



## INDEPENDENT ACCOUNTANTS' REPORT

To the Honorable Mayor and Members of the City Council  
City of San Dimas, California

We have performed the procedures enumerated below on the books and records of the City of San Dimas, California (the "City") to determine whether the principal on the form Redevelopment Agency ("RDA") Loans were derived from cash transferred from the City into the RDA (the "RDA Loans Test").

Management of the City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of determining whether the RDA Loans were derived from cash transferred from the City into the RDA. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and the results obtained from the performance thereof were as follows:

1. **Procedure Performed:** We reviewed the State of California Department of Finance's (the "State") letter dated January 24, 2017, noting "Walker House" loans valued at \$6,523,256, as identified in the State's letter, were approved by the State and that "Rancho San Dimas" loans valued at \$1,218,307 and "Creative Growth" loans valued at \$2,110,000, as identified in the State's letter, were not approved by the State.

**Finding:** The State identified a memorandum issued by the City Manager that was included with the City's October 28, 1997, Council Meeting minutes package. The memorandum listed the total outstanding amount of the "Rancho San Dimas" loan, including interest, at \$1,218,307, while the payment schedule for this loan lists the outstanding principal at \$1,218,307. We agree with the State that the City Manager's memorandum does not agree to the payment schedule or to the amounts approved by the City Council and RDA during the respective October 28, 1997, meetings. Based on our review of other documentation, as listed in this report, it appears the City Manager's memorandum is not accurate and the \$1,218,307 referenced was not inclusive of interest.

2. **Procedure Performed:** We reviewed the minutes of the City Council and RDA meetings held on October 28, 1997, for evidence of approval of the "Rancho San Dimas" loan from the City to the RDA.

**Finding:** We noted the new loan and revised schedule of payments for the amount of \$1,218,307 was approved at this meeting, and the minutes of both the City Council and RDA meetings were signed by the Mayor, who was also the Chairman of the RDA.

3. **Procedure Performed:** We reviewed the minutes of the City Council and RDA meetings held on August 14, 2001, for evidence of approval of the "Creative Growth" loan from the City to the RDA.

**Finding:** We noted the new loan and revised schedule of payments for the amount of \$2,110,000 was approved at these meetings and the meeting minutes of both the City Council and RDA meetings were signed by the Mayor, who was also the Chairman of the RDA. We noted this raised the total outstanding principal amount of the "Creative Growth" loan to \$9,408,970 at August 14, 2001. We reviewed the agreement entered into by the City and the RDA for "Creative Growth" loans on June 27, 1995, signed by both the Mayor and the Chairman of the RDA. We also reviewed City Council resolution number 95-94 and RDA resolution number 145, dated June 27, 1995, where both the City Council and the RDA agreed that further loans will be made from the City to the RDA in keeping with the June 27, 1995 agreement.



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4. **Procedure Performed:** We reviewed payment information from the City to the RDA for the RDA Loans to verify payment of these amounts by the City and receipt of these amounts by the RDA and to determine whether the funds were provided to the RDA by the City and to verify that a loan obligation had been incurred.

**Finding:** No exceptions were noted as a result of our procedures. Based on the procedure performed, the documentation indicates that a loan agreement had been entered into and funds were exchanged.

5. **Procedure Performed:** We reviewed documentation related to payments made to the City by the RDA subsequent to approval of the loans to determine whether the RDA was making payments for loan obligations that had been incurred, including warrant registers, bank statements, payments made to the City by the RDA, journal entries, loan payment schedules, the City's audited financial statements, and other documentation.

**Finding:** No exceptions were noted as a result of our procedures. Based on the procedure performed, the documentation indicates that a loan agreement had been entered into and funds were exchanged.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the RDA Loans Test. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the City, and is not intended to be, and should not be, used by anyone other than that specified party.

*Lance, Soll & Loughard, LLP*

Brea, California  
March 7, 2024



DEPARTMENT OF  
**FINANCE**

EDMUND G. BROWN JR. • GOVERNOR

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REVISED

January 24, 2017

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

Dear Mr. Duran:

Subject: Determination of Oversight Board Action

This letter supersedes the California Department of Finance's (Finance) December 30, 2016 Oversight Board (OB) Resolution No. 39 determination letter. A revision is necessary to partially reverse Finance's previous determination. The City of San Dimas Successor Agency (Agency) notified Finance of its November 17, 2016 OB Resolution on November 18, 2016. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, the Agency's OB Resolution No. 39, reaffirming the finding that three loans made by the City of San Dimas (City) to the former redevelopment agency (RDA) were made for legitimate purposes, is **partially approved**.

