COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CITRUS HEIGHTS

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012

JOHN CHIANG
California State Controller

October 2014

JOHN CHIANG
California State Controller

October 9, 2014

Henry Tingle, City Manager
Citrus Heights Redevelopment/Successor Agency
6237 Fountain Square Drive
Citrus Heights, CA 95621

Dear Mr. Tingle:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Community Redevelopment Agency of the City of Citrus Heights (RDA) to the City of Citrus Heights (City) or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether the asset should be turned over to the Successor Agency.

Our review applied to all assets including, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City or any other public agencies have been reversed.

Our review found that the RDA transferred $21,374,678 in assets after January 1, 2011, including unallowable transfers to the City totaling $16,213,618, or 75.85% of transferred assets.

However, on July 12, 2012, the City remitted $573,320 in cash to the Sacramento County Auditor-Controller for distribution to the taxing entities. In addition, on December 21, 2012, the City remitted an additional $826,619 in cash to the Sacramento County Auditor-Controller. Also, on various dates in 2011, the City returned a total of $5,666,426 in cash to the RDA.

Therefore, the remaining $9,147,253 in unallowable transfers must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau, by telephone at (916) 324-0622.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

cc: Stefani Daniell, Finance Director
City of Citrus Heights
Devon Rodriguez, Development Specialist
City of Citrus Heights
Jeffrey Slowey, Oversight Board Chair
City of Citrus Heights
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Contents

Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Community Redevelopment Agency of the City of Citrus Heights (RDA) after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the RDA transferred $21,374,678 in assets after January 1, 2011, including unallowable transfers to the City of Citrus Heights (City) totaling $16,213,618, or 75.85% of transferred assets.

However, on July 12, 2012, the City remitted $573,320 in cash to the Sacramento County Auditor-Controller for distribution to the taxing entities. In addition, on December 21, 2012, the City remitted an additional $826,619 in cash to the Sacramento County Auditor-Controller. Also, on various dates in 2011, the City returned a total of $5,666,426 in cash to the RDA.

Therefore, the remaining $9,147,253 in unallowable transfers must be turned over to the Successor Agency.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA Successor Agencies to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety (H&S) Code beginning with section 34161.

H&S Code section 34167.5 states in part, ". . . the Controller shall review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency or any other public agency, and the redevelopment agency."

The SCO identified asset transfers that occurred after January 1, 2011, between the RDA, the City, and/or other public agencies. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal action to ensure compliance with this order.

Objective, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City, the Oversight Board, the RDA, and the Successor Agency.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

Conclusion

Our review found that the Community Redevelopment Agency of the City of Citrus Heights (RDA) transferred $21,374,678 in assets after January 1, 2011, including unallowable transfers to the City of Citrus Heights (City) totaling $16,213,618, or 75.85% of transferred assets.

However, on July 12, 2012, the City remitted $573,320 in cash to the Sacramento County Auditor-Controller for distribution to the taxing entities. In addition, on December 21, 2012, the City remitted an additional $826,619 in cash to the Sacramento County Auditor-Controller. Also, on various dates in 2011, the City returned a total of $5,666,426 in cash to the RDA.

Therefore, the remaining $9,147,253 in unallowable transfers must be turned over to the Successor Agency.

Details of our finding are described in the Finding and Order of the Controller section of this report.

Views of Responsible Officials

We issued a draft review report on August 15, 2014. Henry Tingle, City Manager, responded by letter dated August 28, 2014, disagreeing with the review results. The City's response is included in this final review report as an attachment.

Restricted Use

This report is solely for the information and use of the City of Citrus Heights, the Successor Agency, the RDA, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

October 9, 2014

Finding and Order of the Controller

**FINDING—
Unallowable asset transfers to the City of Citrus Heights**

The Community Redevelopment Agency of the City of Citrus Heights (RDA) made unallowable asset transfers totaling $16,213,618 to the City of Citrus Heights (City). The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011. (See Schedule 1).

Unallowable asset transfers were as follows:

- On January 17, 2011, the RDA entered into an agreement with the City to provide tax increment funds as a match for a Local Housing Trust Fund Grant. On January 31, 2011, under this agreement, the RDA transferred $872,113 in cash to the City for the Tiara/Mariposa Multi-Family Improvement Project.
- On June 16, 2011, the RDA transferred $7,373,980 in cash to the City for a loan repayment to the City.
- On various dates, the RDA transferred a total of $136,786 to the City to pay off a loan, which was established within the first two years of the RDA's existence, between the City and the RDA.
- On various dates, the RDA transferred $7,830,739 in cash, including low- and moderate-income housing cash, to the City's Public Improvement Grant Fund and the Cooperation Agreement Fund.

Pursuant to Health and Safety (H&S) Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(d).

Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the transfer of the assets in the amount of $16,213,618 and turn over the assets to the Successor Agency.

However, on December 21, 2012, the City remitted $826,619 in cash to the Sacramento County Auditor-Controller for distribution to the taxing entities. Also, on various dates in 2011, the City returned a total of $5,666,426 in cash to the RDA.

Therefore, the remaining $9,720,573 in unallowable transfers must be turned over to the RDA.

The Successor Agency is directed to properly dispose of those assets in accordance with H&S Code sections 34177(d) and (e).

City's Response

The City disagrees with the SCO's Finding. See Attachment for City's complete response.

SCO Comment

The City disagrees with the SCO regarding the repayment of the city loan. However, the SCO is only exercising its authority pursuant to H&S Code section 34167.5 and clawing back asset transfers that were not administrative charges or encumbered to a third party during January 1, 2011, through January 31, 2012. Since the loan repayment is neither an administrative charge or encumbered to a third party, the City is ordered to turn over the loan repayment totaling $7,373,980 to the Successor Agency.

In regards to the Tiara/Mariposa transfer, the transfer of $872,113 is not allowable pursuant to H&S Code section 34167.5 since it was a transfer to the City's general fund to reimburse the City for the local match paid.

In addition to the city loan repayment, the start-up loan between the City and the RDA is not allowable. Despite the subsequent approval of those loan repayments as enforceable obligations by the Oversight Board and the Department of Finance, the SCO's authority under H&S Code section 34167.5 extends to all assets transferred after December 31, 2010, by the RDA to the city or county, or city and county that created the RDA, or any other public agency. This responsibility is not limited by the other provisions of the RDA dissolution legislation. As a result, loan repayments made by the RDA to the City during the periods of January 1, 2011, through January 31, 2012, were invalid.

With regards to the total loan balance owed by the RDA to the City, repayments are to be made through the Recognized Obligation Payment process.

H&S Code section 34167.5 states that if such an unallowable transfer occurs, the Controller shall order the return of those assets to the Successor Agency.

Although the SCO stated that it would consider Oversight Board actions, a recent Superior Court ruling, *Successor Agency to the Brea Redevelopment Agency, et al. v. Matosantos, et al.* states:

> The redevelopment dissolution laws established oversight boards to supervise the actions of *successor agencies*, but not to supervise or ratify (after the fact) the actions of former redevelopment agencies. For example, Health and Safety Code section 34180 sets out a list of actions of the *successor agency* that must be approved by the oversight board, and Health and Safety Code section 34181 sets out a list of acts the oversight board shall direct the *successor agency* to take. Conversely, the Court has not located any provision of the redevelopment laws that requires or authorizes an oversight board retrospectively to review or ratify an action of a redevelopment agency

> taken before its dissolution. The Oversight Board thus appears to have had no legal authority or mandate to review actions of the RDA.

The City also protests $883,707 in administrative charges that were charged against the RDA for a Cooperative Employment Agreement and a Public Improvement Grant. The agreement and the grant were established in January of 2011. During the SCO's scope, the RDA transferred a total of $7,830,739 in cash to the City pursuant to the agreement and the grant. The City partially returned the transfer and returned $5,666,426, in cash, back to the RDA so that the RDA could pay off the city/RDA loan mentioned above.

Pursuant to H&S Code section 34167.5, the execution of the Cooperative Employment Agreement and the Public Improvement Grant is unallowable. Even though the $883,707 in asset transfers to the City is for an administrative charge, it is unallowable since the agreement and the grant were never allowable pursuant to ABx1 26 and AB 1484.

In regards to the $573,320 unallowable transfer, the SCO does agree with the City. Originally, the SCO took exception to the transfers since this is an obligation of the Successor Agency and not the RDA, but since the money was remitted to the Sacramento County Auditor-Controller for distribution to the taxing entities the Order of the Controller has been adjusted by $573,320.

In conclusion, contrary to the City's belief that the SCO and Department of Finance (DOF) should have the same claw back amount, the SCO operates under a different code section than the DOF and has the authority to claw back unallowable asset transfers pursuant to H&S Code section 34167.5.

The City also addressed a few issues in regards to the accuracy of information reported in the draft report since the unallowable asset transfer does not match that of the DOF. The DOF reviewed reports completed by a CPA on behalf of the City. The SCO reviewed supporting documents provided by the City and the City's Development Specialist.

The Finding and Order of the Controller remain as stated. However, on July 12, 2012, the City remitted $573,320 to the Sacramento County Auditor-Controller. Therefore, the remaining $9,147,253 in unallowable transfers must be turned over to the Successor Agency.

