



February 8, 2013

Ms. Kymberly Horner, Interim Redevelopment Services Manager
City of Oxnard
214 South C Street
Oxnard, CA 93030

Dear Ms. Horner:

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 11, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), City of Oxnard Community Development Commission Successor Agency (Agency) submitted an oversight board approved LMIHF DDR to the California Department of Finance (Finance) on November 15, 2012. Finance issued a LMIHF DDR determination letter on December 11, 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 9, 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 adjustments:

- Our previous review indicated that \$15,490,209 cash was transferred from the LMIHF to the City of Oxnard (City) between January 1, 2011, and January 31, 2012. HSC section 34163 (c) (5) states an agency shall not have the authority to transfer funds out of the LMIHF, except to meet the minimum housing-related obligations that existed as of January 1, 2011. During the Meet and Confer process, Agency provided journal entries that reversed the \$15,490,209 in transfers from the City's Housing Set-Aside Fund to the Agency's LMIHF and Successor funds. As such, the prior adjustment of \$15,490,209 has been reversed.

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 reasons:

- Our review indicates that the \$6,950,139 reported in the DDR for balances retained for fiscal year 2012-013 included total outstanding obligation amounts on Recognized Obligation Payment Schedule rather than the amounts due during fiscal year 2012-13. As such, the amount was adjusted by \$4,319,088. The Agency agreed with this adjustment during the Meet and Confer process.

The Agency's LMIHF balance available for distribution to the affected taxing entities has been revised to \$4,333,522 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 14,434
Finance Adjustments	
Requested retained balance for fiscal year 2012-13 not supported	4,319,088
Total LMIHF available to be distributed:	\$ 4,333,522

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 August 31, 2012 do not in any way eliminate the Controller's authority.

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

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Curtis P. Cannon, Director, Community Development Department, City of Oxnard
Ms. Sandra Bickford, Chief Deputy, Ventura County Auditor Controller
California State Controller's Office