



April 1, 2013

Mr. Gordon Elton, Finance Director  
City of Ukiah  
300 Seminary Avenue  
Ukiah, CA 95482

Dear Mr. Elton:

Subject: Other Funds and Accounts Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Ukiah 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 adjustment was made:

- The Agency's request to retain \$1,700,131 for the Redwood Business Park Infrastructure Improvements project is denied. Funding for this item was denied by Finance in our letter dated October 11, 2012. In addition, Finance's determination for this item was further confirmed in our December 18, 2012 Meet and Confer determination letter. Therefore, the OFA balance available for distribution to the taxing entities will be adjusted by \$1,700,131.
- The Agency's request to retain \$3,718,455 as legally restricted for the funding of an enforceable obligation is partially denied. It is our understanding this amount is comprised of Recognized Obligation Payment Schedule (ROPS I) obligations totaling \$126,771 and the remaining balance is from ROPS II. Since these are ROPS I obligations that have not yet been spent, we are disallowing the Agency's request to retain these amounts. Although these ROPS I obligations were approved with reserves as a funding source, these obligations can be put on a future ROPS to be funded with Redevelopment Property Tax Trust Fund (RPTTF). Therefore, the OFA balance available for distribution to the taxing entities will be adjusted by \$126,771.

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 \$609,524. (See table below).

<b>OFA Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ (1,217,378)
Finance Adjustments	
Add:	
Requested retained balance not supported:	126,771
Denied ROPS Items:	\$ 1,700,131
<b>Total OFA available to be distributed:</b>	<b>\$ 609,524</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. 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.

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Please direct inquiries to Kylie Le, Supervisor or Brian Dunham, Lead Analyst at  
(916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish extending from the end.

STEVE SZALAY  
Local Government Consultant

cc: Ms. Sage Sangiacomo, Assistant City Manager, City of Ukiah  
Ms. Meredith J. Ford, Auditor-Controller, Mendocino County  
California State Controller's Office