Schedule 1—
Unallowable RDA Asset Transfers to the City of Citrus Heights January 1, 2011, through January 31, 2012

Unallowable asset transfers to the City of Citrus Heights	
On January 31, 2011, the RDA transferred cash to the Tiara/Mariposa Multi-Family Improvement Project	$ 872,113
On June 16, 2011, the RDA transferred cash to the City for a loan repayment	7,373,980
On various dates, the RDA transferred cash to pay off a loan, which was established within the first two years of the RDA's existence, between the City and the RDA	136,786
On various dates the RDA transferred cash (including low- and moderate-income housing cash) to the City's Cooperation Agreement Fund and Public Improvement Grant Fund	7,830,739
Total unallowable transfers to the City of Citrus Heights	16,213,618
Less assets turned over:	
On various dates in 2011, the City returned cash to the RDA	(5,666,426)
On July 12, 2012, the City remitted cash to the Sacramento County Auditor-Controller for distribution to taxing entities	(573,320)
On December 21, 2012, the City remitted unencumbered cash to the Sacramento County Auditor-Controller for distribution to taxing entities	(826,619)
Total transfers subject to Health and Safety Code section 34167.5	$ 9,147,253

Attachment—
City's Response to
Draft Review Report

CITY OF CITRUS HEIGHTS

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The City of Citrus Heights is committed to providing high quality, economical, responsive city services to our community.

August 28, 2014

Jeffrey Brownfield
California State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-5874

Re: Community Redevelopment Agency of the City of Citrus Heights, Asset Transfer Review

Dear Mr. Brownfield:

The City of Citrus Heights ("City") and the Successor Agency to the Community Redevelopment Agency of the City of Citrus Heights ("Successor Agency") appreciate and welcome the opportunity to comment on and provide corrections to the Draft Community Redevelopment Agency of the City of Citrus Heights Asset Transfer Review Report (January 1, 2011 through January 31, 2012), dated August 2014. These comments are respectfully submitted to ensure that a proper review and report is prepared that complies with AB x1 26, AB 1484 and other applicable law.

This response does not waive the right of the Successor Agency or the City to later provide additional information or statements as part of the review process. The Successor Agency and the City retain the right to raise new materials or positions as required.

GENERAL RESPONSE

1. The City's and the Successor Agency's review of the State Controller preliminary findings is ongoing. These responses and objections are made without prejudice to, and are not a waiver of, the City's and the Successor Agency's right to rely on other facts, documents, responses or information in the State Controller review process or at a later proceeding.

2. By making the accompanying responses and objections, the City and the Successor Agency do not waive, and hereby expressly reserve, their right to assert any and all objections as to the State Controller findings and statements in this review, or in any other proceedings, on any and all grounds including, but not limited to, jurisdiction, scope, competency, relevancy, and materiality. Further, the City and the Successor Agency make the responses herein without in any way implying that they consider all of the State Controller findings and statements to be legally valid, or within the scope of AB x1 26 and AB 1481, relevant or material to the subject matter of this Report.

3. The City and the Successor Agency reserve the right to supplement, clarify, revise, or correct any or all of the responses and statements herein, and to assert additional information, in one or more subsequent supplemental response(s).

SPECIFIC RESPONSE

1. Finding 1- Unallowable asset transfers to the City of Citrus Heights

The Report states that the Community Redevelopment Agency of the City of Citrus Heights ("RDA") made unallowable asset transfers totaling $16,213,618 to the City. However, the Report acknowledges that $826,619 of the funds in question were paid over to the County Auditor-Controller for distribution to the taxing entities and that the City returned a total of $5,666,426 to the Successor Agency. Based on these additional transfers, the Report claims that the City should return $9,720,573 to the Successor Agency. The Report appears to include in the amounts ordered returned, $7,373,980 in loan funds repaid to the City, $872,113 in funds transferred to the Tiara/Mariposa Project, $136,786 consisting of loan repayments made by the Former RDA to the City on a loan entered into within the first two years of the RDA's formation, $573,320 in funds that have been paid over to the County Auditor-Controller and distributed to the taxing entities as part of the July 2012 True Up payment, as well as additional funds that were used by the RDA prior to its dissolution to pay for administrative costs and services, as allowed pursuant to AB1X 26 and AB 1481 (the "Dissolution Law"). Each of these items is further discussed below.

General Response. The City and the Successor Agency have completed the Other Funds Due Diligence Review process mandated by Health and Safety Code Section 34179.5 and overseen by the Department of Finance. The Other Funds Due Diligence Review ("OFA DDR") essentially examines the same period of time examined by the Controller's office and reviews the same transaction. The OFA DDR is prepared by a licensed accountant and performed in accordance with procedures established by the DOF. After review of the OFA DDR by the Successor Agency, it is submitted to the Oversight Board for its review and approval and then subsequently submitted to the DOF for its review. The DOF conducts an independent review of the OFA DDR and ultimately determines the funds available to the Successor Agency for distribution to the taxing entities. As part of its determination, the DOF can order the return of assets transferred to other public entities, similar to the State Controller's Asset Transfer Review pursuant to Health and Safety Code Section 34167.5. The Successor Agency and the DOF participated in a meet and confer regarding the OFA DDR, at the conclusion of which, the DOF determined that the Successor Agency had $8,599,293 in available assets to be distributed to the taxing entities, including assets clawed back from the City as a result of what the DOF deemed to be un-allowed transfers.

Although the City continues to dispute the DOF's determination on the OFA DDA, the City has been able to replicate the DOF determination and trace that determination to its accounts and ledgers. However, the Controller's determination does not reflect the City/Successor Agency accounts and ledgers thus making the Reports ultimate conclusion questionable. Additionally, it would seem that given that both the DOF and the Controller's Office were reviewing the same records their conclusions should be similar. The lack of agreement between the two reports, raises concerns about the accuracy of the Controller's determination.

City Loan Repayment.

The City and the RDA entered into a loan agreement in 2008 whereby the City loaned general fund revenue to the RDA in exchange for the RDA's promise to repay the City in accordance with a defined repayment schedule. The purpose of the loan was to provide the RDA with funds sufficient to complete certain infrastructure improvements projects. The loan agreement also provided that the City could demand repayment of the Loan at any time and that the RDA would be obligated to repay the City to the extent the Former RDA had available funds. The City demanded full repayment of the loan in June, 2011, fearing that the potential dissolution of the redevelopment agencies would jeopardize the return of its general fund revenue. The RDA fully repaid the loan in June in the amount of $7,349,966.67. It appears that a portion of the amount ordered returned in the Report includes the repayment of this loan. The City/Successor Agency is currently involved in litigation with the DOF over this loan repayment (*Successor Agency to the Community Redevelopment Agency of the City of Citrus Heights vs. Matosantos, Sacramento Superior Court, Case No. 34-2013-80001587).* The case is on appeal. The City/Successor Agency contend that the claw back of the loan repayment violates Section 24(b) of Article XIII of the California Constitution by illegally reallocating the City's sales and use tax; violates Section 25.5 of Article XIII of the California Constitution by illegally reallocating the RDA's tax increment, and that the Loan Agreement was a legally valid contract at the time of repayment and remained a legally valid agreement pursuant to AB1X 26 until the dissolution of the RDA and therefore the funds at issue are not subject to claw back. Attached as Exhibit A are the City/Successor Agency's opening and reply briefs in that case, incorporated herein.

The Controller's efforts to claw back the loan repayment are not allowed for the same reasons set forth above and in the City/Successor Agency's briefs. Section 34167.5 provides that the Controller is to order the return of the assets to the "extent not prohibited by state and federal law." The funds in questions were City general funds loaned to the Former RDA for use in implementing capital improvement projects. At the time of the loan repayment, the Former RDA continued to hold the City funds and upon demand from the City repaid those funds to the City. Section 34167.5 does not give the Controller unfettered rights to order the return of all asset transfers, but rather only those rights that are not prohibited by state and federal law. The claw back of these funds violates Section 24(b) of Article XIII and Section 25.5 of Article XIII of the California Constitution.

Tiara/Mariposa

In September 2005, the Sacramento Housing and Redevelopment Agency ("SHRA") responded to a City Notice of Funding Availability requesting assistance for the rehabilitation of two affordable housing complexes owned by the SHRA, located on Tiara Way and Mariposa Avenue in the City ("Tiara/Mariposa Project"). To finance part of the badly needed rehabilitation, the City applied for and received a $1 million Local Housing Trust Fund grant award from the State of California's Department of Housing and Community Development ("HCD"). In order to receive the HCD grant funds the City was required to provide a local match in the amount of $1.2 million. The City committed to the required local match expecting to use housing impact fees collected from new development within the City. Until the housing impact fees could be collected, the City committed a loan of general fund revenues to the housing impact fees account for the purposes of meeting the

local match (the "Match Loan"). The Match Loan was to be repaid from future housing impact fees. The City began disbursing the Match Loan to the SHRA in October 2009. The final disbursement of the Match Loan was made to SHRA in August of 2011.

Due to the recession, payments to the housing impact fees account significantly slowed down and the timeframe in which the City would receive enough housing impact fee payments to repay the Match Loan was significantly extended. The City and Former RDA determined that given the decline in housing impact fees and the unlikelihood that the housing fees would be sufficient to repay the Match Loan as originally contemplated that it would be beneficial to change the source of payment for the Match Loan to tax increment funds held by the Former RDA. Furthermore, as a provider of affordable housing, the Former RDA determined that the Tiara/Mariposa Project was well-suited and an important affordable housing project that merited redevelopment funds and met the Former RDA's affordable housing goals and objectives.

On January 17, 2011, the Former RDA adopted a resolution agreeing to make a grant of tax increment funds to the City in the amount of $872,112.51 (the "Grant") to repay the Match Loan. By separate resolution adopted on January 17, 2011, the City agreed to accept the Grant from the Former RDA. The Former RDA disbursed the Grant to the City in January 2011.

The Grant from the Former RDA to the City is also the subject of the litigation with the DOF, currently on appeal, and the City incorporates the briefs attached as Exhibit A herein. For the same reasons that the City Loan Repayment is not subject to claw back, the Grant is not subject to claw back. Additionally, the funds involved were committed by the City to a third party. Section 34167.5 does not allow the Controller to claw back funds that were contractually committed to a third party. As set forth above, the Grant funds were contractually committed by the City to provide the Match required for the HCD Loan and thus were committed to a third party prior to the enactment of the Dissolution Law.

