month periods; and

WHEREAS, pursuant to Health & Safety Code Section 34177(j), successor agencies are required to submit an administrative budget to the Oversight Board; and

WHEREAS, the Oversight Board approved the recognized obligation payment schedule for January 1, 2013 through June 30, 2013 on July 19, 2012; and

WHEREAS, pursuant to Health & Safety Code Section 34177(m), the Oversight Board must establish the recognized obligation payment schedule by September 1, 2012; and

WHEREAS, the recognized obligation payment schedule is needed, so the County can properly disburse property taxes on January 2, 2013; and

WHEREAS, the recognized obligation payment schedule is needed, so the County can properly disburse property taxes on January 2, 2013; and

WHEREAS, on August 20, 2012, the Chair of the Oversight Board selected independent counsel; and

WHEREAS, the Successor Agency believes it is prudent to amend the ROPS to include this new obligation;

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 Oversight Board amends the recognized obligation payment schedule (Attachment A) to include the fees for independent counsel.

SECTION 2. Staff are directed to post the recognized obligation payment schedule on the website and submit the recognized obligation payment schedule as required by law.

SECTION 3. 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.

Resolution No. _____
Page 2 of 2

APPROVED AND ADOPTED this 19th day of July 2012.

ATTEST:

OVERSIGHT BOARD

Anna Jerome, Assistant City Clerk

Belinda Faustinos, Chairperson

AYES:

NOES:

ABSENT:

ABSTAIN:

Successor Agency Contact Information

Name of Successor Agency: Pico Rivera Successor Agency
County: Los Angeles

Primary Contact Name: Michael Matsumoto
Primary Contact Title: Director of Finance/Treasurer
Address: 6615 Passons Blvd, Pico Rivera, CA 90660
Contact Phone Number: (562)801-4391
Contact E-Mail Address: mmatsumoto@pico-rivera.org

Secondary Contact Name: _____
Secondary Contact Title: _____
Secondary Contact Phone Number: _____
Secondary Contact E-Mail Address: _____

SUMMARY OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Filed for the January 1, 2013 to June 30, 2013 Period - Amended

Name of Successor Agency: Pico Rivera Successor Agency

	Total Outstanding Debt or Obligation
Outstanding Debt or Obligation	\$ 236,719,513
Current Period Outstanding Debt or Obligation	Six-Month Total
A Available Revenues Other Than Anticipated RPTTF Funding	-
B Enforceable Obligations Funded with RPTTF	1,452,725
C Administrative Allowance Funded with RPTTF	250,000
D Total RPTTF Funded (B + C = D)	1,702,725
Total Current Period Outstanding Debt or Obligation (A + B + C = E) <i>Should be same amount as ROPS form six-month total</i>	\$ 1,702,725
E Enter Total Six-Month Anticipated RPTTF Funding <i>(Obtain from county auditor-controller)</i>	5,830,224
F Variance (D - E = F) <i>Maximum RPTTF Allowable should not exceed Total Anticipated RPTTF Funding</i>	\$ 4,127,499
Prior Period (January 1, 2012 through June 30, 2012) Estimated vs. Actual Payments <i>(as required in HSC section 34186 (a))</i>	
G Enter Estimated Obligations Funded by RPTTF <i>(Should be the lesser of Finance's approved RPTTF amount including admin allowance or the actual amount distributed)</i>	3,136,587
H Enter Actual Obligations Paid with RPTTF	3,136,587
I Enter Actual Administrative Expenses Paid with RPTTF	-
J Adjustment to Redevelopment Obligation Retirement Fund (G - (H + I) = J)	-
K Adjusted RPTTF <i>(The total RPTTF requested shall be adjusted if actual obligations paid with RPTTF are less than the estimated obligation amount.)</i>	\$ 1,702,725

Certification of Oversight Board Chairman:
Pursuant to Section 34177(m) of the Health and Safety code,
I hereby certify that the above is a true and accurate Recognized
Obligation Payment Schedule for the above named agency.

Name

Title

Signature

Date



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

From: Director of Finance

Meeting Date: October 4, 2012

Subject: DUE DILIGENCE REVIEW OF LOW AND MODERATE
INCOME HOUSING

Recommendations:

Receive the Due Diligence Review and receive public comments; no discussion by the Oversight Board is anticipated. The report will be back before the Oversight Board on October 11, 2012 for discussion and consideration.

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 covers the transfer of assets from the former Low and Moderate income housing fund to the Housing Successor (the Pico Rivera Housing Assistance Agency).

