



March 25, 2013

Ms. Mary Rister, Finance Officer
City of Rocklin
3970 Rocklin Road
Rocklin, CA 95677

Dear Ms. Rister:

Subject: Other Funds and Accounts Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Rocklin 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 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. Pursuant to HSC section 34179.6 (d), 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:

- The Agency transferred cash totaling \$2,710,450 to City of Rocklin (City) and Rocklin Public Financing Authority. Finance's review has concluded that this amount should be adjusted by \$1,136,969 for the following reasons:
 - An amount of \$2,250,450 was transferred to the City in March 2011 for a Public Improvements Reimbursement Agreement between the City and the former Redevelopment Agency (RDA). The RDA agreed to reimburse the City up to \$2,250,450 for five public improvement projects. Documents provided by the Agency demonstrate that the City executed contracts for only \$1,573,481 prior to June 27, 2011. Therefore, the unsupported difference of \$676,969 (\$2,250,450-\$1,573,481) is not allowed to be retained.
 - An amount of \$460,000 was transferred to the Rocklin Public Financing Authority in March 2011 for a loan agreement executed between the RDA and the Rocklin Public Financing Authority to provide gap financing to the Croftwood Sever Lift Station Project. The Rocklin Public Financing Authority is a Joint Powers Agency (JPA) between the City of Rocklin and the RDA, and the board is composed of the City Council and the RDA members. Therefore, Finance considers this an agreement between the RDA and the City. Pursuant to HSC 34171 (2) agreements between the City and RDA are not enforceable obligations unless that agreement was executed

within two years of the date of creation of the RDA. The RDA was created in 1981 and the contract was executed on March 8, 2011. Therefore, the transfer of \$460,000 from the RDA to the Rocklin Public Financing Authority is not allowed. An adjustment of \$460,000 is added to the OFA available balance to be distributed to the affected taxing entities.

- Balances retained for fiscal year 2012-13 obligations in the amount of \$4,259,692. The Agency requested to retain a balance of \$5,731,886 to satisfy obligations for fiscal year 2012-13. Actual Redevelopment Property Tax Trust Fund (RPTTF) distributed for Recognized Obligation Payment Schedule (ROPS) for the period July through December 2012 (ROPS II) by the County to the Agency was \$1,472,194. This is the total amount Agency is allowed to retain for ROPS II obligations. The RPTTF distribution for the January through June 2013 ROPS (ROPS III) took place on January 2, 2013 and was not reflected in the DDR June 30, 2012 cash balance. Therefore, the unsupported difference of \$4,259,692 (\$5,731,886-\$1,472,194) is not allowed to be retained.

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/

The Agency's OFA balance available for distribution to the affected taxing entities is \$1,554,826 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ (3,841,835)
Finance Adjustments	
Disallowed transfers	\$ 1,136,969
Unsupported balances retained for 2012-13 obligations	4,259,692
Total OFA available to be distributed:	\$ 1,554,826

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 Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Kim Sarkovich, Chief Finance Officer, City of Rocklin
Ms. Jayne Goulding, Managing Accountant Auditor, County of Placer
California State Controller's Office