



April 2, 2013

Ms. Susie L. Mears, Finance Director
City of Ojai
P.O. Box 1570
Ojai, CA 93024

Dear Ms. Mears:

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 5, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Ojai Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on October 9, 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 5, 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 14, 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.

- Asset transfer in the amount of \$250,000. Our initial review indicated the transfer was for payment of a loan between the former redevelopment agency and the City of Ojai. During the Meet and Confer process, the Agency provided additional documents showing the loan payment was reversed on June 30, 2011. Therefore, Finance is reversing the \$250,000 adjustment to reflect the reversal of the payment and reducing the amount available to be distributed.

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:

- Balances retained to satisfy 2012-13 fiscal year obligations in the amount of \$11,839. Agency stated that for January 1, 2012 through June 30, 2012 period the Agency received \$11,839 for pass-through obligations which was significantly less than the requested amount of \$83,651. The agency was unable to determine how much of the \$11,839 should be distributed to the taxing entities since they didn't receive the full amounts requested. Therefore, the balance was adjusted for \$11,839 to be remitted to the county auditor-controller to make distributions to taxing entities.

The Agency's OFA balance available for distribution to the affected taxing entities is \$17,327 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 5,488
Finance Adjustments	
Denied balances retained	11,839
Total OFA available to be distributed:	\$ 17,327

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.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish extending to the left.

STEVE SZALAY
Local Government Consultant

cc: Ms. Donna Logan, Accountant, City of Ojai
Ms. Sandra Bickford, Chief Deputy, Ventura County Auditor-Controller
California State Controller's Office