



January 25, 2013

Ms. Glenda D. Jay, Finance Director
City of Fillmore
250 Central Avenue
Fillmore, CA 93015

Dear Ms. Jay:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes Finance's original Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) determination letter dated December 27, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Fillmore Successor Agency (Agency) submitted an oversight board approved LMIHF DDR to the California Department of Finance (Finance) on December 5, 2012. Finance issued a LMIHF DDR determination letter on December 27, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer Session was held on January 11, 2013.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance is revising some of the adjustments made in our previous DDR determination letter. Specifically, we are revising the following adjustment:

- The Agency contends that the balances restricted for the funding of an enforceable obligation should be adjusted by \$219,900. The amount was used for 2005A Revenue Bonds debt service payment that was due at June 30, 2012. This amount was approved on the Recognized Obligation Payment Schedule (ROPS) covering the period of July through December 2012, but was not deducted from the balance reported on the DDR due to timing of the payment and the preparation of the LMIHF DDR. Therefore, Finance made an adjustment of \$219,900 based on this information.

However, Finance continues to believe some of the adjustments made to the DDR's stated balance of LMIHF available for distribution to the taxing entities is appropriate. HSC section 34179.6 (d) authorizes Finance to make these adjustments. We maintain the adjustments continue to be necessary for the following reason:

- Balances needed to satisfy ROPS in the amount of \$2,336,219. In the December 27, 2012 determination letter, Finance disallowed \$1,442,270 out of the \$2,336,219 balance needed to be retained to satisfy fiscal year 2012-13 obligations due to Ventura County Auditor Controller stating that the Agency will receive the full amount of Redevelopment Property Tax Trust Fund funding requested in the ROPS covering the period of January through July 2013. During the meet and confer session, the Agency agreed with this adjustment.

The Agency's LMIHF balance available for distribution to the affected taxing entities has been revised to \$1,222,370.

| LMIHF Balances Available For Distribution To Taxing Entities | |
|---|---------------------|
| Available Balance per DDR: | \$ - |
| Finance Adjustments | |
| Less balance needed for legally restricted obligation: | \$ (219,900) |
| Requested retained balance not supported: | 1,442,270 |
| Total LMIHF available to be distributed: | \$ 1,222,370 |

This is Finance's final determination of the LMIHF balances available for distribution to the taxing entities. 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 redevelopment agency (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.

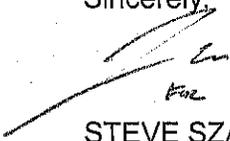
In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

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 city, county, or any other public agency. Determinations outlined in this letter and Finance's Housing Assets Transfer letter dated September 5, 2012 do not in any way eliminate the Controller's authority.

Ms. Grenda D. Jay
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Please direct inquiries to Beliz Chappuie, Supervisor or Mindy Patterson, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', is written over a horizontal line.

STEVE SZALAY
Local Government Consultant

cc: Ms. Yvonne Quiring, City Manager, City of Fillmore
Ms. Sandra Bickford, Chief Deputy, Ventura County Auditor Controller
California State Controller's Office