



March 25, 2013

Mr. Dan Paranick, Interim Executive Director
City of Camarillo
601 Carmen Drive
Camarillo, CA 93011-0248

Dear Mr. Paranick:

Subject: Other Funds and Accounts Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Camarillo Successor Agency (Agency) submitted an oversight board approved Other Funds and Accounts (OFA) Due Diligence Review (DDR) to the California Department of Finance (Finance) on December 3, 2012. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Pursuant to HSC section 34179.6 (d), 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 OFA available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- Asset transfer in the amount of \$11,843,650. Our review indicates the transfer was made to the City of Camarillo (City) for a loan repayment on January 26, 2011. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the former redevelopment agency (RDA) and the RDA are not enforceable unless the loan agreements were entered within the first two years of the date of the creation of the RDA. These loans were issued after the first two years of the RDA's creation; therefore, the payments for these loans are not permitted.
- Asset transfer in the amount of \$1,487,285. Our review indicates three transfers of "excess tax increment" were made to the City for safekeeping purposes: (1) \$817,113 on January 26, 2011; (2) \$169,645 on March 16, 2011; and (3) \$500,527 on January 31, 2012. Agency was unable to provide supporting documents for these transactions. Pursuant to HSC section 34167.5, asset transfers after January 1, 2011, between the city or county, or city and county that created a redevelopment agency for which an enforceable obligation does not exist is not permitted.
- Balances retained for fiscal year 2012-13 obligations in the amount of \$10,731,503. The Agency's request to retain OFA balances for the amount to cover debt service payments is not allowed. Finance has only approved funding through the January through June 2013 Recognized Obligation Payment Schedule (ROPS III) period, the Agency's fund

balances are only encumbered to the extent they have been approved on a ROPS through the June 30, 2013 period. The cash flow analysis provided by the Agency does not demonstrate an immediate need to retain these unencumbered OFA balances, nor does it suggest available funding will be insufficient to service the Agency's bond debt.

Should a deficit occur in the future, HSC provides successor agencies with various methods to address short term cash flow issues. These may include requesting a loan from the city pursuant to HSC section 34173 (h), requesting the accumulation of reserves on the ROPS when a future balloon or uneven payment is expected, or subordinating pass-through payments pursuant to HSC section 34183 (b). The Agency should seek counsel from their oversight board to determine the solution most appropriate for their situation if a deficiency were to occur.

Since the Agency has not demonstrated an immediate need to retain unencumbered OFA balances and possesses alternatives to address short term cash flow shortages, Finance deems it is not necessary for the Agency to retain \$10,731,503 in OFA unencumbered balances.

Additionally, we noted the following improper transfers of property and bond proceeds to the City:

- Property transfer in the amount of \$30,568,510. Our review indicates two invalid property transfers were made to the City: (1) \$14,193,100 real property on March 16, 2011; and (2) \$16,375,410 capital assets on March 16, 2011. Per HSC section 34191.3, the requirements in subdivision (e) of Section 34177 and subdivision (a) Section 34181 shall be suspended, except as those provisions apply to the transfers for governmental use, until the Finance has approved a long-range property management plan (LRPMP). Since these are non-liquid assets, Finance made no adjustments to the available balance to the affected taxing entities. However, the Agency is required to reverse the improper transfers and recover the assets. Pursuant to HSC section 34191.5, the Agency should include these properties in the inventory of all former RDA properties and describe the planned disposition of each property in its LRPMP.
- Transfer of bond proceeds in the amount of \$8,611,926. Our review indicates \$15,262,545 bond proceeds were transferred to the City on January 26, 2011. Although the City returned \$6,650,619 unused bond proceeds to the Agency on February 1, 2012, the Agency was not able to provide documentation to demonstrate that the Agency was contractually committed to spend the \$8,611,926 retained by the City. Pursuant to HSC section 34167.5, asset transfers after January 1, 2011, between the city or county, or city and county that created a redevelopment agency for which an enforceable obligation does not exist is not permitted. Therefore, the Agency should recover the bond proceeds from the City. Since these are bond funds, Finance made no adjustments to the available balance to the affected taxing entities.

Once the Agency receives a finding of completion pursuant to HSC 34179.7, the Agency will be permitted to use bond proceeds derived from bonds issued on or before December 31, 2010 for the purposes for which the bonds were sold.

If you disagree with Finance's adjusted amount of OFA 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 OFA balance available for distribution to the affected taxing entities is \$13,949,562 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ (10,112,876)
Finance Adjustments	
Unallowed Transfers	
Loan Repayment	\$ 11,843,650
Excess Tax Increment	\$ 1,487,285
Requested retained balances not supported	\$ 10,731,503
Total OFA available to be distributed:	\$ 13,949,562

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. Upon submission of payment, please provide proof of payment to Finance within five business 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, 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 do not in any way eliminate the Controller's authority.

Mr. Paranick
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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', with a long horizontal stroke extending to the left.

STEVE SZALAY
Local Government Consultant

cc: Mr. Ronnie Campbell, Director of Finance, City of Camarillo
Ms. Sandra Bickford, Chief Deputy, Ventura County Auditor Controller
California State Controller's Office