



May 8, 2013

Ms. Kymberly Horner, Interim Redevelopment Services Manager  
City of Oxnard  
Community Development Department  
214 South "C" Street  
Oxnard, CA 93030

Dear Ms. Horner:

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 1, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Oxnard (Agency) submitted an oversight board approved OFA DDR to the California Department of Finance (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 April 1, 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 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:

- Asset transfers in the amount of \$1,790,784 previously disallowed. The Agency provided Finance with accounting records to demonstrate that the transfers out of the former Redevelopment Agency (RDA) funds were subsequently returned to the RDA and Agency funds; therefore, the adjustment to the OFA balance is not necessary.
- Balances retained for fiscal year 2012-13 enforceable obligations in the amount of \$10,478,777. The Agency requested to retain \$10,478,777 million for the July through December 2012 Recognized Obligation Payment Schedule (ROPS II) and January through June 2013 ROPS (ROPS III) approved enforceable obligations. The Agency is allowed to retain \$4,331,478 for ROPS II approved enforceable obligations. Additionally, the County Auditor Controller adjusted the January 2, 2013 ROPS III distribution by \$3,208,227 pursuant to HSC section 34186 (a). Therefore, the Agency may retain \$7,539,705 (\$4,331,478 + \$3,208,227) in order to adequately fund approved enforceable obligations for both periods.

During the Meet and Confer, the Agency also requested to retain funds for administrative costs in the amount of \$428,011 as related to the HERO Wagon Wheel project, which was approved as an enforceable obligation through a court ordered judgment. Finance

notes this item is not included in the amounts to be retained per the DDR. We further note that the Agency received the full amount funding for the obligation from the county auditor-controller as requested by the Agency on their ROPS form. Therefore, the request to retain OFA balances for purposes beyond the listed amount is not permitted.

Accordingly, the OFA balance available for distribution is increased by \$2,939,072.

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:

- Unsupported capital asset transfers in the amount of \$6,196,265. The Agency provided capital asset account balances for the capital assets to support the transfers returned to the Agency; however, records provided do not support the full amount claimed to be returned to the Agency. Finance made no adjustments to the balance since these are non-liquid assets; however, the Agency should reverse the improper transfers and include these properties in its Long Range Property Management Plan which is to be submitted to Finance pursuant to HSC section 34191.5.

The Agency's OFA balance available for distribution to the affected taxing entities is \$15,724,978 (see table below).

<b>OFA Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ 12,785,906
Finance Adjustments	
Disallowed balances retained for ROPS obligations	2,939,072
<b>Total OFA available to be distributed:</b>	<b>\$ 15,724,978</b>

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

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Curtis Cannon, Community Development Director, City of Oxnard  
Ms. Sandra Bickford, Chief Deputy, Ventura County Auditor-Controller  
California State Controller's Office