City Start Up Loan

The Controller's Report also seeks to claw back $136,786 that consists of loan repayments made by the Former RDA to the City related to a loan made by the City to the Former RDA within the first two years after the formation of the Former RDA ("Start Up Loan"). In addition to the amount specified by the Controller in the Report related to the repayment of the Start Up Loan, an additional interest payment on the Start Up Loan in the amount of $24,014.11 is also included in the amount order returned by the Controller. The Controller's order to return the Start Up Loan repayments fails to consider the entirety of the Dissolution Law. Section 34167(d), defining enforceable obligations during the "Suspension Period" and Section 34171(d), defining enforceable obligations after dissolution of the Former RDA, both include within the definition of an enforceable obligation loan agreements between the sponsoring city and its redevelopment agency created within two years of the date of the creation of the redevelopment agency. Additionally, the DOF has recognized the Start Up Loan as an enforceable obligation on each of the ROPS submitted by the Successor Agency and allowed distributions of RPTTF for the payment of the Start Up Loan. Despite the DOF's approval of these payments, the Controller's Report orders their return. The Controller's Report seems to read Section 34167.5 in a vacuum without reference to the other provisions of the Dissolution Laws. Such a reading would render meaningless the other provisions of the Dissolution

Law that specifically allows the continuation of the Start Up Loan and repayments pursuant to the Start Up Loan.

It should also be noted that prior to issuance of the Controller's Draft Report, the Controller's Office informed the Successor Agency that if the Successor Agency obtained approval from the Oversight Board for these repayments of the Start Up Loan, and such a resolution was approved by the DOF, the Controller's Office would remove the Start Up Loan Repayments from its finding of assets to be returned. The Successor Agency, although questioning the need for this action, proceeded to obtain the Oversight Board's approval of the payments in question and the DOF subsequently approved that Oversight Board action. At this point, the Controller's order regarding the Start Up Loan serves no purpose and falls outside the dictates of the Dissolution Law and the Controller's jurisdiction. The Controller's Order also leads to the absurd result that if complied with, the City would return the repayments to the Successor Agency, and then presumably place these repayments on its next ROPS as allowed by the Dissolution Law and the funds would be returned to the City. Such an absurd machination to serve some tortured interpretation of the Dissolution Law serves no purpose.

True Up Payment.

The Successor Agency, like all successor agencies in the State, in July 2012 received a demand from the County Auditor-Controller to make a true up payment pursuant to Section 34183.5. Section 34183.5 was added to the Dissolution Statute in order to address the delayed implementation of the Dissolution Law. The amount the Sacramento County Auditor-Controller deemed owed by the Successor Agency was $573,320. The Successor Agency paid this amount as shown on the cancelled check attached as Exhibit B. Presumably these funds were distributed by the County Auditor-Controller to the taxing entities.

The Controller's Report now includes these amounts in the funds that it orders returned to the Successor Agency. Although City and Successor Agency staff have attempted on numerous occasions to explain that the funds being clawed back have already been transferred to the County Auditor-Controller, the Controller's Report continues to include these amounts. It defies logic that these amounts are included in the Controller's Report. The Controller's Report does not dispute that the Successor Agency made the required payment but appears to have some confusion about how the payment should be allocated with regards to the transfers at issue. The payment was made from funds that had previously been transferred by the Former RDA to the City. Upon demand for the payment, the City made the payment out of these same funds. To now order that the City return yet another $573,320 would result in a double payment of the True Up Amount.

Email correspondence with the Controller's Office on this subject has not been illuminating on the Controller's continued inclusion of this amount in the claw back order. The Controller's Office claims that the True Up Payment cannot offset the disallowed transfers. However, the payments of other funds to the County Auditor Controller pursuant to the Housing DDR have been used to offset the amounts claimed by the Controller to be subject to claw back. The purpose of the Dissolution Law, including Section 34167.5, is to ensure that all assets that should be distributed to the taxing entities are returned to the Successor Agency for proper distribution. So regardless of whether the Controller's Office wants to call the payment an off set or something else, the reality is that the taxing entities have received the benefits of the funds at issue and the City is not holding the

demanded funds because it has already disgorged the funds for distribution. If the Controller were to make final its order it would essentially be requiring the City to make the payment called for pursuant to Section 34183.5 out of its general fund, which once again would violate Section 24(b) of Article XIII of the California Constitution.

Agency Administrative Costs

In addition to the amounts described above, the Controller's Report appears to include sums that were used by the Former RDA to reimburse the City for staff and overhead costs, as well as other operating costs of the Former RDA prior to its dissolution. These same amounts were allowed by the DOF in the OFA DDR recognizing that the purpose of the Dissolution Law was not to deprive redevelopment agencies of all operating revenue prior to dissolution. Once again, the Controller's Report seems to ignore the provisions of the Dissolution Law that specifically allowed redevelopment agencies to pay their administrative costs and overhead both pre- and post-dissolution (Section 34167(d)(6)). The Controller's Report fails to recognize that the Former RDA, like most redevelopment agencies in the State, did not have its own staff, but rather relied on City staff and facilities. The Former RDA reimbursed the City for these costs on a regular basis. Here, the Former RDA reimbursed the City pursuant to a Cooperative Employment Agreement. Section 34167(d)(6) includes within the definition of enforceable obligation that is applicable during the Suspension Period contracts or agreement necessary for the continued administration or operation of the redevelopment agency. Attached as Exhibit C is an accounting of the amounts expended pursuant to the Cooperative Employment Agreement from January 1, 2011 through January 30, 2012 totaling $883,707.15. These amounts must offset the amounts ordered returned by the Controller.

For the above reasons, the Controller's Report must be revised in accordance with the above. Please let me know if we can provide additional information that would be of assistance.

Sincerely,

Henry Tingle
City Manager

Attachments: A, B, C

C: Rhonda Sherman, Community and Economic Development Director
Stefani Daniell, Finance Director
Karen Tiedemann, Goldfarb & Lipman, LLP

EXHIBIT A

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SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CITRUS HEIGHTS and CITY OF CITRUS HEIGHTS

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SACRAMENTO

SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CITRUS HEIGHTS, a California local public agency; CITY OF CITRUS HEIGHTS, a California municipal corporation,

Petitioners and Plaintiffs,

v.

ANA MATOSANTOS, in her official capacity as Director of the California Department of Finance; JULIE VALVERDE in her official capacity as Auditor-Controller of the County of Sacramento; and DOES 1-50, inclusive;

Respondents and Defendants.

Case No.: 34-2013-80001587

Assigned for All Purposes to the Honorable Allen Sumner, Dept. 42

OPENING MEMORANDUM OF POINTS AND AUTHORITIES BY PETITIONERS SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF CITRUS HEIGHTS AND CITY OF CITRUS HEIGHTS IN SUPPORT OF PETITION FOR WRIT OF MANDATE AND PROHIBITION AND COMPLAINT FOR DECLATORY RELEIF

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TABLE OF CONTENTS

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TABLE OF AUTHORITIES

Page(s)

Cases

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Statutes

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Other Authorities

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I. INTRODUCTION AND SUMMARY OF ARGUMENT

At the expense of local residents' access to necessary governmental services, the California Department of Finance ("DOF") is attempting to illegally "claw-back" monies protected by the California Constitution. The Legislature dissolved California's redevelopment agencies to end tax increment financing and to redistribute redevelopment agencies' unencumbered funds to local government agencies to ensure adequate funding for core governmental purposes including fire and police protection. DOF is determined, however, to thwart this goal. Its decisions with respect to Petitioners and Plaintiffs Successor Agency to the Community Redevelopment Agency of the City of Citrus Heights (the "Successor Agency") and the City of Citrus Heights (the "City") (collectively, the Successor Agency and the City are sometimes referred to as "Citrus Heights") result in an illegal "claw-back" of funds legally repaid and granted by the former Redevelopment Agency to the City prior to the enactment of the Dissolution statutes, resulting in the residents of Citrus Heights being deprived of essential governmental services. Citrus Heights seeks this Court's assistance to prevent this outcome.

On July 11, 2013, DOF issued a final determination letter related to the Successor Agency's Other Funds Due Diligence Review ("DDR Final Determination") that determined that the Successor Agency or the City were holding $8,599,293 in unencumbered funds, and ordered the Successor Agency to remit these funds to the County Auditor-Controller within five business days. The DOF followed this letter with a demand dated October 9, 2013, that ordered Citrus Heights to transmit $8,599,293 within 30 days (the "Remittance Demand") to the County Auditor-Controller. DOF threatened to withhold sales and use tax from the City if the Successor Agency failed to comply with its demand. DOF asserts that the funds at issue were improperly transferred to the City by the Former Citrus Heights Community Redevelopment Agency (the "Former RDA"), and that the Redevelopment Agency Dissolution Act, AB1X 26, as amended by AB 1484 (the "Dissolution Law") requires the DOF to "claw-back" those funds. DOF is wrong on the law and facts.

The funds at issue in this case involve two matters. The first matter is the Former RDA's $872,112.51 grant of tax-increment funds (the "Grant") made to the City in January 2011 for purposes of completing an affordable housing project that had been under construction since 2008.

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The second matter is the Former RDA's repayment to the City of a loan of City general fund revenues made by the City to the Former RDA in 2008 (the "Loan"). Both the distribution of the Grant and the repayment of the Loan were pursuant to valid, legally binding agreements. Both occurred prior to the enactment of the Dissolution Law. However, in violation of Constitutional law and the spirit and letter of the Dissolution Law, the DOF ordered the Successor Agency to remit City general funds revenues. The DOF's determination seeks to claw-back transfers that occurred prior to the Former RDA's dissolution; therefore, the determination effectively requires the reallocation of tax increment funds to other local entities in violation of the California Constitution's complete prohibition of such reallocation.

