DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 2, 2013

Mr. Randy Groom, City Administrator
City of Exeter
PO Box 237
137 North F Street
Exeter, CA 93221

Dear Mr. Groom:

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 5, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Exeter Successor Agency (Agency) submitted an oversight board approved OFA DDR to 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. Finance issued an OFA DDR determination letter on March 5, 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 March 13, 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:

- The Agency provided additional information showing an error in the OFA DDR. In the calculation of the amount to be distributed to the affected taxing entities, a True Up payment in the amount of $258,303 was omitted in the calculation presented in Attachment H of the OFA DDR. The Agency provided documents showing the payment made in July 2012. Therefore, to reflect the payment made, Finance is reducing the amount available to be remitted to the county for distribution to the affected taxing entities by $258,303.

- Balances needed to satisfy 2012-2013 fiscal year obligations in the amount of $90,524. The Agency requested to retain $90,524 to cover obligations in the Recognized Obligations Payment Schedule (ROPS) for the periods July through December 2012 and January through June 2013. Based on our review, the Agency may retain $47,012 that was included in the December 2011 distribution by the Tulare County Auditor Controller (CAC) and approved by Finance for use in the July through December 2012 period. Additionally, the Agency may retain $22,632 for the January through June 2013 period; as part of the January through June 2013 review, the CAC adjusted the ROPS III January 2, 2013 distribution for the prior period by $22,632 pursuant to HSC section 34186 (a). The remaining $20,880 is not needed to cover obligations and should be

remitted to the CAC as the Agency received this amount from the ROPS III January 2, 2013 distribution.

The Agency's OFA balance available for distribution to the affected taxing entities is $69,851 (see table below).

OFA Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	307,274
Finance Adjustments		
Subtract:		
July 2012 True-Up Payment	$	(258,303)
Add:		
Requested retained balance not supported		20,880
Total OFA available to be distributed:	$	69,851

This is Finance's final determination of the OFA 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. Upon submission of payment, it is requested you 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 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 Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Sheri Emerson, Finance Director, City of Exeter
Ms. Rita A. Woodard, Auditor-Controller, Tulare County
California State Controller's Office