The law prescribes several due dates for the Low and Moderate Income housing DDR:

- The DDR was due October 1, 2012 to the Oversight Board, County Auditor-Controller, State Controller, and State Department of Finance. The DDR was sent out on Monday October 1, 2012.
- The Oversight Board must convene a public comment session. This is scheduled for today. Notice of this comment session was posted in compliance with the Brown Act seventy-two hours prior to this 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 by October 15, 2012. This item is scheduled for the October 11, 2012 Oversight Board meeting.
- Although there are no apparent penalties for failing to meet these deadlines, staff worked diligently to meet all the 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 to perform the DDR. 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. As required by law, the Successor Agency obtained approval from Los Angeles County prior to hiring Moss, Levy & Hartzheim.

The DDR identifies two issues already being discussed with the State Department of Finance.

Burke Property - the Burke property is vacant contaminated land. The plans for development are for senior housing, but additional funds are needed for cleanup before a project can commence.

Restricted Cash - the 2001 tax allocation bond payments are secured by property taxes, sales taxes, and low and moderate income housing money. Staff have provided numerous documents to the Department of Finance, and staff is awaiting a meet and confer session with the Department of Finance.

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 excellent job at complying with the cumbersome requirements of ABx1-26 and AB1484. The outcome of the two issues will depend on the determination by the Department of Finance.



Michael Matsumoto
Director of Finance

MM
Attachment - Due Diligence Report by Moss, Levy & Hartzheim

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

**Agreed Upon Procedures – AB1484
Low and Moderate Income Housing Fund**

June 30, 2012

SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF PICO RIVERA
County of Los Angeles, California
Agreed Upon Procedures – AB1484
Low and Moderate Income Housing Fund
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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES ON
THE LOW AND MODERATE INCOME HOUSING FUND**

Oversight Board of the Successor Agency
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:

The former Redevelopment Agency transferred the total asset amount of \$4,838,187 from Fund 510 Low and Moderate Income Housing Capital Project Fund to the Successor Agency Fund 511 Low and Moderate Housing Income Asset Fund – Successor Agency (LMIHF). The assets consisted of cash and investments in the amount of \$2,220,437; Interest Receivable in the amount of \$1,384; Long-term Loans Receivable in the amount of \$93,000; Advances to RDA Operating Fund in the amount of \$2,011,156 and Land Held for Resale in the amount of \$512,210. 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 DISSOLVED 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:

No assets were transferred from the former Redevelopment Agency Low-Mod Housing Fund to any City, County, or City and County during the period January 1, 2011 through January 31, 2012.

- 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 Housing Fund to any City, County, or City and County during the period February 1, 2012 through June 30, 2012. See Attachment B.

- 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 LMHF assets were transferred from the former Redevelopment Agency Housing Fund to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012.

SUCCESSOR AGENCY TO THE DISSOLVED 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 LMIHF assets were transferred from the former Redevelopment 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:

Not applicable. No LMIHF assets were transferred to any other public agency or to private parties for the period.

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:

Procedure 4 was not applicable to LMIHF; however, this procedure will apply for the report due December 15, 2012.

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

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:

See Attachment A for the listing of all assets of the LMIHF as of June 30, 2012. The listing of all assets of all other funds of the Successor Agency as of June 30, 2012 for the report that is due December 15, 2012 is not available at this time. See Attachment B for the listing of all assets of the LMIHF as of June 30, 2012.

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:

The Successor Agency did not have grant proceeds or program income restricted by third parties.

SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE
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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 (continued).

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

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 Housing Fund has a June 30, 2012 cash balance of \$2,220,437 which according to the 2001 Tax Allocation Bond Documents is pledged towards annual debt service payments. In reviewing documents between the Successor Agency and the State Department of Finance, this cash balance is currently being discussed.

In addition, the Successor Agency has one long-term loan receivable in the amount of \$90,567, interest receivable on this long-term loan in the amount of \$736, and Land Held for Resale identified as Slauson/San Gabriel River (C-4) – Burke Street Property in the amount of \$512,210. All are traceable to the accounting records of the former redevelopment agency and the Successor Agency. The long-term loan receivable and long-term interest receivable are appropriately restricted. Documents other than the grant deed for the Land Held for Resale appear to indicate that the land was purchased for Low and Moderate Housing purposes and include an explanation of use and a Development and Disposition Agreement with MRC Development, which indicates that "at least eight (8) of the units [out of 47 single family, detached houses] to Low- and Moderate-Income Households."

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 for the long-term receivables and the debt service are restricted for the terms of the repayments. The amount dedicated to Land Held for Resale is restricted until the related assets are expended for their intended purpose or otherwise disposed of. See Attachment A.

