



REVISED

June 6, 2013

Ms. Linda Wertman, Redevelopment Program Coordinator
City of Lompoc
100 Civic Center, P.O. Box 8001
Lompoc, CA 93438-8001

Dear Ms. Wertman:

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 11, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Lompoc Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on January 14, 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 11, 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 25, 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:

- Transfer of \$179,271 to the City of Lompoc (City) in the period between January and June 2011 for the Art Alley Lighting (Lighting) and the Lompoc Museum Roof Improvement Project (Museum), properties owned by the City. Based on documentation provided by the Agency, the amount represents funds paid by the former redevelopment agency (RDA) for the Museum and Lighting projects (\$130,000 and \$49,271, respectively) from fiscal years 2008-09 through 2010-11.
 - For the Museum project, the Agency provided documentation establishing \$122,368 was recorded in the former RDA capital project fund and funded by the former RDA when the cost was incurred, prior to January 1, 2011. Therefore, \$122,368 is allowable; however, the remaining \$7,632 was paid after January 1, 2011. HSC section 34179.5 (c) states that transfers made to the City after January 1, 2011 through June 30, 2012 must be in accordance with an enforceable obligation, as defined in HSC section 34171 (d), requiring the transfer. The property is owned by the City; therefore the Agency is not obligated to pay the \$7,632 transferred after January 1, 2011.
 - For the Lighting project, the Agency provided documentation establishing the \$49,271 was recorded in the former RDA capital project fund and funded by the

former RDA when the costs were incurred, prior to January 1, 2011. Therefore, no adjustment is needed to the OFA available balance.

- Finance previously denied \$296,506 of the balances requested to be retained for fiscal year 2012-13 obligations listed on Exhibits H and I of the DDR. The Agency claims this amount is needed in order to meet Finance approved obligations for the January through June 2013 Recognized Obligation Payment Schedule (ROPS III) expenditures. Based upon further review during the Meet and Confer process, the Agency was approved for \$1,395,184 in Redevelopment Property Tax Trust Fund (RPTTF) funding (after the County Auditor Controller (CAC) made a \$18,925 adjustment pursuant to HSC section 34186 (a)); however, the CAC only disbursed \$1,078,165. Therefore Agency will be permitted to retain the requested \$296,506 to cover the shortfall.

In addition to the original \$296,506 requested above, the Agency requested to retain an additional \$20,513 for the ROPS III period, the remaining difference between the approved RPTTF, the actual RPTTF distribution, and the amount requested above (\$1,395,184 - \$1,078,165 - \$296,506). The Agency will be permitted to retain these funds to meet the remaining approved obligations for the ROPS III period. Therefore, the OFA balance available for distribution will be decreased by \$20,513 to cover the shortfall and \$18,925 for the HSC section 34186 (a) adjustment.

The Agency's OFA balance available for distribution to the affected taxing entities is \$2,914,323 (see table below).

Available Balance per DDR:	\$ 2,946,129
Finance Adjustments	
Add:	
Disallowed transfers	\$ 7,632
Additional amount requested for ROPS III	(20,513)
HSC section 34186 (a) adjustment	(18,925)
Total OFA available to be distributed:	\$ 2,914,323

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.

Ms. Linda Wertman
June 6, 2013
Page 3

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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Brad Wilkie, Management Services Director, City of Lompoc
Mr. Robert W. Geis, CPA, Auditor-Controller, Santa Barbara County
Mr. Ed Price, Division Chief Property Tax Division, Santa Barbara County
California State Controller's Office