Rancho San Dimas

The Agency provided the October 28, 1997 City Council and RDA Meeting Agenda, the October 28, 1997 Memorandum from the City Manager to the City Council and RDA Board Members approving a payment schedule, the payment schedule, and the RDA and City's October 28, 1997 approved meeting minutes to support the loan. It is our understanding the City advanced funds for the Target Shopping Center, which with interest totaled \$1,218,307 as of October 28, 1997. Finance does not approve this loan for the following reasons:

- The Agency was unable to provide an agreement or other evidence of an actual loan concurrent with the time the funds were advanced. The documents provided approves repayment for previous amounts "advanced", but do not themselves constitute a loan agreement.
- The payment schedule lists the principal amount loaned at \$1,218,307. However, the Memorandum from the City Manager states the \$1,218,307 includes interest. Therefore, Finance cannot determine the principal amount advanced.
- It is not clear whether the October 28, 1997 City meeting minutes were approved by motion as the support provided only included pertinent pages to the loan, but did not include the entire set of minutes including the signature page.

- HSC section 34191.4 (a) (2) (A) identifies a loan eligible for repayment as a loan of money. It is not clear an actual exchange of money occurred, or if the amounts in question were to reimburse the City for costs incurred by the City.

Therefore, under dissolution law, this loan is not eligible for repayment.

#### Creative Growth

The Agency provided the August 14, 2001 City Council and RDA Meeting Agenda, the August 14, 2001 Agenda Item Staff Report, the payment schedule, and the City and RDA's August 14, 2001 approved meeting minutes. The documents indicate the City's general fund loaned the Agency \$2,110,000 and a payment schedule was revised to include this loan. Based on a review of the documents provided, Finance does not approve this loan for the following reasons:

- The 2001 revised payment schedule combined the \$2,110,000 loan with previous loans. Since 2001, the Agency has made annual principal repayments totaling \$1,672,437. Finance is unable to determine the amount of principal payments between 2001 through 2011 that should be applied to the 2001 Creative Growth loan. Therefore, the outstanding balance for this loan is unknown.
- It is not clear whether the August 14, 2001 City meeting minutes were approved by motion as the support provided only included pertinent pages to the loan, but did not include the entire set of minutes including the signature page.
- HSC section 34191.4 (a) (2) (A) identifies a loan eligible for repayment as a loan of money. It is not clear an actual exchange of money occurred.

Therefore, under dissolution law, this loan is not eligible for repayment at this time.

#### Walker House

During our initial review, the Agency provided the June 9, 2009 City Council and RDA Meeting Agenda, the June 9, 2009 Agenda Item Staff Report, the payment schedule, the City and RDA's June 9, 2009 approved meeting minutes, the January 23, 2007 City Resolution No. 07-06, and the January 23, 2007 RDA Resolution No. 184 to substantiate the loan. Finance denied the loan because it was not clear whether an actual exchange of money occurred or whether the June 9, 2009 City minutes were approved by motion. Based on our review of additional documentation provided by the Agency, Finance determined there was an actual exchange of money and that the City minutes were approved by motion. Therefore, the Walker House loan in the amount of \$6,523,256 is approved.

The Agency received a Finding of Completion on April 26, 2013. As a result of the OB finding the loan was for valid redevelopment purposes and Finance's approval of the Walker House loan is eligible for repayment, the Agency may now place the approved loan on a Recognized Obligation Payment Schedule (ROPS). However, the repayment of the City loan is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A).

In addition, HSC section 34191.4 (b) (3) (A) requires any interest on the remaining principal amount of the loan that was previously unpaid after the original effective date of the loan shall be recalculated from the date of origination of the loan as approved by the redevelopment agency on a quarterly basis, at a simple interest rate of three percent. Moneys repaid shall be applied first to the principal, and second to the interest. This will supersede any existing interest rates in the loan

Mr. Ken Duran  
January 24, 2017  
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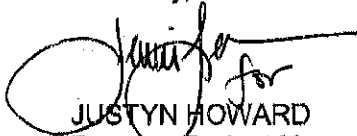
agreements. Therefore, the repayment amounts of the Walker House loan are subject to Finance's review and approval on subsequent ROPS.

Finance continues to deny the Rancho San Dimas and Creative Growth loans for the reasons stated above and for the reasons stated in our April 7, 2014 OB Resolution No. OB 23 determination letter. To the extent the Agency has additional documentation for Finance to consider, Finance will work with the Agency to evaluate the enforceability of the denied loans and in determining the outstanding City loan balances.

In the event the OB desires to amend the portion of the resolution not approved by Finance, Finance is returning it to the board for reconsideration. However, the Agency can move forward with the portion of the resolution approved by Finance.

Please direct inquiries to Anna Kyumba, Supervisor, or Daisy Rose, Lead Analyst, at (916) 322-2985.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Mr. Steven Valdivia, Senior Accounting Technician, City of San Dimas  
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County