



May 9, 2013

Ms. Tamara Laken, Finance Director
City of Lindsay
251 E. Honolulu
Lindsay, CA 93247

Dear Ms. Laken:

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 April 9, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Lindsay Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on January 28, 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). Finance issued an OFA DDR determination letter on April 9, 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 30, 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 balances to satisfy fiscal year 2012-13 obligations in the amount of \$1,097,073. Based on further review during the Meet and Confer process, the Agency may retain \$1,870,840 (= \$694,201 + \$118,006 + \$1,058,633) for enforceable obligations and the OFA balance available will be decreased by \$773,767 (= \$1,097,073 - \$1,870,840), as further discussed below.
 - For the July through December 2012 ROPS (ROPS II) period, Finance approved and the County Auditor Controller (CAC) distributed \$330,500 from the Redevelopment Property Tax Trust Fund (RPTTF). Additionally, the Agency expended \$363,701 on debt service obligations during the ROPS II period from the reserves established during the January through June 2012 ROPS (ROPS I) period. Therefore, the Agency may retain \$694,201 (= \$330,500 + \$363,701) from the OFA balances for approved ROPS II enforceable obligations.

For the \$363,701 received during the ROPS I period and expended from Reserves during the ROPS II period, Finance notes that amounts requested and

approved in a 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.

- o For the January through June 2013 ROPS period (ROPS III), Finance approved \$763,506 and the CAC distributed \$645,500 from the RPTTF. Additionally, the CAC made a \$12,424 adjustment for the ROPS I period on the ROPS III January 2, 2013 distribution pursuant to HSC section 34186 (a). This resulted in a \$105,582 (= \$763,506 - \$645,500 - \$12,424) funding shortfall for the ROPS III period. Therefore, the Agency may retain \$118,006 (= \$12,424 + \$105,582) for approved enforceable obligations in the ROPS III period.
- o For the July through December 2013 ROPS period (ROPS 13-14A), Finance has approved \$4,150,354 from the RPTTF. The CAC estimates that \$735,461 will be available to the Agency from the RPTTF. Therefore, the Agency may retain the remaining balances on hand of \$1,058,633 (= \$1,097,073 + \$773,767 - \$694,201 - \$118,006) for the anticipated shortfall in the ROPS 13-14A period.

The Agency's OFA balance available for distribution to the affected taxing entities is \$0 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 773,767
Finance Adjustments	
Add:	
Retained balances to satisfy 2012-13 ROPS:	(773,767)
Total OFA available to be distributed:	\$ -

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. Maria Knutson, Administrative Supervisor, City of Lindsay
Ms. Sharla Allison, Chief Accountant, Tulare County
Ms. Rita A. Woodard, Auditor-Controller, Tulare County
California State Controller's Office