DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

September 12, 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

This letter supersedes the California Department of Finance's (Finance) Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) determination letter dated August 6, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Marysville Successor Agency (Agency) submitted an oversight board approved LMIHF DDR to Finance on July 11, 2013. Finance issued a LMIHF DDR determination letter on August 6, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more disputed items. The LMIHF DDR Meet and Confer Session was held on August 29, 2013.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed:

- Assets transferred during the period of January through June 2012 totaling $51,785 are not allowable. Finance continues to adjust for the $24,409 in non-approved cash assets transferred from the LMIHF to the Redevelopment Fund in May 2012, as well as the $27,376 of payments in the January through June 2012 Recognized Obligation Payment Schedule (ROPS) period. Expenditure authority was not obtained through the ROPS process and the Agency was unable to support these amounts were for enforceable obligations. HSC section 34179.5 (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 ($24,409 + $27,376).

- Upon additional review of information provided, the due from/due to in the amount of $335,410 occurred during the fiscal year ending June 30, 1999. As this obligation was incurred prior to December 31, 2010 and the off-set is a noncash amount between the Agency's general fund and LMIHF accounts, Finance is reversing its prior decision that the $335,410 should be available for distribution to the taxing entities.

The Agency's LMIHF balance available for distribution to the affected taxing entities has been revised to be $51,785 (see below).

LMIHF Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	-
Finance Adjustments		
Add:		
Disallowed Transfers		51,785
Total LMIHF available to be distributed:	$	51,785

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 1, 2012 do not in any way eliminate the Controller's authority.

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

Sincerely,

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