



May 2, 2013

Ms. Diem Do, Senior Project Coordinator
City of Chula Vista
276 Fourth Avenue
Chula Vista, CA 91910

Dear Ms. Do:

Subject: Other Funds and Accounts Due Diligence Review

This letter supersedes the California Department of Finance's (Finance) original Other Funds and Accounts (OFA) Due Diligence Review (DDR) determination letter dated March 26, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Chula Vista Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on December 19, 2012. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Finance issued an OFA DDR determination letter on March 26, 2013. 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 April 16, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of those specific items being disputed. Specifically, the following adjustments were made:

- Cash assets totaling \$20,179,716 were transferred to the City of Chula Vista (City) General Fund during the period of January 1, 2011 through June 30, 2012. The Agency claims this amount is incorrect and provided documentation to support the following:
 - A total of \$11,519,407 was transferred to the City prior to January 1, 2011. This amount is not subject to the DDR review.
 - A total of \$6,750,000 was transferred to the City in 2011; however, this amount was returned to the Agency in 2012. Therefore, no adjustment to the OFA balance is warranted.
 - A total of \$1,767,846 was debt service payment on Certificates of Participation. This amount was approved as an enforceable obligation on the Recognized Obligation Payment Schedules (ROPS) because the agreement between the City and the Agency were issued at the same time and for the sole purpose of securing debt.
 - The remaining \$142,465 represents reimbursements to the City for staff time attributed to Agency projects incurred from January through June 2011. This

amount is reasonable and supported by general ledger entries; therefore, the amount is allowed. No adjustment to the OFA balance is warranted.

As such, the Agency's OFA balance available for distribution to the affected taxing entities has been revised to \$0, as reported on the DDR. This is Finance's final determination of the OFA balances available for distribution to the taxing entities.

Pursuant to HSC sections 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.

Please direct inquiries to Evelyn Suess, Supervisor or Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Eric Crockett, Assistant Director of Development Services, City of Chula Vista
Ms. Tracy Sandoval, Assistant Chief Financial, County of San Diego
Mr. Juan Perez, Senior Auditor and Controller Manager, County of San Diego
Ms. Nenita DeJesus, Senior Auditor and Controller Accountant, County of San Diego
California State Controller's Office