Petitioners ask this Court to not allow this unfair and unlawful act to occur and declare that the Former RDA's repayment of the Loan and disbursement of the Grant are lawful.

II. FACTUAL SUMMARY

In accordance with the California Community Redevelopment Law (Health & Safety Code, §§ 3300 *et seq*[1]) (the "CRL"), the City created the Former RDA in December 1997 and established the Citrus Heights Commercial Corridor Redevelopment Project Area (the "Project Area) in July 1998. (Exh. 1.) The Project Area includes approximately 558 acres of land and consists of retail/commercial, office, residential, and industrial uses. (Exh. 2, pg. 020.) The largest single land use is commercial use with residential use interspersed throughout the Project Area. (*Id.*)

The primary objective of the redevelopment plan governing the Project Area was to enhance, preserve, and expand the City's commercial areas that were losing their competitive edge and showing decline. (Exh. 3, pgs. 156-157 and Exh. 4, pg. 191.) The redevelopment plan was adopted shortly after the City incorporated following a hard fought incorporation battle. (Declaration of Henry Tingle, ["Tingle Decl."], at 5.) The primary impetus for incorporation was the need to provide essential governmental services to the area, including economic development, after years of neglect under the County's stewardship. (*Id.*, at. 6.) Upon incorporation, the City inherited substantial infrastructure problems, such as failing roads and storm water systems. (*Id.*, at

[1] All sections cited are to the California Health and Safety Code, unless noted otherwise.

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7.)

The use of redevelopment to stabilize and improve the City's commercial core was particularly important to the City. The City, unlike most California cities, is uniquely dependent upon its sales and use tax because of the Revenue Neutrality Agreement entered into at the time of incorporation which transfers all property tax generated within the City's boundaries (other than the tax increment generated in the Project Area) to the County of Sacramento until 2023. (Exh. 51, pg. 500.) As a result, the City predominately relies on sales and use tax revenues to fund essential services. (Tingle Decl., at 8.)

The Former RDA carried out the redevelopment plan by constructing various public improvements, creating and rehabilitating affordable housing, ensuring the retention of existing businesses, and attracting new businesses to the Project Area. (Exh. 4, pgs. 194-196.) With the deteriorated state of the City and its limited financial resources, the City heavily relied on the commitments made by the Former RDA to redevelop the Project Area.

A. THE LOAN AGREEMENT BETWEEN THE FORMER RDA AND THE CITY.

In 2008, the Former RDA determined that it had begun to generate enough tax-increment to undertake a large and significant capital improvement project, specifically the rehabilitation of Auburn Boulevard, one of the City's main commercial corridors (the "Auburn Project"), which was one of the main drivers for the creation of the Former Agency. (Tingle Decl., at 9.) The annual tax increment generated by the Project Area, after deposits to the Low and Moderate Income Housing Fund, payment of administrative costs and on-going projects, was not sufficient to fund these projects on a "pay-as-you-go" basis, however, the tax increment was sufficient to cover the debt service on bonds or other indebtedness that would allow the completion of the capital improvement projects in a timely manner. (*Id.*, at 10, 11.)

The City and the Former RDA evaluated various options for securing the funds necessary for the proposed projects, including the issuance by the Former RDA of tax allocation bonds. (Tingle Decl., at 12, Exh. 5.) After review of the various options, the City and the Former RDA determined that the most cost effective method of securing the capital necessary for the projects

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was for the City to loan the funds to the Former RDA using general fund reserves. (*Id.*, at 13; Exh. 5.) Specifically, the City and the Former RDA determined that a loan from the City to the Former RDA would eliminate the requirements for the Former RDA to hold a bond reserve of $600,000 and save the Former RDA approximately $400,000 in transaction costs associated with the issuance of bonds while at the same time provide the City with a safe and secure investment of reserve funds. (*Id.*, at 14; Exh. 5.) The decision by the City to make the loan to the Former RDA and for the Former RDA to accept the Loan was only made after a thorough analysis and with the goal of protecting and using taxpayer money responsibly.

As a result, on August 14, 2008, the Former RDA and the City entered into that certain Citrus Heights Loan Agreement (the "Loan Agreement") in which the City agreed to loan $7,730,000 of general fund revenues (the "Loan") to the Former RDA to finance redevelopment activities within and of benefit to the Project Area. (Exhs. 5, 6, 7, 8.) The Loan Agreement was structured to ensure that the City's general funds were protected including requiring a defined repayment scheduled modeled after bond payment schedules and allowing the City to call the loan at any time. (See Section 2.05(b) of the Loan Agreement, Exh. 8, pg. 271.)

After receiving the Loan, the Former RDA commenced the rehabilitation of the Auburn Project, which consists of road improvements and storm water upgrades. (Tingle Decl., at 15.) Implementation of the Auburn Project required the acquisition of numerous right-of-ways as well as significant design work. (*Id.*, at 16.) The Former RDA drew some of Loan funds as well as its annual tax increment to fund the predevelopment work, totaling over $3 million dollars. (*Id..*, at 17.) The Former RDA held the majority of the Loan funds for the construction phase of the Auburn Project. (*Id.*, at 18.) Construction contracts that would have committed the majority of the Loan funds were expected to be entered into in early 2012, after completion of the predevelopment work. (*Id.*, at 19.)

Between August 2008 and June 2011, the Former RDA made scheduled payments on the Loan in accordance with the terms of the Loan Agreement. (Tingle Decl., at 20.) In January 2011 when Governor Brown announced his intent to dissolve redevelopment agencies the City began to consider its options with regards to the Loan and protecting the general fund revenues invested with

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the Former RDA. (*Id.*, at 21.) When initial dissolution legislation was introduced in March 2011, based on the proposed legislation, the City demanded full repayment of the Loan and the Former RDA complied. (*Id.*, at 22, 23.) However, when the initial legislation failed to secure the required votes in the legislature, the City returned the repaid Loan funds to the Former RDA. (*Id.*, at 24.) In June 2011 when the redevelopment dissolution legislation resurfaced, the City once again considered its options, recognizing the need to protect the City's general fund revenues, especially since, as discussed above, the City has limited financial options and is highly dependent on sales and use taxes and its general fund revenues to fund essential governmental services. (*Id.*, at 25.) On June 15, 2011, the City demanded repayment of the Loan in full by the Former RDA, after weighing the potential that the adoption of the Dissolution legislation could impact the Former RDA's ability to repay the Loan. (*Id.*, at 26; Exh. 9.)

On June 16, 2011, the Former RDA paid $7,349,967 to the City as payment in full of the Loan. (*Id.*, at 27; Exhs. 10, 11.) The funds used by the Former RDA to repay the Loan were substantially the same funds originally loaned to the Former RDA by the City, which had been held by the Former RDA in anticipation of commencing the Auburn Project construction phase and repayment of the Loan. (Tingle Decl., at 28.)

When the Former RDA was dissolved on February 1, 2012, the City assumed the Auburn Project that the Former RDA planned to undertake with the Loan funds. (Exh. 22.) At the time the City assumed the Auburn Project it expected to request that the Oversight Board authorize the Successor Agency and the City to re-enter into a Public Improvement Grant to provide over $4 million in funding for the Auburn Project and indeed, the Oversight Board did approve the re-entry of the Public Improvement Grant on May 23, 2012. (Exh. 12.) DOF later denied the re-entered agreement as an enforceable obligation. (Exh. 13.) The Oversight Board continued to agree to the re-entry of the Public Improvement Grant. (Exhs. 14, 15.)

Since the repayment of the Loan to the City, the City has expended or entered into construction contracts committing the Loan funds. (Tingle Decl., at 29.) The Auburn Project is underway and the construction of the redevelopment-funded segment of the project is 97% complete, and the construction contracts are binding obligations of the City. (*Id.*, at 30.) The City

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has actually already spent $2,975,968.30 of the approximately $7 million that was paid back to the City on the Auburn Project, and another $1,669,903.70 is committed pursuant to binding agreements. (*Id.*, at 31.)

B. THE TIARA/MARIPOSA PROJECT AND THE GRANT.

In September 2005, the Sacramento Housing and Redevelopment Agency ("SHRA") responded to a City Notice of Funding Availability requesting assistance for the rehabilitation of two affordable housing complexes owned by the SHRA, located on Tiara Way and Mariposa Avenue in the City ("Tiara/Mariposa Project"). (Tingle Decl., at 32.) To finance part of the badly needed rehabilitation, the City applied for and received a $1 million Local Housing Trust Fund grant award from the State of California's Department of Housing and Community Development ("HCD"). (*Id.*, at 33; Exhs. 16, 17, 18.) In order to receive the HCD grant funds the City was required to provide a local match in the amount of $1.2 million. (*Id.*, at 34; Exh. 19.) The City committed to the required local match expecting to use housing impact fees collected from new development within the City. (*Id.*, at 35; Exh. 19.) Until the housing impact fees could be collected, the City committed a loan of general fund revenues to the housing impact fees account for the purposes of meeting the local match (the "Match Loan"). (*Id.*, at 36; Exh. 19.) The Match Loan was to be repaid from future housing impact fees. (*Id.*, at 37; Exh. 19.) The City began disbursing the Match Loan to the SHRA in October 2009. (*Id.*, at 38, Exh. 18, 19.) The final disbursement of the Match Loan was made to SHRA in August of 2011. (*Id.*, at 39.)

