



February 8, 2013

Ms. Mary Rister, Finance Officer
City of Rocklin
3970 Rocklin Road
Rocklin, CA 95677

Dear Ms. Rister:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

The City of Rocklin successor agency (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) to the California Department of Finance (Finance) on January 15, 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 LMIHF available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- Asset transfers in the amount of \$195,045. Amount was transferred out of LMIHF for a payment on a Line of Credit with Bank of America that was due on January 31, 2012. The Line of Credit was approved on the Recognized Obligation Payment Schedule (ROPS) for the period of January through June 2012 to be paid from Redevelopment Property Tax Trust Fund (RPTTF), not LMIHF. Therefore, an adjustment of \$195,045 is added back to the available balance for remittance to the county.
- Balances needed to satisfy 2012-13 obligations in the amount of \$57,377. The retained amount relates to the Line of Credit with Bank of America as mentioned above. Since the obligations listed on the ROPS are to be funded with RPTTF, LMIHF balance is not allowed to be retained.

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 \$252,422 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ -
Finance Adjustments	
Add:	
Disallowed transfers	\$ 195,045
Retained balance not supported	57,377
Total LMIHF available to be distributed:	\$ 252,422

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.

Pursuant to HSC 34179.6 (h) (1) (B), 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.

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, that the Agency's failure to recover and remit those funds may result in offsets to its sales and use tax allocation or to its property tax allocation.

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 12,, 2012 do not in any way eliminate the Controller's authority.

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Please direct inquiries to Beliz Chappue, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a date '2/8/13' written below it.

STEVE SZALAY
Local Government Consultant

cc: Ms. Kim Sarkovich, Chief Finance Officer, City of Rocklin
Ms. Jayne Goulding, Managing Accountant Auditor, County of Placer
California State Controller's Office