SUCCESSOR AGENCY TO THE DISSOLVED 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 loan receivable for one residential rehabilitation loan of \$90,567 is listed at purchase cost. Presently, the Successor Agency is communicating and seeking clarification with the State of California Department of Finance regarding the \$512,210 land purchase by the former Redevelopment Agency, which is in the Successor Agency Fund 511 Low and Moderate Income Housing Asset Fund: Land held for Resale. The Land held for Resale was to be used for low income housing construction and is listed at purchase cost. Advances to the RDA Operating Fund in the amount of \$2,011,156 were loans to the RDA to pay the SERAF and is recorded in the Successor Agency Fund 511 Low and Moderate Income Housing Asset Fund: Advances to RDA. 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. 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 DISSOLVED 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 \$2,223,979 and interest receivable in the amount of \$2,484 as of June 30, 2012, were retained in addition to restricted balances discussed previously. Of the \$2,484 interest receivable, \$736 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. The Cash and interest receivable have been retained for the purpose of satisfying the 2001 Tax Allocation Refunding Bond pledge of 22.39% of Tax Revenues towards the repayment of debt service. See Attachment E.

- 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 DISSOLVED 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:

Major assumptions for revenue include the continued receipt of RPTTF and other revenue of the former Redevelopment Agency sales tax receipts in amounts similar to previously received tax increment and sales tax receipts.

- 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:

For the LMIHF Fund, sufficient funds presently exist; however, 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. As shown in the Summary of Recognized Obligation Payment Schedule Filed for the January 1, 2013 to June 30, 2013 period, the bond debt service payment for the period January 1, 2012 through June 30, 2012 was met partially by RPTTF in the amount of \$764,919 with the remainder met by reserve balance in the amount of \$390,431. No other debt was paid during the period January 1, 2012 through June 30, 2012. The computation for the December 2012 ROPS was based on July 2011 through December 2011 actual property tax increment revenues. The computation for the January 2013 through June 2013 was based on a report of estimated revenue provided by the County using 2% growth. See Attachment E for the Rosenow Spevacek Group, Inc. information.

SUCCESSOR AGENCY TO THE DISSOLVED 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 as well as interest receivable in the total amount of \$2,226,463 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, and SERAF loans with a total due of \$2,011,156. 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:

For the LMIHF Fund, sufficient funds presently exist to cover its committed 22.39% of bond debt service based upon the Bond's Official Statement; however, 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. See Attachment F.

SUCCESSOR AGENCY TO THE DISSOLVED 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:

The schedule for all other funds will be provided with the December 15, 2012 report. See Attachment D for the LMHF schedule.

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
September 24, 2012

CITY OF PICO RIVERA
Successor Agency
Asset Transfer Listing to the Successor Agency
on February 1, 2012

Cash	\$	2,220,437
Interest Receivable		1,384
Loans Receivable		93,000
Advances to RDA		2,011,156
Land Held for Resale		512,210
Total	\$	<u>4,838,187</u>

	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 and Investments	\$ 2,058,649	\$ 2,600,395	\$ 2,220,437	\$ 2,223,979
Interest Receivable	4,434	3,401	1,384	2,484
Taxes Receivable	118,768	104,909	-	
Long-term Loans Receivable	95,000	93,000	93,000	90,567
Advances to RDA Operating Fund	1,667,788	2,011,156	2,011,156	2,011,156
Land Held for Resale			512,210	512,210
Total Assets	\$ 3,944,639	\$ 4,812,861	\$ 4,838,187	\$ 4,840,396
Liabilities (modified accrual basis)				
Accounts Payable	\$ (33,837)	\$ -	\$ -	\$ 1,295
Accrued Wages Payable	1,733	1,936		
PERS Liability	123	144		
Benefits Deduction	638	385		
Deferred Revenues	96,425	94,384	94,384	91,303
Total Liabilities	\$ 65,082	\$ 96,849	\$ 94,384	\$ 92,598
Equity	3,879,557	4,716,012	4,743,803	4,747,798
Total Liabilities + Equity	\$ 3,944,639	\$ 4,812,861	\$ 4,838,187	\$ 4,840,396
Total Revenues:	\$ 1,727,853	\$ 1,582,039	\$ 7,287	\$ 5,830
Total Expenditures:	\$ (66,310)	\$ (68,183)	\$ (128)	\$ (1,835)
Total Transfers*:	\$ (677,690)	\$ (677,400)	\$ 20,632	\$ 4,743,803
* Includes Cash Advances from City				
Net change in equity	\$ 983,853	\$ 836,456	\$ 27,791	\$ 4,747,798
Beginning Equity:	\$ 2,895,703	\$ 3,879,556	\$ 4,716,012	\$ -
Ending Equity:	\$ 3,879,556	\$ 4,716,012	\$ 4,743,803	\$ 4,747,798
Other Information (show year end balances for all three years presented):				
Capital assets as of end of year	\$ -	\$ -	\$ -	\$ -
Long-term debt as of end of year	\$ -	\$ -	\$ -	\$ -
Long-term debt as of end of year:				
2001 Tax Alloc. Ref. Bonds	\$ -	\$ -	\$ -	\$ 7,390,939