Due to the recession, payments to the housing impact fees account significantly slowed down and the timeframe in which the City would receive enough housing impact fee payments to repay the Match Loan was significantly extended. (Tingle Decl., at 40; Exh. 19.) The City and Former RDA determined that given the decline in housing impact fees and the unlikelihood that the housing fees would be sufficient to repay the Match Loan as originally contemplated that it would be beneficial to change the source of payment for the Match Loan to tax increment funds held by the Former RDA. (*Id.* at 41; Exh. 19.) Furthermore, as a provider of affordable housing, the Former RDA determined that the Tiara/Mariposa Project was well-suited and an important affordable housing project that merited redevelopment funds and met the Former RDA's affordable housing

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goals and objectives. (*Id.* at 42.)

On January 17, 2011, the Former RDA adopted a resolution agreeing to make a grant of tax increment funds to the City in the amount of $872,112.51 (the "Grant") to repay the Match Loan. (Exh. 20.) By separate resolution adopted on January 17, 2011, the City agreed to accept the Grant from the Former RDA. (*Id.*)

On or around January 17, 2011, the Former RDA disbursed the Grant to the City. (Exh. 21.)

C. THE DOF CLAW-BACK DETERMINATION.

On February 25, 2013, the Successor Agency received from JJACPA, Inc., Certified Public Accountants ("JJACPA"), the "due diligence review," as required by Health and Safety Code section 34179.5(a), of transactions between January 1, 2011, and June 30, 2012, involving the Former RDA's funds other than funds from its Low- and Moderate-Income Housing Fund ("Other Funds DDR"). (Exh. 24.) The Other Funds DDR determined that the Successor Agency did not have any funds available for distribution to the taxing entities.

On March 19, 2013, the Oversight Board adopted Oversight Board Resolution 2013-004, which approved the Other Funds DDR as prepared by JJACPA including the determination that the Successor Agency did not have any funds available for distribution to the taxing entities. (Exh. 24.) After submitting the Other Funds DDR to the DOF, the Successor Agency responded to the DOF's request for additional information. (Exhs. 25-28.)

On June 4, 2013, DOF notified the Successor Agency by letter that DOF would adjust the DDR's stated balance of "Other Funds and Accounts" available for distribution to the taxing entities. (Exhs. 29, 30.) Although JJACPA had determined in preparing the Other Funds DDR that the available Other Funds balance as of June 30, 2012, was zero dollars ($0), DOF purported to determine that the Other Funds balance as of June 30, 2012, was $8,274,229, and to determine further that this entire sum was "available for distribution to the affected taxing entities."

On June 24, 2012, the Successor Agency and DOF "met and conferred," as described in section 34179.6, subdivision (e), of the Health and Safety Code, regarding DOF's determination on the Other Funds DDR. (Exhs. 31, 32.) Subsequently, the Successor Agency responded to DOF's requests for additional information and documentation regarding the Other Funds DDR. (Exhs. 33-

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55.) On July 11, 2013, DOF notified the Successor Agency by letter (the "Determination Letter") that DOF had revised its determination on the Other Funds DDR and that DOF now purported to determine that the available Other Funds balance as of June 30, 2012, was $8,599,293. (Exhs. 56, 57.) For the first time, in the Determination Letter the DOF purported to disallow the Grant, and to require the Successor Agency to include the amount of the Grant in its "available" Other Funds balance. (Exh. 57.) By letter dated July 16, 2013, the Successor Agency requested that DOF meet and confer further with the Successor Agency to discuss the Tiara/Mariposa Project and the Grant (Exhs. 58, 59.) However, the DOF only participated in a conference call with the Successor Agency to discuss the Determination Letter. (Exhs. 60, 61.)

On October 9, 2013, DOF issued a "Remittance Demand," notifying Citrus Heights in writing of its intent to order the Board of Equalization to withhold an equivalent amount of sales and use tax distribution from Citrus Heights if it did not remit to the County-Auditor within 30 days the full $8,599,293 amount DOF erroneously contends is owed. (Exh. 62.)

III. ARGUMENT

A. STANDARD OF REVIEW.

Petitioners Citrus Heights seek a writ of mandate pursuant to Code of Civil Procedure section 1085 to compel DOF to reverse its prior determinations and find that the payments that the Former RDA made to the City pursuant to the Loan Agreement and Grant were valid payments that may not be "adjusted" by the DOF in determining the amount of funds available for distribution to the taxing entities pursuant to the due diligence review ("DDR") process. Traditionally, the standard of review is whether the DOF abused its discretion in making those determinations. (*Ridgecrest Charget School v. Sierra Sands Unified School District* (2005) 130 Cal.App.4th 986, 1003.)

However, abuse of discretion is not the proper standard of review when a public agency is acting on an *ad hoc* basis, without developed expertise in the matter under consideration, and in the absence of any formal rulemaking: an agency's statutory interpretation is entitled to deference only where the agency's policy stance constitutes a long-standing administrative construction of the statute. (*Agnew v. State Bd. of Equalization* (1999) 21 Cal.4th 310, 322; *Styrene Inf. And Res. Ctr.*

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v. Office of Env. Health Hazard Assessment (2012) 210 Cal.App.4th 1082, 1099-1100.) When, as here, the agency lacks a "long-standing interpretation of the statute and had not adopted a formal regulation interpreting the statute, the courts may simply disregard the opinion offered by the agency." (*State of California ex rel. Nee v. Unumprovident Corp.* (2006) 140 Cal.App.4th 442, 451.)

Here, no appellate court has yet interpreted, compared, or applied the definitions of "enforceable obligations" or "transfer" contained in AB 1484 or AB1 X26, nor has any appellate court reviewed the constitutionality of the DDR claw-back provisions as construed by the DOF or otherwise. Such statutory interpretation is a question for the Court's independent review. (*L.A. Lincoln Place Investors v. City of Los Angeles* (1997) 54 Cal.App.4th 53, 59; *Sacks v. City of Oakland* (2000) 190 Cal.App.4th 1070, 1082 ("*Sacks* Case"); *Burden v. Snowden* (1992) 2 Cal.4th 556, 562; See also, Request for Judicial Notice (filed concurrently) ("RJN"), Ex. 1, [Ruling on Submitted Matter and Order, *Successor Agency to the Sonoma County Community Redevelopment Agency*, Case No. 34-2013-80001378, citing *California Correctional Peace Officers' Assn. v. State* (2010) 181 Cal.App.4th 1454, 1460 ("*CCPOA* Case") and *Yamaha Corp. of America v. State Bd. of Equalization* (1998) 19 Cal.4th 1, 7]; See also, RJN, Ex. 2 [Ruling on Submitted Matter, *City of Bakersfield v. Matosantos*, Case No. 34-2013-80001400, citing *CCPOA* Case]; See also, RJN, Ex. 3 [Ruling on Submitted Matter: Petition for Writ of Mandate and Complaint For Declaratory and Injunctive Relief, *City of Emeryville v. Matosantos*, Case No. 34-2012-80001264 ("*Emeryville* Ruling"), citing *Sacks* Case]) Thus, this is not an appropriate case for the Court to apply the abuse of discretion standard of review. Instead, this Court must independently review the Dissolution Law *de novo* and without reliance upon DOF's interpretation in determining whether DOF abused its discretion.

In exercising its independent judgment, the Court is guided by certain established principles of statutory construction, which are summarized as follows. The primary task of the court in interpreting a statute is to ascertain and effectuate the intent of the Legislature. (*Hsu v. Abbara* (1995) 9 Cal.4th 863, 871; See also, RJN, Ex. 3, [*Emeryville* Ruling].) The starting point for the task of interpretation is the words of the statute itself, because they generally provide the most

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reliable indicator of legislative intent. (*Murphy v. Kenneth Cole Productions* (2007) 40 Cal.4th 1094, 1103.) The language used in a statute is to be interpreted in accordance with its usual, ordinary meaning, and if there is no ambiguity in the statute, the plain meaning prevails. (*People v. Snook* (1997) 16 Cal.4th 1210, 1215.) The Court should give meaning to every word of a statute if possible, avoiding constructions that render any words surplusage or a nullity. (*Imperial Merchant Services, Inc. v. Hunt* (2009) 47 Cal.4th 381, 390.)

Beyond that, the Court must consider particular statutory language in the context of the entire statutory scheme in which it appears, construing words in context, keeping in mind the nature and obvious purpose of the statute where the language appears, and harmonizing the various parts of the statutory enactment by considering particular clauses or sections in the context of the whole. (*People v. Whaley* (2008) 160 Cal.App.4th 779, 793.) In the event that the language of the text is ambiguous, the Court may look to extrinsic aids, such as legislative history and reports from the Legislative Analyst's Office ("LAO"), the context of adoption, and the ballot materials presented to the voters, when construing statutes. (*California Redevelopment Association v. Matosantos* (2011) 53 Cal.4th 231, 244, fn. 3, 265-266 ("*Matosantos*") [citing to LAO report, context of adoption, and ballot materials].)

B. THE DOF'S CLAW-BACK DETERMINATION VIOLATES THE CALIFORNIA CONSTITUION,

The California Constitution provides safeguards protecting local government funds from the State's reallocation to other entities for the benefit of the State. The DOF's claw-back determination completely disregards the express language of the California Constitution and seeks to illegally reallocate protected monies.

1. The DOF's Claw-Back Determination Illegally Reallocates the City's Sales and Use Tax Revenues in Violation of Section 24(b) of Article XIII of the California Constitution.

The DOF's determination to order Citrus Heights to distribute the repaid Loan funds to the taxing entities violates Section 24(b) of Article XIII of the California Constitution because it would result in the redistribution of the City's sales and use tax to the taxing entities.

