



April 13, 2013

Ms. Heather Ippoliti, Finance Director
Town of Windsor
9291 Old Redwood Hwy
P.O. Box 100
Windsor, CA 95492

Dear Ms. Ippoliti:

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 March 8, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the Town of Windsor Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on January 14, 2013. 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 March 8, 2013. 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 March 27, 2013.

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:

- Funds transferred to the City in the amount of \$235,176 between January 1, 2011 and June 30, 2011 is partially denied. While the Agency concurs \$55,716 was transferred, it claims the remaining \$179,460 noted as a transfer in fiscal year 2011 was reversed in 2012. The Agency provided documentation establishing this is in fact the case. Therefore, Finance will increase the OFA available for distribution by \$55,716.
- Balances requested to be retained in the amount of \$3,052,495 is partially denied.
 - Included in this amount was a request to retain \$2,154,454 for the July through December 2012 Recognized Obligation Payment Schedule (ROPS II) period. Although the Agency was approved for \$2.2 million for ROPS II, it did not receive any Redevelopment Property Tax Trust Fund (RPTTF) due to an error in the July True-Up payment. While the County Auditor Controller confirmed the true-up payment was not accurate, the Agency only expended \$1,449,244 during the period and will be permitted to retain reserve funds up to the amount expended during the ROPS II period.

- o Included in the amount was a request to retain \$898,041 for January through June 2013 ROPS III expenditures. Finance approved \$365,041; however, this amount was not distributed by the CAC. The effects of the July true-up error referenced above were carried forward to the January through June 2013 Recognized Obligation Payment Schedule (ROPS III) period. The County Auditor Controller made an adjustment to the Agency's RPTTF distribution pursuant to HSC section 34186 (a) and did not distribute any RPTTF funds. Therefore, the Agency will be permitted to retain reserves up to the amount of Finance's approved RPTTF funding in the amount of \$365,041.
- o The total amount of requested funds permitted to be retained is \$1,814,285 for the items above; therefore, Finance will increase the OFA available for distribution by \$1,238,210.

The Agency's OFA balance available for distribution to the affected taxing entities is \$4,119,482 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 2,825,556
Finance Adjustments	
Add:	
Disallowed transfers	\$ 55,716
Requested retained balance not supported	1,238,210
Total OFA available to be distributed:	\$ 4,119,482

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, Supervisor or Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a long horizontal stroke extending to the left.

STEVE SZALAY
Local Government Consultant

cc: Mr. David Kelley, Assistant Town Manager, Town of Windsor
Mr. David E. Sundstrom, Auditor-Controller, Sonoma County
California State Controller's Office