



April 27, 2013

Ms. Amanda Norton, Housing and Special Projects Coordinator  
City of Lincoln  
600 6th Street  
Lincoln, CA 95648

Dear Ms. Norton:

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 25, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Lincoln Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on December 21, 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 25, 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 11, 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 requested to retain \$856,034 in current unencumbered OFA balances to cover obligations.

During the Meet and Confer process, the Agency provided additional information showing \$176,503 of this amount was approved on the January through June 2012 Recognized Obligation Payment Schedule (ROPS I), but not expended until after June 30, 2012. Since the ROPS I approved expenditures were not paid until the July through December 2012 ROPS period (ROPS II), the funds were included in the June 30, 2012 balance. Therefore, the \$176,503 is permitted to be retained.

Finance notes that amounts requested and approved in a Recognized Obligation Payment Schedule (ROPS) are effective only for the six-month period covered. To the extent the Agency does not expend funds approved and received on a ROPS until a subsequent period, the Agency should relist the unexpended amounts that need to be retained for those enforceable obligations on the subsequent ROPS with the funding source as "Reserves" or "Other" and an entry in the Notes section indicating the funds were received in a prior ROPS period.

For the ROPS II period, Finance approved \$686,543 and the County Auditor Controller distributed \$681,415 in June 2012 from the Redevelopment Property Tax Trust Fund. Therefore, \$681,415 is permitted to be retained.

The Agency did not object to the following adjustment made by Finance during the Meet and Confer process. HSC section 34179.6 (d) authorizes Finance to make adjustments. We maintain that the following adjustment is appropriate:

- Capital asset transfers in the amount of \$1,798,914. The Agency transferred five properties to the City of Lincoln on June 21, 2012, which were considered governmental use properties. HSC section 34181 (a) states governmental purpose includes properties such as roads, school buildings, parks, police and fire stations, libraries and local agency administrative buildings. The parking lots used for public parking and a youth center operated by a non-profit organization are not considered governmental use; therefore, the transfer of these properties are not allowed. Since land is not considered cash or a cash-equivalent asset, Finance has made no adjustment to the available balance to the affecting taxing entities. However, the Agency is required to reverse the improper transfers and recover the assets from the City.

Pursuant to HSC section 34191.5, within six months after receiving a Finding of Completion from the Finance, the Agency is required to submit for approval to the Oversight Board and Finance a Long-Range Property Management Plan (LRPMP) that addresses the disposition and use of the real properties of the former redevelopment agency (RDA). The Agency should include the above properties in the inventory of all former RDA properties and describe the planned disposition of each property in its LRPMP.

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. 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. Emily Boyd, Principle Accountant, City of Lincoln  
Ms. Jayne Goulding, Managing Accountant Auditor, County of Placer  
California State Controller's Office