In 2010, the voters approved Proposition 22, amending Article XIII, Section 24 of the

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California Constitution to add subdivision (b), which reads:

> ***The Legislature may not reallocate***, transfer, borrow, ***appropriate, restrict the use of, or otherwise use the proceeds of any tax imposed or levied by a local government solely for the local government's purpose.***

(Cal. Const., art. XIII, sec. 24(b) [emphasis added].) It is undisputed that sales and use taxes are taxes levied by local governments solely for the purpose of those local governments. (See RJN, Ex. 4, [Ruling on Submitted Matter: Complaint For Declaratory and Injunctive Relief and Petition for Writ of Mandate, *League of Cal. Cities v. Matosantos*, Case No. 34-2013-80001275.) Sales and use tax revenues therefore fall squarely within the protection of Article XIII, Section 24(b).

Here, the City's general fund is comprised of sales and use tax revenue specifically dedicated to the City. The City loaned general fund monies to the Former RDA. Neither the fact of the City loan nor the Former RDA's receipt and expenditure of those funds transformed those funds into tax increment. Tax increment is solely created by the increased property taxes resulting from redevelopment activities. (§ 33670.)

The Former RDA held the Loan funds in anticipation of undertaking the Auburn Project, and when the City demanded repayment in accordance with the express terms of the Loan Agreement, the Former RDA, for the most part, transferred the same general fund revenues back to the City. Because the outstanding loan amounts owed by the Former RDA were general funds, disallowing the repayment of those funds to the City, and requiring the City to transfer the Loan funds to the County Auditor-Controller for distribution to the taxing entities, is a direct appropriation of City's sales and use tax in direct violation of Article XIII, Section 24(b) of the Constitution.

The purpose of the DDR process is to determine the amounts of unencumbered tax increment held by the successor agencies and available for allocation from successor agencies to taxing entities. (§ 34179.6, subds. (a) and (f).) Here, if a State agency were to require the City to turn over amounts equal to the disputed Loan repayment amount, the State essentially would be ordering a reallocation of the City's sale and use taxes to other taxing entities, as opposed to unencumbered tax increment. Thus, it is clear that the DOF's determination with respect to the

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Other Funds DDR operates to reallocate, transfer, appropriate or otherwise use the proceeds of sales and use taxes within the meaning of Article XIII, Section 24(b). Accordingly, the determination violates Article XIII, Section 24(b) and must be reversed.

2. The DOF's Claw-Back Determination Illegally Reverses the Former RDA's Payments in Violation of Section 25.5 of Article XIII of the California Constitution.

Even if this Court determines that the repaid Loan funds constitute "tax increment" and not the City's general fund reserves, the repaid Loan funds and distributed Grant funds cannot be clawed back. In 2010, the California voters approved Proposition 22, expressly limiting the State's reach into redevelopment agencies' coffers and amending Article XIII, Section 25.5 of the California Constitution to provide:

> ***The Legislature shall not ... [r]equire a community redevelopment agency ... to*** pay, remit, loan, or otherwise ***transfer, directly or indirectly, [tax increment] allocated to the agency*** pursuant to Section 16 of Article XVI[2] ***to or for the benefit of*** the State, any agency of the State, or ***any jurisdiction***.

(Cal. Const., art. XII, sec. 25.5(a)(7) [emphasis added]; See also, RJN, Ex. 5, [Tentative Ruling Granting Petition for Writ of Mandate, *City of Foster City v. DOF,* Case No. 34-2013-80001572 ("*Foster* Tentative Ruling")].) A "jurisdiction" is defined as a city, county, special district, school district, community college district, and county superintendent of schools. (Cal. Const., art. XIII, § 25.5(b)(2); Rev. & Tax. Code § 95, subds. (a), (b).) Here, the $8,599,293 the DOF intends to claw-back from Citrus Heights is to be distributed to these taxing entities. (§ 34177, subd. (d); § 34179.5, subds. (a), (c)(6); § 34179.6, subd. (f).)

As the Supreme Court has explained, the protection afforded by Section 25.5. of Article XIII of the California Constitution "must extend to legislation that imposes a levy on the receipt of tax increment funds, even if the legislation does not specify that payment must come directly from the redevelopment agency or from its tax increment funds." (*Matosantos*, *supra*, 53 Cal.4th at 267.)

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[2] Section 16 of article XVI authorizes the Legislature to allocate tax increment to redevelopment agencies.

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Here, the DOF is relying on the Dissolution Law to claim it can claw-back the repaid Loan funds and distributed Grant funds. Accordingly, the repaid Loan funds and distributed Grant funds, regardless of their source, fall squarely within the protection of Section 25.5. of Article XIII of the California Constitution, as amended by Proposition 22.

AB1X 26 called for each successor agency to remit "unencumbered balances" to the county auditor-controller for redistribution among other local government agencies. (§34177, subd. (d).) AB 1484 established the DDR process for determining the amount of such "unencumbered balances." (*Id.*, §§ 34179.5, 34179.6.) And as stated in DOF's own definition, "encumbrances" on funds, for governmental accounting purposes, are "commitments related to unfilled purchase orders or unfulfilled contracts."[3] (RJN, Exh. 6, "Finance Glossary of Accounting and Budgeting Terms".)

Under the protection of Proposition 22 and the Dissolution Law, the DOF is prohibited from directly or indirectly transferring ***encumbered*** funds that have been already allocated by the Former RDA during its operation and prior to its dissolution. (*Matosantos*, supra, 53 Cal.4th at 261-262, 264, 266; RJN, Exh. 5, *Foster* Tentative Ruling.) Here, not only did the Former RDA repay the Loan funds and disburse the Grant pursuant to valid legally binding agreements under AB1X 26 while it was still in operation and prior to its dissolution on February 1, 2012, it did so even before the enactment of AB1X 26. ***These monies were not unencumbered and sitting in Former RDA's coffers upon dissolution.***

DOF has no authority to reach into the City's pockets and strip it of funds that were repaid and/or distributed to it by valid legally binding agreements authorized under the laws in effect at the time the actions occurred. It cannot be stressed enough – ***all the payments were made not only prior to the Former RDA's dissolution, they were made prior to the enactment of AB1X 26.*** AB1X 26 first appeared on June 14, 2011 and was signed into law by the Governor the evening of

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[3] The Dissolution Law uses the terms "encumbered" and "unencumbered" without defining them. (§ 34171, § 34176, subd. (e)(2), § 34177, subd. (d).) Under such circumstances, this Court must assume that the Legislature intended these terms to mean what they mean in ordinary use. (Civil Code, § 13; See *County of Los Angeles v. Frisbie* (1942) 19 Cal.2d 634, 642.) To the extent DOF now asks this Court to respect some secret definition that differs from the definition used commonly by government finance professionals (and, in other contexts, by DOF), DOF asks this Court to violate the law. (*Bollay v. Office of Administrative Law* (2011) 193 Cal.App.4th 103, 106-07.)

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June 28, 2011. The Loan was repaid on June 16, 2011 and the Grant funds were disbursed in January 2011. However, even if these actions had occurred after the adoption of AB 1X 26, but prior to the dissolution of the Former RDA on February 1, 2012, during the suspension period, the actions would have been valid and the funds would not be subject to claw-back. During the suspension period the Loan continued to constitute an enforceable obligations.

Agreements between a redevelopment agency and its creator city were ***not excluded*** from the definition of enforceable obligations during the suspension period. The exclusion for such agreements only applies once the redevelopment agency was dissolved and a successor established. (Compare § 34167, subd. (d) with § 34171, subd. (d)(2).) The DOF does not dispute that the Loan Agreement and Grant fall within the definition of "enforceable obligation" during the suspension period; therefore the repayment of the Loan and disbursement of the Grant were authorized by AB1X 26. If the Former RDA could repay the Loan during the suspension period then it certainly could do so prior to the enactment of AB1X 26.

C. THE LOAN AGREEMENT AND GRANT WERE ENFORCEABLE OBLIGATIONS AT THE TIME OF REPAYMENT UNDER THE NEW LAW.

Judgment should be entered in Petitioners' favor based on the above arguments – the Dissolution Law simply does not apply here. However, even if the Dissolution Law were applicable, the DOF is still wrong. The Loan Agreement and the Grant are "enforceable obligations" under the Dissolution Law, AB1X 26, *et al.*

1. The Loan Agreement and Grants Are Enforceable Obligations Under The Pre-AB1X 26 CRL Which Was In Force When the Loan Was Repaid.

At the time the Former RDA fully repaid the City in accordance with the terms and conditions in the Loan Agreement, and granted funds to the City in accordance with the Grant, the Loan Agreement and the Grant were enforceable contracts pursuant to controlling constitutional, statutory, and case authority, as discussed above. (Cal. Const., art. XVI, § 16; §§ 33600, 33670, 33675; *Matosantos*, *supra*, 53 Cal.4th at 245-248.) As emphasized above, at the time of the repayment of the Loan Agreement and disbursement of the Grant, AB1X 26 had not been enacted. The DOF therefore does not have any authority to interfere with this payment and this

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disbursement.

2. The Loan Agreement and Grant Remained Enforceable Obligations Under AB1X 26 and Are Not Subject to the Suspension or Freeze Provisions of the Dissolution Law.

The "suspension" or "freeze" provisions in Part 1.8 of AB1X 26 suspended the powers and authorities of all redevelopment agencies, including the ability to adopt new redevelopment plans or plan amendments, issue new bonded indebtedness, and enter into new contracts or incur new obligations. (§§ 34162, subd. (a), 34163, subd. (a) & (b), 34164 subd. (a).) The Legislature made it clear, however, in that same Part 1.8, that the suspension and freeze provisions did not apply to existing contracts: "Nothing in this part shall be construed to interfere with a redevelopment agency's authority, pursuant to enforceable obligations as defined in this chapter, to (1) make payments due, (2) enforce existing covenants and obligations, or (3) perform its obligations." (§ 34167, subd. (f).)

