



June 2, 2015

Ms. Jessica O'Connell, Accountant II
City of Cotati
201 West Sierra Avenue
Cotati, CA 94931

Dear Ms. O'Connell:

Subject: Other Funds and Accounts Due Diligence Review

The City of Cotati 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 September 12, 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 January 15, 2013 submittal deadline pursuant to HSC section 34179.6 (c), Finance was not bound to completing its review and making a determination by the April 1, 2013 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 OFA balance available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made affecting the OFA balances available for distribution to the taxing entities:

- Balances requested to be retained totaling \$1,055,654 for fiscal year 2012-13 obligations are partially denied in the amount of \$397,129 (\$13,713 + \$383,416), as detailed below:
 - The Agency's request to retain \$89,461 of unexpended Reserve Balances approved for expenditure during the January through June 2012 Recognized Obligation Payment Schedule (ROPS I) period is partially denied in the amount of \$13,713. Pursuant to HSC section 34186 (a), the Agency submitted a schedule showing the ROPS I estimated obligations versus the actual payments with their January through June 2013 ROPS (ROPS III) form. In the ROPS I prior period adjustment, the Agency self-reported actual expenditures for Item Nos. 17 and 19 were less than the total authorized by \$75,748. During our review, the Agency clarified these unspent balances were included in the ROPS II authorized Reserve Balances. Consequently, adjustments pertaining to unspent portions of the \$75,748 will be included in the ROPS II adjustment addressed on the next page. The Agency was unable to support the request to retain the remaining Reserve Balances in the amount of \$13,713

(\$89,461 - \$75,748). Therefore, Finance is increasing the OFA balances available for distribution by \$13,713.

- The Agency's request to retain \$432,519 of Reserve Balances approved for expenditure during the July through December 2012 ROPS (ROPS II) period is partially denied in the amount of \$383,416. Pursuant to HSC section 34186 (a), the Agency submitted a schedule showing the prior period estimated obligations versus the actual payments for the ROPS II period with their July through December 2013 ROPS (ROPS 13-14A) form. In the ROPS II prior period adjustment, the Agency self-reported actual expenditures from Reserve Balances totaling \$49,103. Therefore, Reserve Balances in the amount of \$49,103 must be retained in order to fund approved ROPS II obligations. However, the unspent Reserve Balances of \$383,416 (\$432,519 - \$49,103) were not authorized for expenditure in subsequent ROPS periods. Consequently, Reserve Balances in the amount of \$383,416 cannot be considered encumbered by a ROPS and restricted as such in the OFA DDR. Therefore, Finance is increasing the OFA balances available for distribution by \$383,416.
- Finance noted the Sonoma County Auditor-Controller adjusted the Agency's ROPS III January 2, 2013 distribution by \$4,273, pursuant to HSC section 34186 (a). Therefore, Finance is allowing the retention of \$4,273 in order to adequately fund approved ROPS III expenditures.

In addition, based on our review of the DDR, the following adjustments were made that do not affect the amount of OFA balances available for distribution to the taxing entities:

- The Agency's non-cash assets should be increased by \$2,448,463. During our review and with clarification from the Agency, Finance determined the following non-cash assets in the form of real properties were held by the Agency as of June 30, 2012 and should have been reported in the June 30, 2012 OFA DDR balances:
 - 320 East School Street (Assessor's Parcel Number (APN) 144-250-010-000)
 - 351 West Sierra Avenue (APN 144-250-013-000)
 - 203 West Sierra Avenue (APN 144-250-017-000)
 - 8734 Gravenstein Way (APNs 144-180-054-000 and 144-180-055-000)
 - 8220 La Plaza (APN 144-264-001-000)
 - 8110 La Plaza (APN 144-265-001-000)
 - 1 East Cotati Avenue (APN 144-275-001-000)
 - 8139 La Plaza (APN 144-276-001-000)
 - 8167 La Plaza (APN 144-277-001-000)

As a result of the addition of the above properties to the Agency's beginning OFA DDR balances, Finance also increased the adjustment to non-cash balances by \$2,448,463, resulting in no effect to the amounts available for distribution to the taxing entities.

- During our review, Finance noted the following properties located in the City of Cotati were transferred from the former City of Cotati Community Redevelopment Agency (RDA) to the City of Cotati in March 2011:

- o Various parcels located at East Cotati Avenue and Santero Way (the parcels have since been combined into one APN, APN 144-320-027-000)
- o 80 George Street (APN 144-272-007-000)

Pursuant to HSC section 34167.5, the 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.

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 balances available for distribution to the affected taxing entities is \$1,552,792 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 1,159,936
Finance Adjustments	
Add:	
Adjustment to the June 30, 2012 balance	2,448,436
Increased retention of non-cash assets	(2,448,436)
Request to retain balances not supported	397,129
ROPS III HSC section 34186 (a) adjustment	(4,273)
Total OFA available to be distributed:	\$ 1,552,792

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.

Failure to transmit the identified funds will 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.

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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. David Spilman, Interim Director of Finance, City of Cotati
Mr. Randy Osborn, Property Tax Manager, Sonoma County
California State Controller's Office