CITY OF PICO RIVERA
Successor Agency
Asset Transfer Listing
For the period from January 1, 2011 through June 30, 2012

<u>Type of Asset</u>	<u>Type of Transfer</u>	<u>Carrying Value of Asset</u>	<u>Date of transfer</u>	<u>Carrying Value of Asset</u>	<u>Ending Balance June 30, 2012</u>
Cash	Housing asset transfer to Pico Rivera's housing agency	\$2,220,437	2/1/2012	\$ 2,223,979	6/30/2012
Interest Receivable	Housing asset transfer to Pico Rivera's housing agency	1,384	2/1/2012	2,484	6/30/2012
Loans Receivable	Housing asset transfer to Pico Rivera's housing agency	93,000	2/1/2012	90,567	6/30/2012
Land Held for Resale	Housing asset transfer to Pico Rivera's housing agency	512,210	2/1/2012	512,210	6/30/2012
Advances to RDA	Housing asset transfer to Pico Rivera's housing agency	2,011,156	2/1/2012	2,011,156	6/30/2012

Note: No assets were transferred from the Successor Agency Housing Fund to any City, County, or City and County. This attachment only lists assets within the Successor Agency Housing Fund during this timeframe.

CITY OF PICO RIVERA
Successor Agency
Non-liquid Asset Listing - Low and Moderate Income Housing Fund
June 30, 2012

Loans Receivable	\$ 90,567
Advances to RDA	2,011,156
Land Held for Resale	<u>512,210</u>
Total	<u><u>\$ 2,613,933</u></u>

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

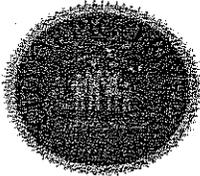
LMJHF

Total amount of assets held by the Successor Agency as of June 30, 2012 (procedure 5)	\$	4,840,396	Note 1
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)		-	Note 2
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		(2,613,933)	Note 3
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)		-	
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance		-	
Amount to be remitted to County for disbursement to taxing entities	\$	<u>2,226,463</u>	

Note that separate computations are required for the Low and Moderate Income Housing Fund held by the Successor Agency and for all other funds held by the Successor Agency.

- Note 1: The Department of Finance is questioning the \$2.2 million cash balance. The City's Successor Agency states that the cash is needed to pay the Housing's obligation on the 2001 Bonds.
- Note 2: Per the 2001 Tax Increment Bond Official Statement, the Housing Fund is obligated for 22.39% of the annual debt service payment. Per the City's Successor Agency, until this is clarified, the Housing transfer to the Debt Service Fund is not occurring.
- Note 3: The total consists of: \$90,567 in one residential rehabilitation loan; \$512,210 in Land Held for Resale; and \$2,011,156 SERAF loan to the RDA Operating Fund. The Department of Finance is questioning the Land Held for Resale. The City's Successor Agency states that "the property was purchased with the intent to construct low income housing when funding became available."

CITY OF PICO RIVERA
Successor Agency
Notice of Insufficient Funds – Low and Moderate Income Housing Fund
June 30, 2012



Michael Matsumoto
Director of Finance

City of Pico Rivera
FINANCE DEPARTMENT

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

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

NOTICE OF INSUFFICIENT FUNDS

PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34183(b)

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

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

RDA/Successor Agency

City Council

Bob J. Archuleta
Mayor

Gustavo V. Camacho
Mayor Pro Tem

David W. Armenta
Councilmember

Gregory Salcido
Councilmember

Brent A. Tercero
Councilmember

April 26, 2012

VIA CERTIFIED MAIL – 7002 2030 0003 1837 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,

Michael Matsumoto
Director of Finance

Enclosure

CITY OF PICO RIVERA
 Successor Agency
 Notice of Insufficient Funds – Low and Moderate Income Housing Fund
 June 30, 2012



ROSENOW SPEVACEK GROUP INC.
 300 WEST 4TH STREET
 SANTA ANA, CALIFORNIA
 92701-4502

T 714 541 4585
 F 714 541 1175
 E INFO@WEBRSG.COM
 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 – Low and Moderate Income Housing Fund
 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 – Low and Moderate Income Housing Fund
 June 30, 2012

