



JOHN CHIANG
California State Controller

June 1, 2012

Re: Insufficient Funds Responsibilities for Counties and Successor Agencies

Dear Successor Agency Officials and County Auditor-Controllers:

The dissolution of California's redevelopment agencies (RDA's) has placed many responsibilities upon the successor agencies and their associated county auditor-controllers. This letter is intended to clarify those responsibilities in regard to monitoring the sufficiency of the funds provided to successor agencies for meeting the recognized obligations of the former RDA's, and the required actions to be taken in the event the provided funds are not sufficient.

In accordance with Health and Safety Code section 34182(c)(3), each county auditor-controller is to prepare estimates of the amounts to be allocated and distributed from the property tax revenues deposited in its Redevelopment Property Tax Trust Fund. These estimates are to be provided to the entities receiving these distributions and the Department of Finance no later than November 1 and May 1 of each year. Using these estimates, its available cash balances, and any expected revenues for the period, each successor agency is to assess the sufficiency of the funds available to it for its recognized obligations scheduled for payment. If the successor believes it will not have sufficient funds to meet its scheduled recognized obligations, it should notify its county auditor-controller no later than December 1 and May 1.

Upon receipt of a successor's notification of insufficient funds, the county auditor-controller shall notify the Department of Finance and the State Controller's Office (SCO) of the successor agency's claim of insufficiency within 10 days. The county auditor-controller will then verify whether the successor will have sufficient funds from which to service debts according to the approved Recognized Obligations Payment Schedule (ROPS) and report his or her determination to the SCO. The SCO asks that this report of findings clearly state whether there are sufficient or insufficient funds from which the successor may service debts according to the ROPS. The SCO also asks that the county auditor-controller include with the report of findings appropriate supporting documentation, including an analysis of the current balance of cash and near-cash equivalents (investments, LAIF deposits, etc.) available to the successor for payment of the recognized obligations of the former RDA, an analysis of the expected cash inflows that will be available for payment of the recognized obligations of the former RDA, and a copy of the Recognized Obligation Payment Schedule as approved by the Department of Finance. Please send all such notifications and verifications to RDA-SDSupport@sco.ca.gov.

In accordance with Health and Safety Code section 34182(f), upon receipt of the county auditor-controller's report, the SCO will have three business days to either accept the report's determination or request a review. During these three days, the county auditor-controller is not to take any actions based upon the report's determination. The SCO will notify the county auditor-controller of either its concurrence or review request within those three days. If a review is requested, the SCO will have 10 calendar days from the date of the request to complete the review and either approve of the report's conclusion or return it for reconsideration. During this review, the county auditor-controller may not take any actions based upon the report. If the report is returned for reconsideration, the county auditor-controller must resubmit a modified report and may not take any further actions based upon the report until it is approved by the SCO.

If you have any questions, please contact the SCO's RDA support staff at RDA-SDsupport@sco.ca.gov, or call them at (916) 327-1017.

Sincerely,

[Originally Signed by John Chiang]

JOHN CHIANG
CALIFORNIA STATE CONTROLLER