Historically, the CRL and public policy not only authorized, but also encouraged agreements between the RDA and City to fund redevelopment agency projects and programs. (§ 33445.) The Loan Agreement and the Grant are not affected by the suspension provisions (e.g., Part 1.8) of AB1X 26. Accordingly, the Former RDA would have been able to repay the Loan Agreement or disburse the Grant until such date as the RDA no longer existed and no longer could perform existing enforceable obligations; i.e., until February 1, 2012.

Significantly, the definition of "enforceable obligations" under the "dissolution" provisions in Part 1.85 of AB1X 26 are not applicable. Those provisions did not become operative until February 1, 2012. Actual repayment or disbursement under the Loan Agreement and Grant occurred prior to that date, and are therefore not subject to Part 1.85.

Under well-settled principles of statutory construction, the plain meaning of the two different definitions of "enforceable obligation" controls. (*Miklosy v. Regents of University of Cal.* (2008) 44 Cal.4th 876, 888 ["If the statutory language is unambiguous, we presume the Legislature meant what it said, and the plain meaning of the statute controls. [Citation.] We consider extrinsic aids, such as legislative history, only if the statutory language is reasonably subject to multiple

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interpretations."].) The absence of the carve-out in the definition of "enforceable obligations" applicable prior to dissolution evidences a clear legislative intent to honor agreements such as the Loan Agreement and the Grant until Part 1.85 became effective on February 1, 2012.

The Loan Agreement and the Grant were (A) legally and validly made pursuant to express provisions in the CRL, California Constitution, and case law, (B) the monies borrowed by the RDA were borrowed for capital improvement projects and were legally required to be repaid pursuant to the terms of the Loan Agreement, at times specified in the Loan Agreement, and (C) at no time were the Loan Agreement and Grant void as violating the debt limit or public policy. The Loan Agreement and the Grant are therefore enforceable obligations under the plain meaning of the applicable sections of Part 1.8.

3. The Legislature Did Not Intend That Enforceable Obligations Made Prior to Dissolution Be Subject to Claw-Back.

Apart from the constitutional issues discussed above, the doctrine of "completed acts" (i.e., complete repayment and performance of the Loan Agreement and distribution of the Grant) dictates that the Loan repayments and Grant distribution should be enforced. "It is a widely recognized legal principle . . . that in the absence of a clear legislative intent to the contrary statutory enactments apply prospectively." (*Strauss v. Horton* (2009) 46 Cal.4th 364, 470.) "California continues to adhere to the time-honored principle . . . that in the absence of an express retroactivity provision, a statute will not be applied retroactively unless it is very clear from extrinsic sources that the Legislature or the voters must have intended a retroactive application." (*Id.* at 470.)

When assessing whether a law acts retrospectively, California cases have a uniform approach: a retrospective law "is one which affects rights, obligations, acts, transactions and conditions which are performed or exist prior to the adoption of the statute. ... every statute, which takes away or impairs vested rights acquired under existing laws, or creates a new obligation, imposes a new duty, or attaches a new disability, in respect to transactions or considerations already past, must be deemed retrospective." (*Strauss,* 46 Cal.4th at 471-472.)

Synthesizing these legal principles, it is beyond question that, if the Grant that was disbursed on January 2011 and further disbursed by the City to a third-party, and the Loan that was

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repaid in June 2012, were to be "undone" either by AB1X 26 or AB 1484, then the legislation would be "retroactive." In order to be retroactive, the Legislature had to clearly intend for it to be retroactive. (*Strauss*, 46 Cal.4th at 470-472.) The separate definitions of "enforceable obligations" in Parts 1.8 and 1.85, as discussed above, support the statutory construction that AB1X 26's and AB 1484's provisions concerning loan repayments would not be retroactively applied. Indeed, Part 1.8—which took effect on June 28, 2011—provides that the "freeze" of redevelopment activities was intended only to preserve the unencumbered revenues and assets of a redevelopment agency that are not needed to pay for enforceable obligations. (§ 34167(a).) If the Legislature intended to have AB1X 26 or AB 1484 apply retroactively—before June 28, 2011—to the already repaid agreements, it had to expressly say so. (*Strauss*, 46 Cal.4th at 470-472.)

Moreover, the Legislature narrowly drafted the DDR provisions with Proposition 22's prohibition against the reallocation of tax revenues in mind. As noted by this Court, the Assembly Floor analysis[4] (as amended June 25, 2012) states:

> Many RDAs, prior to shut down in February 2012, mad expenditures of cash and transferred other cash assets that might in fact be ***contrary to this provisions of AB 26 X1*** ...[D]ue to the budget cash shortage the state needs to have cash assets returned to the successor agency for distribution to the taxing entities.
>
> [AB 1484] set up a process to review financial records and transactions that occurred between the former RDA or the successor agency and other public or private entities ***that may not have been authorized under the provisions established in AB 26 X1*** and return those funds to the successor agency for the benefit of the taxing entities.

(RJN, Exh. 5, *Foster* Tentative Ruling, pp. 8-9. [emphasis in original]) This Court concluded that this analysis "supports a construction that the Legislature only intended to claw-back payments by the former RDA that were contrary to AB1X 26." (*Id.*, p. 9.)

As discussed above, the payments DOF seeks to claw-back were made pursuant to enforceable obligations and were not contrary to AB1X 26. All the payments were made prior to the enactment of AB1X 26 and the Former RDA's dissolution. Even if the Court determines that AB1X 26 governs the repayment of the Grant and Loan, they both still fall within the definition of

[4] AB 1484 was introduced on June 25, 2012, and enacted two days later on June 27.

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"enforceable obligations" under Part 1.8 of AB1X 26. Prior to successor agencies being authorized, redevelopment agencies were required to continue making payments on enforceable obligations. (§34169, subd. (a)) and avoid all events of default (§ 34169, subd. (f)). When payment of the Loan was demanded by the City in accordance with the Loan terms, the Former RDA did so, consistent with the CRL in effect at the time and with AB1X 26. Now, the DOF seeks to punish the Citrus Heights and in particular the taxpayers and residents by reallocating these funds and depriving them of needed resources. Indeed, Citrus Heights here has diligently worked to complete the Former RDA's redevelopment activities in accordance with the Dissolution Law. These payments should not be clawed back.

IV. CONCLUSION

For all these reasons, the Successor Agency and City of Citrus Heights respectfully request this Court issue the requested writ of mandate and enter judgment in their favor, enjoining Respondents from taking any action would result in the unlawful undoing of the Former RDA's repayment of the Loan and disbursement of the Grant.

DATED: January 21, 2014

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IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SACRAMENTO

SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CITRUS HEIGHTS, a California local public agency; CITY OF CITRUS HEIGHTS, a California municipal corporation,

Petitioners and Plaintiffs,

v.

ANA MATOSANTOS, in her official capacity as Director of the California Department of Finance; JULIE VALVERDE in her official capacity as Auditor-Controller of the County of Sacramento; and DOES 1-50, inclusive;

Respondents and Defendants.

Case No.: 34-2013-80001587

Assigned for All Purposes to the Honorable Allen Sumner, Dept. 42

REPLY MEMORANDUM OF POINTS AND AUTHORITIES BY PETITIONERS SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF CITRUS HEIGHTS AND CITY OF CITRUS HEIGHTS IN SUPPORT OF PETITION FOR WRIT OF MANDATE AND PROHIBITION AND COMPLAINT FOR DECLATORY RELEIF

Exempt from Filing Fee (Gov. Code, § 6103)

Date: March 7, 2014
Time: 10:30 a.m.
Dept.: 42

Action Filed: August 2, 2013

I. INTRODUCTION.

Respondent Department of Finance (the "DOF") erroneously demands the return of over $8,600,000 from Petitioners City of Citrus Heights (the "City) and the Successor Agency to the Community Development Agency of the City of Citrus Heights (the "Successor Agency") (together, "Citrus Heights"). In its Opposition Brief, DOF engages in an extended diatribe against the purported misconduct of redevelopment agencies in general, in a straw man argument against Citrus Height. In doing so, DOF ignores the uncontradicted facts that demonstrate that the Citrus Heights transactions at issue in this action were legal, were made in the best of good faith, and were motivated by an indisputable intent to improve Citrus Heights.

The DOF also incorrectly applies the law:

The Citrus Heights transactions at issue involved sales and use tax funds, not tax increment funds, and it is unconstitutional for the DOF to claw back those funds for distribution to other taxing entities.

The Citrus Heights transactions at issue, if they did involve tax increment funds, are still beyond DOF's reach because the claw back would violate Proposition 22.

The Citrus Heights transactions at issue were legally valid at the time they occurred, and are "enforceable obligations" that the DOF cannot retroactively disallow.

Finally, DOF's contentions should be rejected because, contrary to DOF's representations in its Opposition Brief, Citrus Heights would be left without any remedy because under the repayment formula of Health and Safety Code section 34191.4 it would take over 225 years to repay the City the $8,222,080 that the DOF seeks to claw back here.

Accordingly, Citrus Heights respectfully submits that its Petition should be granted.

II. ARGUMENT

A. THE FUNDS AT ISSUE ARE PROTECTED BY THE CONSTITUTION.

The DOF's claw back of over $8 million is patently unconstitutional for two reasons: if the funds are sales and use tax revenues, those funds are protected from reallocation under Proposition 22, and Proposition 1A, Cal. Const., art. XIII, sec 24(b); if the funds are not sales and use tax

revenues but rather funds earned as tax increment by the Former RDA, those funds are protected from reallocation by the Cal. Const., art XII, sec. 25.5(a)(7).

1. The Repaid Loan Funds Were Sales and Use Tax Revenues, Not Tax Increment Monies, and Therefore Cannot be Reallocated.

In its Opposition Brief, the DOF demands that Citrus Heights return the repaid $7,349,967 loan funds (the "Loan") from the City and the $872,112.51 grant (the "Grant") on the grounds that a claw back of the funds does not violate the constitutional prohibition on reallocation of sales and use tax revenues. (Opposition Brief at p. 12.) As fully discussed at pp. 11-13 of the Opening Brief, the City's general fund reserves and sales and use tax revenues are protected from reallocation by the State under Proposition 1A and Proposition 22. (Cal. Const., art. XIII, sec. 24(b).)

