DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 1, 2013

Ms. Wendy Ross, Economic Development Manager
City of Woodland
300 First Street
Woodland, CA 95695

Dear Ms. Ross:

Subject: Other Funds and Accounts Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Woodland Successor Agency submitted an oversight board approved Other Funds and Accounts (OFA) Due Diligence Review (DDR) to the California Department of Finance (Finance) on December 20, 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 DDR identifies balances restricted totaling $4,703,649. Finance noted the Agency is required to hold $593,974 in reserve with the fiscal agent as required by the bond indentures. The Agency claims the remaining amounts are bond proceeds and therefore, restricted. These amounts are listed within the general ledger; however, it is unclear that they are actually related to bond restrictions. Finance requested but did not receive sufficient documentation to support these restricted balances. The general ledger provided was not specific to the type of account listed, and the chart of accounts only identified the accounts are Agency accounts, not clearly denoting they are Agency accounts specific to bond proceeds. Therefore, the OFA balances available for distribution to the taxing entities will be adjusted by $4,109,675.

- The Agency requested to retain $270,703 for July through December 2012 Recognized Obligation Payment Schedule (ROPS II) enforceable obligations. The Agency received $438,922 in Redevelopment Property Tax Trust Funds (RPTTF) from the County Auditor Controller (CAC), which was not enough to cover all the obligations listed on ROPS II. Although approved by Finance, the Agency is limited to retaining the amount distributed by the CAC. Therefore, the OFA balances available for distribution to the taxing entities will be adjusted by $270,703.

To the extent these constitute enforceable obligations, the Agency should request funding for these in a future ROPS.

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 $4,380,378 (see table below).

OFA Balances Available For Distribution To Taxing Entities		
Available Balance to be Remitted per DDR:	$	-
Finance Adjustments:		
Requested retained balance not supported:	$	4,109,675
Requested retained balance not supported:		270,703
Total OFA available to be distributed:	$	4,380,378

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. Dan Sokolow, Senior Planner, Community Development
Mr. Howard Newens, Auditor-Controller, County of Yolo Auditor-Controller and Treasurer-Tax Collector
California State Controller's Office