



June 10, 2013

Ms. Melissa Hagan, Financial Analyst
City of Roseville
311 Vernon Street
Roseville, CA 95678

Dear Ms. Hagan:

Subject: Other Funds and Accounts Due Diligence Review

The City of Roseville 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 March 26, 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:

- Transfers made to the City of Roseville (City) totaling \$7,304,420 on July 1, 2011 and January 31, 2012. According to the notes in Exhibit A of the DDR, transfers of cash to repay City loans were authorized pursuant to Oversight Board (OB) Resolution 12-01 dated January 9, 2012. However, OB Resolution 12-01 only states that the City elected to serve as the Successor Agency to the Redevelopment Agency (RDA) pursuant to HSC section 34173 and does not include an authorization for the Agency to repay loans owed to the City. Furthermore, documentation provided by the Agency for these loans have been previously reviewed and denied by Finance as enforceable obligation. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable unless the loan agreements were entered within the first two years of the date of the creation of the RDA. Therefore, payments from the former RDA to the City were not allowed and Finance is adjusting the OFA DDR to increase the balance in the amount of \$7,304,420.

Review of the DDR also noted that a portion of the \$7,304,420 was funded with Agency's 2006 A bond proceeds. Specifically, the DDR report, Exhibit A, noted two transactions in the amounts of \$1,050,000 and \$5,835,554 on January 31, 2012, totaling \$6,885,554 that were described as bond proceeds "swap" for the amounts originally loaned from the City's general fund. Despite the DDR noting this total amount of

\$6,885,554 originating from bond proceeds, the reduction in restricted cash during the period of June 30, 2011 through January 31, 2012 as presented in the Financial Summary (DDR report, Exhibit B) was only \$5,560,985 (\$11,499,968 - \$5,938,983). Agency's response to the State Controller's Asset Review confirms that amount was partially funded with bond proceeds. Since bond proceeds are considered restricted assets, of the disallowed transfer of \$7,304,420, \$5,560,985 is not available for disbursement to the affected taxing entities.

- Unspent bond proceeds in the amount of \$5,944,943. These bond proceeds were accounted for in the Low and Moderate Income Housing Fund (LMIHF) DDR and should not be included in the Agency's OFA balances. Since Finance authorized the Agency to restrict unspent bond proceeds in the amount of \$5,560,985 as identified above, the net adjustment to the legally restricted assets has been decreased by \$383,958 (\$5,944,943 - \$5,560,985).
- Balances retained for fiscal year 2012-13 obligations in the amount of \$1,456,979. The Agency requested to retain \$2,693,164 to satisfy obligations for fiscal year 2012-13. Funding approved by Finance for the July through December 2012 Recognized Obligation Payment Schedule (ROPS II) included \$1,212,533 of Redevelopment Property Tax Trust Fund (RPTTF) and \$23,652 of Reserve Balances. The Agency did not request any enforceable obligations to be paid from Other or Reserve Funding sources for the January through June 2013 ROPS period (ROPS III) and the RPTTF distribution for this ROPSIII was made on January 2, 2013 which is not reflected in the DDR June 30, 2012 cash balance. Therefore, the Agency is permitted to retain \$1,236,185 (\$1,212,533 of RPTTF and \$23,652 in Reserves). Available balance was adjusted by \$1,456,979 (\$2,693,164 - \$1,236,185).

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 \$2,881,408 million (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ (319,006)
Finance Adjustments	
Adjustment to June 31, 2012 balance	\$ (5,944,943)
Disallowed transfers	\$ 7,304,420
Restricted balances not supported	\$ 383,958
Disallowed balances retained for 2012-13 obligations	1,456,979
Total OFA available to be distributed:	\$ 2,881,408

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, 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.

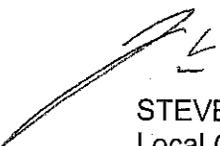
Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain 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 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: Mr. Kevin Payne, Revitalization Manager, City of Roseville
Ms. Jayne Goulding, Managing Accountant Auditor, Placer County
California State Controller's Office