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

CITY OF PICO RIVERA
 Successor Agency
 Notice of Insufficient Funds – Low and Moderate Income Housing Fund
 June 30, 2012

Michael Matsumoto, Director of Finance
 CITY OF PICO RIVERA
 April 25, 2012
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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 \$378,978 . 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>

CITY OF PICO RIVERA
Successor Agency
Notice of Insufficient Funds – Low and Moderate Income Housing Fund
June 30, 2012

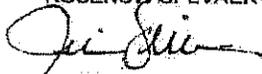
Michael Matsumoto, Director of Finance
CITY OF PICO RIVERA
April 25, 2012
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CONCLUSIONS

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

CITY OF PICO RIVERA
Successor Agency
Notice of Insufficient Funds – Low and Moderate Income Housing Fund
June 30, 2012

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).

CITY OF PICO RIVERA
Successor Agency
Current Unrestricted Balances Necessary for Retention – Low and Moderate Income Housing Fund
June 30, 2012

Overight Board Agency of Date July 10, 2012
 Overight Board Approved in the General August 28, 2012

RECOMMENDED OBLIGATION PAYMENT SCHEDULE (ROPS II)
 January 1, 2013 through June 30, 2013

Name of Successor Agency: Pico Rivera Successor Agency
 County: Los Angeles

Item #	Project Name / Debt Obligation	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt by Fiscal Year	Function Source			Successor Agency Housing Obligation	
								State	Local	Federal		
1	2001 Tax Allocation Refund Bonds	1/24/2001	12/31/2021	U.S. Bank	2001 bonds to be repaid	Project Area 1	1,117,725	250,000	1,117,725	1,117,725	799,894	
2	Loan from Low and Moderate Income	1/28/2001	1/28/2001	Low and Mod. Income Fund	2001 bonds to be repaid	Project Area 2	3,243,968	0	0	0	3,243,968	0
3	2001 Loan from Low and Moderate Income	1/28/2001	1/28/2001	City of Los Angeles	2001 bonds to be repaid	Project Area 3	47,249,598	0	0	0	47,249,598	0
4	2001 Loan from Low and Moderate Income	1/28/2001	1/28/2001	City of Los Angeles	2001 bonds to be repaid	Project Area 4	51,144,189	0	0	0	51,144,189	0
5	2001 Loan from Low and Moderate Income	1/28/2001	1/28/2001	City of Los Angeles	2001 bonds to be repaid	Project Area 5	230,700	0	0	0	230,700	0
6	2001 Loan from Low and Moderate Income	1/28/2001	1/28/2001	City of Los Angeles	2001 bonds to be repaid	Project Area 6	151,730	0	0	0	151,730	0
7	2001 Loan from Low and Moderate Income	1/28/2001	1/28/2001	City of Los Angeles	2001 bonds to be repaid	Project Area 7	49,930	0	0	0	49,930	0
8	2001 Loan from Low and Moderate Income	1/28/2001	1/28/2001	City of Los Angeles	2001 bonds to be repaid	Project Area 8	80,000	0	0	0	80,000	0
9	Insurance and other - Agency receivable	1/23/2001	1/23/2001	City of Los Angeles	2001 bonds to be repaid	Project Area 9	20,000	0	0	0	20,000	0
10	2001 Loan from Low and Moderate Income	1/28/2001	1/28/2001	City of Los Angeles	2001 bonds to be repaid	Project Area 10	20,000	0	0	0	20,000	0
11	2001 Loan from Low and Moderate Income	1/28/2001	1/28/2001	City of Los Angeles	2001 bonds to be repaid	Project Area 11	20,000	0	0	0	20,000	0
12	2001 Loan from Low and Moderate Income	1/28/2001	1/28/2001	City of Los Angeles	2001 bonds to be repaid	Project Area 12	20,000	0	0	0	20,000	0
							Total	1,117,725	250,000	1,117,725	1,117,725	799,894

Note: \$1,117,725 is the debt service payment on the 2001 Tax Allocation Bonds that is due during the January - June 2013 period. The Successor Agency Housing Fund is obligated to make 22.39% (\$250,000) of this payment. This obligation is specifically addressed in the Official Statement for the Bonds.

See Footnote 2 of Attachment D page 15 which states: "Per the 2001 Tax Increment Bond Official Statement, the Housing Fund is obligated for 22.39% of the annual debt service payment. Per the City's Successor Agency, until this is clarified, the Housing transfer to the Debt Service Fund is not occurring."