



March 11, 2013

Mr. John D. Haig, Jr., Redevelopment Manager  
Sonoma County Community Development Commission  
1440 Guerneville Road  
Santa Rosa, CA 95403

Dear Mr. Haig:

Subject: Other Funds and Accounts Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the Sonoma County 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:

Balances requested to be retained for fiscal year 2012-13 will be adjusted by \$3,921,002. The DDR requests to retain \$10,276,637 for fiscal year 2012-13 obligations. During our review, we identified the following:

- July through December 2012 Enforceable Obligations (EO) approved on the Recognized Obligation Payment Schedule (ROPS II) totaled \$4,014,901. Since these items are approved on the ROPS II, the Agency is allowed to retain them for the 2012-13 fiscal year obligations. However, the Agency also requested to retain OFA funds for items that were denied as EOs by Finance as well as items funded with the Low and Moderate Income Housing Funds on the ROPS II. HSC 34177 (a)(3) requires that obligations can only be paid from the funding source identified in the Recognized Obligation Payment Schedule. Therefore, the OFA balances available for distribution to the taxing entities will be adjusted to allow the retention of \$4,014,901 for the ROPS II period.

January through June 2013 ROPS III obligations to be funded with Reserve or Other Balances in the amount of \$2,340,734 is permitted to be retained. However, included in the Agency's request to retain funds for ROPS III obligations were expenditures that were approved with Redevelopment Property Tax Trust Fund (RPTTF) funding. Since the County Auditor Controller distributed RPTTF for approved ROPS III obligations on January 2, 2013, after the June 30, 2012 OFA balances delineated in the DDR, it is

inappropriate for the Agency to retain current OFA balances for obligations that have already been funded through a separate process. Therefore, the OFA balances available for distribution to the taxing entities will be adjusted to allow the retention of \$2,340,734 for the ROPS III period.

Therefore, a total of \$6,355,635 is allowed to be retained for approved fiscal year 2012-13 obligations resulting in a \$3,921,002 adjustment.

Finance noted the county auditor controller adjusted the ROPS III January 2, 2013 distribution by \$99,628 pursuant to HSC section 34186 (a). Therefore, Finance is allowing the retention of these funds in order to adequately fund approved ROPS III expenditures.

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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's OFA balance available for distribution to the affected taxing entities is \$7,337,832 (see table below).

<b>OFA Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ 3,516,458
Finance Adjustments	
Add:	
Balances not needed to satisfy ROPS for the 2012-2013 fiscal year	\$ 3,921,002
HSC section 34186 (a) adjustment:	\$ (99,628)
<b>Total OFA available to be distributed:</b>	<b>\$ 7,337,832</b>

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.

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 Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Kathleen Kane, Director, Sonoma County Community Development Commission  
Mr. Erick Roeser, Property Tax Manager, Sonoma County  
California State Controller's Office