



March 8, 2013

Ms. Kelly Ent, Director of Administrative Services
City of Big Bear Lake
P.O. Box 10000
Big Bear Lake, CA 92315

Dear Ms. Ent:

Subject: Other Funds and Accounts Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Big Bear Lake Successor Agency (Agency) submitted an oversight board approved Other Funds and Accounts (OFA) Due Diligence Review (DDR) to the California Department of Finance (Finance) on January 15, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Pursuant to HSC section 34179.6 (d), Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of OFA available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- Our review indicates the total amount of assets held as of June 30, 2012 should be \$7,620,808 due to a year-end closing adjustment which occurred after the preparation of the DDR. As such, the total amount of assets held as of June 30, 2012 has been adjusted by \$140,000.
- Transfers to the City of Big Bear Lake (City) totaling \$3,425,648. Per HSC section 34178 (b), all agreements, contracts, or arrangements between a redevelopment agency (RDA) and the city or county, or city and county that created it are invalid unless entered into at the time of an issuance of indebtedness obligations or within two years of the formation of the RDA. It is our understanding that any agreements pertaining to these reimbursements to the City were not made at the time of indebtedness obligations nor within two years of the formation of the RDA. Therefore, the transfers are disallowed.
- The request to retain funds in the amount of \$34,959 for Recognized Obligation Payment Schedule (ROPS) obligations is disallowed. The Agency did not request any funding for the Façade/Sign Improvement Program on the ROPS for the period July through December 2012.

If you disagree with Finance's adjusted amount of OFA balances available for distribution to the taxing entities, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's OFA balance available for distribution to the affected taxing entities is \$13,110,869 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 9,510,262
Finance Adjustments	
Add:	
Disallowed transfers	\$ 3,425,648
Adjustment to the June 30, 2012 balance	140,000
Requested retained balance not supported	34,959
Total OFA available to be distributed:	\$ 13,110,869

Absent a Meet and Confer request, HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient.

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

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

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

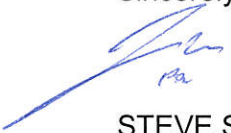
Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the

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city, county, or any other public agency. Determinations outlined in this letter do not in any way eliminate the Controller's authority.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Erica Stephenson, Finance Supervisor, City of Big Bear Lake
Ms. Vanessa Doyle, Auditor Controller Manager, San Bernardino County
California State Controller's Office