



April 29, 2013

Mr. Mikah Salsi, Program Specialist  
City of Oroville  
1735 Montgomery Street  
Oroville CA, 95965-4897

Dear Mr. Salsi:

Subject: Other Funds and Accounts Due Diligence Review

The Oroville Successor Agency (Agency) submitted an oversight board approved Other Funds and Accounts (OFA) Due Diligence Review (DDR) to the California Department of Finance (Finance) on January 16, 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 is not bound to completing its review and making a determination by the April 1, 2013 deadline pursuant to HSC section 34179.6 (d). However, Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of OFA available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- Disallowed transfers in the amount of \$1,852,500. Our review indicates that cash was transferred from the Oroville Redevelopment Agency (RDA) to the City of Oroville (City) to repay a \$1,852,500 City loan in January, 2012. Pursuant to HSC section 34167.5, asset transfers after January 1, 2011, between the city or county, or city and county that created a redevelopment agency for which an enforceable obligation does not exist is not permitted. The loan was issued after the first two years of the RDA's creation and is not considered an enforceable obligation pursuant to HSC section 34171 (d) (2) which states "enforceable obligation" does not include any agreements, contracts, or arrangements between the city that created the RDA and the former RDA unless entered into within the two years of RDA's creation. Therefore, the repayment of the loan is not permitted.
- Balances retained for the funding of an enforceable obligation in the amount of \$26,992. Our review indicates that the Agency requested and was approved for Redevelopment Property Tax Trust Fund (RPTTF) funding on Recognized Obligation Payment Schedule (ROPS) 13-14A for the Taylor Developer Participation Agreement. Therefore, the balance requested for retention is not permitted and the balance has been adjusted by \$26,992.
- Balances retained for fiscal year 2012-13 in the amount of \$620,502. The Agency requested to retain \$3,228,125; however, our review noted the following disallowed items.

- o July through December 2012 ROPS (ROPS II) Item D-2 – Levee Investigation for \$240,000 funded with bond proceeds.
- o ROPS II Item D-7 – Consulting for Project/Financial Administration for \$10,000 not included on approved ROPS II.
- o January through June 2013 ROPS (ROPS III) Items F 1-4 and G1-3 – Various items totaling \$245,502 funded with Low and Moderate Income Housing Fund.
- o ROPS III Item E -1 – Administrative allowance of \$125,000 funded with RPTTF received after June 30, 2012.

Therefore, the balance has been adjusted by \$620,502 for the disallowed ROPS II and ROPS III items listed above.

If you disagree with Finance’s adjusted amount of OFA balances available for distribution to the taxing entities, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance’s website below:

[http://www.dof.ca.gov/redevelopment/meet\\_and\\_confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency’s OFA balance available for distribution to the affected taxing entities is \$2,970,383 (see table below).

<b>OFA Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ 470,389
Finance Adjustments	
Disallowed transfers:	\$ 1,852,500
Denied balances to be restricted:	26,992
Denied ROPS items:	620,502
<b>Total OFA available to be distributed:</b>	<b>\$ 2,970,383</b>

Absent a Meet and Confer request, 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, please 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

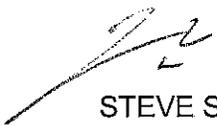
provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows 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 section 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 Beliz Chappuie, Supervisor or Anna Kyumba, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Diane D. Macmillan, Finance Director, City of Oroville  
Ms. Maria Solis, Auditor-Accountant, County of Butte, Auditor-Controller  
California State Controller's Office