

March 22, 2013

Mr. Errin Briggs, Program Manager
County of Santa Barbara
123 East Anapamu
Santa Barbara, CA 93101

Dear Mr. Briggs:

Subject: Other Funds and Accounts Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the County of Santa Barbara 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 November 9, 2012. 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 a \$624,922 account receivable amount to the Low Moderate Income Housing Fund (LMIHF) as the required 20 percent set aside. However, with the passing of ABx1 26, this requirement no longer exists; therefore the funds should have been transferred back to the Agency. Instead, the Agency distributed the amount with the LMIHF DDR. The Agency should not hold the account receivable any longer. As such, this balance as of June 30, 2012 will be adjusted by \$624,922 as it should not be considered an asset. In addition, the amount will not be restricted as a non-liquid asset in Procedure 7, resulting in a net zero change. This adjustment will not affect the total amount distributed to taxing entities.
- The Agency requested to retain \$1,670,393 for legally restricted assets; however, only \$1,639,424 was included Procedure 5 which denotes the total amount of assets held as of June 30, 2012. Therefore, the difference of \$30,969 was not included in the total and should be added. The effect of this adjustment is to ensure the reported assets legally restricted in Procedure 6 of the OFA DDR are captured in the OFA balance as of June 2012. This adjustment was necessary as it impacts the total funds held with fiscal agent.

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 \$1,840,575 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 1,809,606
Finance Adjustments	
Add:	
Adjustment to the June 30, 2012 balance:	\$ 30,969
Total OFA available to be distributed:	\$ 1,840,575

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 Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Mark Paul, Deputy Director of Finance and Administration, County of Santa Barbara
Mr. Robert W. Geis, CPA, Auditor-Controller, County of Santa Barbara
California State Controller's Office