



REVISED

June 6, 2013

Ms. Jennifer La Liberté, Economic Development Manager
City of Napa
1600 First Street
Napa, CA 94559

Dear Ms. La Liberté:

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 Napa 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 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 \$41,159 for obligations incurred during the January through June 2012 Recognized Obligation Payment Schedule (ROPS I) period, but not paid until after June 30, 2012. The Agency claims and Finance confirmed that the City of Napa (City) contributed \$2.6 million from the General Fund to the Agency to ensure all costs of the Agency were covered through June 30, 2012, without placing the items on future ROPS. The \$41,159 is part of that amount. The City is not seeking reimbursement for the \$2.6 million provided as some of the costs are in excess of the amounts approved by Finance. The Agency will be permitted to retain the \$41,159 received from the City because these funds did not belong to the Agency and the City will not be reimbursed by the Agency for these expenditures.

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.

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.

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Please direct inquiries to Evelyn Suess, Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,

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

STEVE SZALAY
Local Government Consultant

cc: Mr. Joe Gray, Finance Director, City of Napa
Mr. Bob Minahen, Assistant Auditor-Controller, County of Napa
California State Controller's Office