



April 8, 2013

Mr. Ken Zuidervaart, Planning Director
City of Ripon
259 N. Wilma Ave
Ripon, CA 95366

Dear Mr. Zuidervaart:

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 15, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Ripon 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 15, 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 27, 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:

- Balances requested to be retained in the amount of \$2,364,788 for fiscal year 2012-13 obligations were partially denied.

The Agency paid administrative costs totaling \$250,000 for the January through June 2013 Recognized Obligation Payment Schedule (ROPS I) in July 2012. Since the payment was made after June 30, 2012, the funds needed to pay ROPS I administrative costs were included in the beginning balance. Therefore, \$250,000 needs to be retained.

For the July through December 2012 Recognized Obligation Payment Schedule (ROPS II), Finance approved \$1,519,437 from the Redevelopment Property Tax Trust Fund (RPTTF). The County Auditor Controller reported a distribution of \$669,891 in June 2012, which left a shortfall of \$849,546. On the July through December 2013 Recognized Obligation Payment Schedule (ROPS 13-14A), the Agency reported total expenditures of \$1,519,437 for the ROPS II period. Therefore, the \$1,519,437 that was approved by Finance needs to be retained.

As related to the RPTTF shortfall, Finance notes that HSC section 34177 (a) (3) states that only those payments listed in the approved ROPS may be made from the funding source specified in the ROPS. However, HSC section 34177 (a) (4) goes on to state

that with prior approval from the oversight board, the successor agency can make payments for enforceable obligations from sources other than those listed in the ROPS. In the future, the Agency should obtain prior oversight-board approval when making payments for enforceable obligations from a funding source other than those approved by Finance.

For the January through June 2013 ROPS (ROPS III), Finance approved and the County Auditor Controller distributed \$1,060,271 from the RPTTF. Since the County Auditor Controller distributed RPTTF for approved ROPS III obligations after the June 30, 2012 OFA balances delineated in the DDR, the Agency does not need to retain current OFA balances for obligations that have already been funded through a separate process.

Based on the amounts needed for retention noted above, the OFA balances available for distribution to the taxing entities will be increased by \$595,351 (\$2,364,788 - \$250,000 - \$1,519,437).

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:	\$ (803,164)
Finance Adjustments	
Add:	
Requested retained balance not supported:	\$ 595,351
Total OFA available to be distributed:	\$ (207,813)

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 Mary Halterman, Analyst at (916) 445-1546.

Sincerely,

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

STEVE SZALAY
Local Government Consultant

cc: Ms. Sandra Chan, Chief Deputy Auditor Controller, County of San Joaquin
Mr. Kevin Werner, Deputy City Administrator, City of Ripon
California State Controller's Office