DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

REVISED

October 10, 2013

Mr. Kenneth A. Domer, Assistant City Administrator
City of Placentia
401 E. Chapman Avenue
Placentia, CA 92870

Dear Mr. Domer:

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 13, 2013 and May 17, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Placentia Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on January 28, 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 was not bound to completing its review and making a determination by the April 1, 2013 deadline pursuant to HSC section 34179.6 (d). Finance issued an OFA DDR determination letter on April 13, 2013. Subsequent to a Meet and Confer process on one or more items adjusted by Finance, Finance issued a final determination letter on May 17, 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:

- Transfers totaling $2,426,253 were previously not allowed. Finance no longer believes this adjustment is necessary. The Agency claims the property was always owned by the City of Placentia (City); therefore, no transfer occurred. Our review indicates all properties were titled in the City's name as the City used their eminent domain powers to acquire the properties in 2006 and 2009. The Agency recorded transfers of $2,426,253 as adjustments in their accounting records for the amount the former redevelopment agency provided to fund the purchases of the properties. Therefore, no transfer occurred and no adjustment to the OFA balance is necessary.

- Finance continues to object to the transfers of the parking lots located at 234 Main Street and 234 Melrose Street for governmental purposes because they are not reserved for the sole use of governmental agencies or persons visiting those agencies. Since the transfers are for non-liquid assets, Finance made no adjustments to the available balance to the affected taxing entities for these items.

These non-liquid assets transferred to the City are subject to the California State Controller's Office review of asset transfers. To the extent these properties do not meet criteria outlined in HSC section 34181 (a), they should be returned to the Agency and disposed of in a manner consistent with the Agency's Long Range Property Management Plan pursuant to HSC section 34191.5.

- The Agency's request to retain $1,836,948 to satisfy enforceable obligations is partially approved. Our review indicates the Agency will be permitted to retain $1,176,013 ($738,285 + $437,728), as further discussed below. Accordingly, the OFA balance available for distribution will be increased by $660,935 ($1,836,948 - $1,176,013), as further discussed below.

  For the Recognized Obligation Payment Schedule (ROPS) for the July through December 2012 period (ROPS II), Finance approved $909,792 in enforceable obligations. The Orange County Auditor Controller (CAC) distributed $738,285 from the Redevelopment Property Tax Trust Fund (RPTTF); however, the Agency only expended $729,857. The Agency will be permitted to retain the entire amount of $738,285 disbursed by the CAC. Any unused RPTTF will be adjusted by the CAC in accordance with HSC 34186 (a).

  For the January through June 2013 ROPS period (ROPS III), Finance approved $1,614,616 in enforceable obligations. The CAC only distributed $1,176,888 from the RPTTF. Therefore, the Agency will be permitted to retain the difference between the amount approved and the amount distributed totaling $437,728 ($1,614,616 - $1,176,888) to satisfy approved ROPS III expenditures.

  Should a deficit occur in the future, HSC provides successor agencies with various methods to address short term cash flow issues. These may include requesting a loan from the city pursuant to HSC section 34173 (h), requesting the accumulation of reserves on the ROPS when a future balloon or uneven payment is expected pursuant to HSC section 34177 (d) (1) (A), or subordinating pass-through payments pursuant to HSC section 34183 (b). The Agency should seek counsel from their oversight board to determine the solution most appropriate for their situation if a deficiency were to occur.

The Agency's OFA balance available for distribution to the affected taxing entities is $0 (see table below).

OFA Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	(1,460,114)
Finance Adjustments		
Add:		
Requested retained balance not supported:	$	660,935
Total OFA available to be distributed:		$0

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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Derk Symons, Analyst, at (916) 445-1546.

Sincerely,

Justyn Howard
Assistant Program Budget Manager

cc: Mr. Troy Butzlaff, City Administrator, City of Placentia
Ms. Karen Ogawa, Finance Director, City of Placentia
Mr. Frank Davies, Property Tax Manager, Orange County