



July 17, 2015

Mr. Chris Jicha, Secretary & Staff to Designated Local Authority  
City of Santa Paula Designated Local Authority  
865 South Figueroa Street, 35th Floor  
Los Angeles, CA 90017

Dear Mr. Jicha:

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 June 12, 2015. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Santa Paula Designated Local Authority Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on January 15, 2015. 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 June 12, 2015. 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 June 22, 2015.

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 to the City of Santa Paula (City) in the amount of \$41,000 (\$23,917 + \$17,083) initially were disallowed. However, during the meet and confer process, we determined that the OFA DDR should be adjusted by \$23,917. The former redevelopment agency (RDA) made two transfers to the City for the Museum Lease Agreement. In our initial review, Finance requested the Museum Lease Agreement, but the Agency did not provide the documents. During the Meet and Confer process, the Agency provided the Property Lease between the City and a third party dated July 1, 1993 and a Sublease, the Museum Lease Agreement, between the City and the RDA dated April 19, 1999. Based on our review of these documents, we determined that:
  - The transfer totaling \$23,917 made between January 1, 2011 and June 30, 2011 is disallowed. The Agency claims these were lease payments to the City for the Museum Lease Agreement. However, pursuant to HSC section 34179.5 (c) (2), the dollar value of assets and cash transferred by the RDA or successor agency to the city, county, or city and county that formed the former RDA between January 1, 2011 through June 30, 2012, must be evidenced by documentation of the enforceable obligation that required the transfer. HSC section 34179.5 states enforceable obligation includes any of the items listed in subdivision (d) of section 34171,

contracts detailing specific work that were entered into by the former RDA prior to June 28, 2011, with a third party other than the city, county, or city and county that created the former RDA. HSC section 34171 (d) (2) states enforceable obligation" does not include any agreements, contracts, or arrangements between the city that created the RDA and the former RDA. Therefore, the Museum Lease Agreement is not an enforceable obligation and the transfer was not made pursuant to an enforceable obligation and is not permitted. Accordingly, the OFA balance available for distribution to the affected taxing entities remains increased by \$23,917.

- o The transfer totaling \$17,083 made between February 1, 2012 and June 30, 2012 is no longer disallowed. The Agency claims these were lease payments to the City for the Museum Lease Agreement. As noted above, the Museum Lease Agreement is not an enforceable obligation; however, these payments were listed on the Recognized Obligation Payment Schedule (ROPS) for the January through June 2012 (ROPS I) period and were not denied by Finance. Therefore, the payments made during the ROPS I period will be allowed for purposes of the DDR.

The Agency did not object to the following item during the Meet and Confer process. HSC section 34179.6 (d) authorizes Finance to make adjustments and we maintain that the adjustment is appropriate:

- Total assets were overstated by \$1,414,235. Our review of the Agency's accounting records indicates that total cash held as of June 30, 2012 included \$1,414,235 of Low-Moderate Income Housing Funds (LMIHF). Finance adjusted the LMIHF DDR to remit this amount to the County Auditor-Controller. Therefore, this amount should not be included in the OFA total assets held by the Agency as of June 30, 2012. Therefore, the balance has been adjusted by \$1,414,235.

The Agency's OFA balance available for distribution to the affected taxing entities is \$24,948 (see table below).

<b>OFA Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ 1,415,266
Finance Adjustments	
Balances transferred to the City	\$ 23,917
Adjustment to cash for LMIHF balance	\$ (1,414,235)
<b>Total OFA available to be distributed:</b>	<b>\$ 24,948</b>

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.

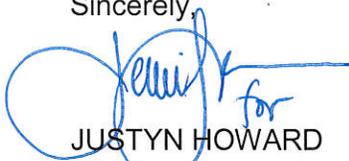
Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain 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, Dispute Resolution Supervisor, or Danielle Brandon, Analyst at (916) 445-3274.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Sandy Easley, Treasurer, Designated Local Authority, City of Santa Paula  
Designated Local Authority  
Ms. Rhoda Farrell, Property Tax Fiscal Manager, Ventura County