



August 6, 2013

Mr. Matt Michaelis, Administrative Services Manager
City of Marysville
526 C Street
Marysville, CA 95901

Dear Mr. Michaelis,

Subject: Low and Moderate Income Housing Fund Due Diligence Review

The City of Marysville Successor Agency (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund Due Diligence Review (DDR) to the California Department of Finance (Finance) on July 11, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Since the Agency did not meet the October 15, 2012 submittal deadline pursuant to HSC section 34179.6 (c), Finance is not bound to completing its review and making a determination by the November 9, 2012 deadline pursuant to HSC section 34179.6 (d). However, 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 Low and Moderate Income Housing Fund (LMIHF) available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- Assets transferred during the period of January 1, 2011 through June 30, 2012 totaling \$51,785 are not allowable. Specifically:
 - Non-approved cash assets in the amount of \$24,409 were transferred from the LMIHF to the Redevelopment Agency Fund in May 2012.
 - Payments totaling \$27,376 were paid with the LMIHF during the January through June 2012 ROPS period; however, LMIHF was not requested or approved as a funding source for any enforceable obligations during this period.

HSC section 34179.5 9 (c) (2) only allows asset transfers within this period that are required by enforceable obligations. Therefore, the LMIHF balances available for distribution to the taxing entities will be adjusted by \$51,785.

- The DDR indicates a Due From Other Funds for transfers made from the LMIHF to the Redevelopment Agency Fund in the amount of \$335,410. Insufficient documentation was received demonstrating the funds were used for LMIHF projects. Therefore, these funds should be recognized as LMIHF assets and the total LMIHF asset balance should be increased by \$335,410.

If you disagree with Finance's adjusted amount of LMIHF 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 LMIHF balance available for distribution to the affected taxing entities is \$387,195 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ -
Finance Adjustments	
Add:	
Adjustment to asset balance:	\$ 335,410
Disallowed transfers:	\$ 51,785
Total LMIHF available to be distributed:	\$ 387,195

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 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.

Please direct inquiries to Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Mr. Matt Michaelis
August 6, 2013
Page 3

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Szalay" with a stylized flourish at the end. The word "for" is written in smaller cursive below the main signature.

STEVE SZALAY
Local Government Consultant

cc: Ms. Billie Fangman, City Clerk, City of Marysville
Mr. C. Richard Eberle, Auditor, Yuba County
California State Controller's Office