



April 8, 2013

Ms. Tina Rivera, City Finance Director
City of Goleta
130 Cremona Drive, Suite B
Goleta, CA 93117

Dear Ms. Rivera:

Subject: Other Funds and Accounts Due Diligence Review

The City of Goleta 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 January 24, 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 is 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 balance of OFA available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- Total amount of assets held as of June 30, 2012 should be \$5,407,716. The June 30, 2012 Comprehensive Annual Financial Report identified additional assets in the amount of \$566,176 that were not included in the DDR. Therefore, the OFA balance available for distribution to the taxing entities will be adjusted by \$566,176.
- Assets transferred to the City of Goleta (City) during the period of January 1, 2011 through June 30, 2012 in the amount of \$18,125,358 are not allowable. HSC section 34179.5 (c) (2) only allows transfers within this period that are required by an enforceable obligation or meet the definition of governmental use. Specifically:
 - Bond proceeds were transferred to the City in the amount of \$14,082,472. The bond proceeds are restricted assets of the Agency and should be immediately returned. Since the bond proceeds are considered a non-cash asset of the Agency, another adjustment is being made to increase the non-cash balance by an equal amount. In effect, these adjustments balance out and do not affect the ending OFA balance.

- o Cash in the amount of \$512,262 was transferred to the City for capital projects. No documents was received to support that the transfer was required by an enforceable obligation. Therefore, the OFA balances available for distribution to the taxing entities will be adjusted by \$512,262.
- o April 1, 2011 transfer for a cooperative agreement payment with the City in the amount of \$3,530,624 is not allowed. No documents received support that the following transfer was required by an enforceable obligation. HSC section 34171 (d)(2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations. Therefore, the OFA balances available for distribution to the taxing entities will be adjusted by \$3,530,624.

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 \$4,609,005 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ (57)
Finance Adjustments	
Add:	
Adjustment to the June 30, 2012 balance:	\$ 566,176
Disallowed transfers to the City of Goleta:	4,042,886
Total OFA available to be distributed:	\$ 4,609,005

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, 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 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.

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'Steve Szalay', with a long horizontal flourish extending to the left.

STEVE SZALAY
Local Government Consultant

cc: Ms. Jaime Valdez, Sr. Management Analyst, City of Goleta
Mr. Robert W. Geis, Auditor/Controller, Santa Barbara County
Mr. Ed Price, Division Chief Property Tax Division, Santa Barbara County
California State Controller's Office