DOF completely ignores, and completely fails to challenge, the facts set forth by Citrus Heights in its opening papers that show that the repaid Loan funds are without dispute sales and use tax revenues. (*See* Opening Brief at pp. 4-6, 11-13.) As these facts demonstrate, since its incorporation in 1997, the City has diligently and strategically worked towards fixing the infrastructure problems it inherited and maximizing the limited funds available to it. Upon incorporation, the City agreed, as part of the required Revenue Neutrality Agreement, to transfer all property tax generated within the City's boundaries (other than the tax increment generated in the Project Area) to the County of Sacramento until 2023. With limited funds coming to the City, the City has employed conservative budgeting and cautiously undertaken necessary capital improvement projects. After close scrutiny of available financing options, the City and Former RDA determined that a loan from the City to the Former RDA would save approximately $400,000 in costs associated with the issuance of bonds while providing a safe and secure investment of the City's general fund reserves. With these benefits and precautions in mind, the City and Former RDA entered into that certain Loan Agreement for the Loan, whereby the City loaned its general fund revenues to the Former RDA. When the City demanded repayment of the Loan, in accordance with the terms of the Loan Agreement, the Former RDA repaid the Loan substantially with the same funds, i.e. the City general revenue funds, originally loaned to the Former RDA. It cannot be

stressed enough the funds at issue were never tax increment and fall squarely within the protection of Section 24(b) of Article XIII of the California Constitution.

In its Opposition Brief, the DOF claims that the fact that these funds included sales and use tax proceeds and were loaned from general fund reserves is irrelevant, and would "nullify the Legislature's clear direction in section 34171, subdivision (d)(2), that creator-RDA loans not be considered 'enforceable obligations." (Opposition Brief at 12.) DOF supports this faulty analysis by stating that the Legislature intended to reallocate the RDA's assets to the maximum extent possible. (*Id.*) These contentions ignore the California Constitution, which prohibits such reallocations:

> ***The Legislature may not reallocate***, transfer, borrow, ***appropriate, restrict the use of, or otherwise use the proceeds of any tax imposed or levied by a local government solely for the local government's purpose.***

(Cal. Const., art. XIII, sec. 24(b) [emphasis added].)

DOF's arguments are unavailing – under Constitutional law the State may not reallocate Citrus Heights' sales and use tax revenue. This Petition should therefore be granted on this ground alone.

2. Allowing the Claw-Back of the Funds at Issue Does Not Further the Purpose of the Dissolution Law, but Rather Violates Proposition 22.

Even if the Court determines that the repaid funds constituted "tax increment," Proposition 22 also protects against the State's direct and indirect reallocation of tax increment revenues. (Cal. Const., art. XII, sec. 25.5(a)(7).) Proposition 22, Article XIII, Section 25.5 of the California Constitution provides in relevant part:

> ***The Legislature shall not ... [r]equire a community redevelopment agency ... to*** pay, remit, loan, or otherwise ***transfer, directly or indirectly, [tax increment] allocated to the agency*** pursuant to Section 16 of Article XVI[1] ***to or for the benefit of*** the State, any agency of the State, or ***any jurisdiction***.

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[1] Section 16 of article XVI authorizes the Legislature to allocate tax increment to redevelopment agencies.

(Cal. Const., art. XII, sec. 25.5(a)(7) [emphasis added]; See also, Request for Judicial Notice, filed on January 21, 2014 ["RJN"], Ex. 5, [Tentative Ruling Granting Petition for Writ of Mandate, *City of Foster City v. DOF*, Case No. 34-2013-80001572 ("Foster Tentative Ruling")].)

As fully discussed in Petitioner's Opening Brief at pp. 13-15, under the protection of Proposition 22 and the Dissolution Law, the DOF is prohibited from directly or indirectly transferring ***encumbered*** funds that have been already allocated by the Former RDA during its operation and prior to its dissolution. (*Matosantos*, supra, 53 Cal.4th at 261-262, 264, 266; RJN, Exh. 5, *Foster City*, Tentative Ruling.) Here, not only did the Former RDA repay the Loan funds and disburse the Grant pursuant to valid legally binding agreements under AB1X 26 while it was still in operation and prior to its dissolution on February 1, 2012, it did so even before the enactment of AB1X 26. ***These monies were not unencumbered and sitting in Former RDA's coffers upon dissolution.***

Contrary to the contentions in DOF's Supplemental Brief, the *Matosantos* case actually supports Citrus Heights in this case. The Supreme Court held in *Matosantos* that Proposition 22 "stripped" the Legislature of the power to require transfers to third parties of property tax revenue "already allocated to the redevelopment agencies." (*Matosantos*, 53 Cal.4th at 261.) Although it could dissolve redevelopment agencies, the Legislature simply could not restrict an agency's use of previously allocated tax revenue. (*Id.*) Under *Matosantos,* therefore, the Legislature, and DOF here, cannot, directly or indirectly, restrict, retroactively or otherwise, an operational redevelopment agency's use of previously allocated tax increment for the benefit of the State. (*Id.* at 261-265.) DOF therefore should not be allowed to order Citrus Heights to claw back the previously allocated loan and grant funds at issue here.

Finally, in its Opposition Brief the DOF also contends that Proposition 22 only protects the funds in the hands of redevelopment agencies and that, here; the City is in possession of the funds at issue. (Opposition Brief at pp. 13-14). Under the authorities cited above, the DOF's argument elevates form over substance in that by demanding a return of the monies it is nullifying the original repayment from the Former RDA to the City.

DOF's arguments are unavailing – under Constitutional law the State may not reallocate Citrus Heights' tax increment revenue, either. This Petition should therefore be granted on this ground alone.

3. DOF's Factual Contentions Ignore the Strong and Uncontradicted Good Faith Demonstrated by Citrus Heights in its Uses of the Funds to Improve Citrus Heights.

The City's conduct following repayment of the funds by the former RDA, and the Oversight Board's blessing of its use of those funds, demonstrates conclusively that the conduct of Citrus Heights, unlike the purported misconduct of the redevelopment agencies castigated by DOF in its Opposition Brief at pp. 9-10, was in good faith and was geared completely towards improvement of Citrus Heights, and not for any sham purposes or for purposes of taking the funds from other taxing agencies. DOF does not contradict these facts: the funds were (1) never tax increment, (2) were repaid pursuant to the express terms of a valid legally binding written agreement, (3) were repaid prior to the enactment of the Dissolution Law, (4) were repaid prior to the dissolution of the Former RDA, and, (5) were subsequently used by the City to complete the Auburn Project.

Contrary to the DOF's assertion that Citrus Heights used redevelopment as "a weapon in an increasingly aggressive inter-agency struggle for property taxes," (Opposition Brief at p. 10), the Oversight Board, made up of the very taxing entities that would receive a portion of any amount clawed back under the Dissolution Law, twice authorized the Successor Agency and the City to re-enter into a Public Improvement Grant to provide over $4 million in funding to the Auburn Project, the very project for which the Loan was originally made. Through this approval of funding, the Oversight Board recognized that all taxing entities benefit from Citrus Height's completion of the Auburn Project. Nothing illegal or improper happened here – the City lent monies from its general fund reserve, was repaid with substantially those same funds, and used the repaid monies to complete the Auburn Project (with the blessing of the Oversight Board). Finally, it is quite telling that the DOF is silent on the fact that the City has completed 97% of the Auburn Project using the funds at issue.

Citrus Heights has acted, and will continue to act, in good faith to use the funds repaid to it

by its former RDA to improve the City of Citrus Heights.

B. THE DISSOLUTION LAW CANNOT CONSTITUTIONALLY BE CONSTRUED TO RETROACTIVELY MAKE ALL POST JANUARY 1, 2011 PAYMENTS BY THE FORMER RDA TO THE CITY ILLEGAL UNDER THE CRL.

All the payments in question here were made both prior to the former RDA's dissolution, as well as prior to the enactment of the ABIX 26 law which the DOF is now seeking to apply. The DOF's basis for the application of a law that did not exist at the time that the funds were reclaimed is their contention that the Dissolution Law specifically allows for retroactivity. Specifically, the DOF points out that AB1X 26 authorized the State Controller to review "asset transfers" commencing on January 1, 2011. The DOF also contends that the DDR process, as established by AB1484, grants it the authority to claw back unencumbered funds commencing on January 1, 2011.

However, this interpretation of the retroactive characteristic of the law is improper for two key reasons.

First, the express language of Section 34167.5 does not declare that all asset transfers from a redevelopment agency to its creator-city are automatically invalid if made after January 1, 2011. Instead Section 34167.5 limits the SCO's review to assets transfers from redevelopment agency to a city from January 1, 2011 and the effective date of AB 26 (i.e. June 28, 2011) in cases where the assets were "not contractually committed to a third party for the expenditure or encumbrances of those assets," and then, only "to the extent not prohibited by state or federal law." Here, the DOF purposely omits key portions of Section 34167.5. If read as presented by the DOF, the SCO process would conflict with the AB1X 26's direct mandate that redevelopment agencies continue meeting their enforceable obligations during the freeze period, including agreements between a redevelopment agency and its sponsoring city.

Second, it is illogical and counter to the rules of statutory construction to conclude that the Legislature included two different definitions of "enforceable obligations" for two different phases of the dissolution process, but only intended that the latter definition be applied to both phases. Yet, the DOF's argument rests on just this illogical premise. (Opposition Brief at pp. 9-10.) Section

34179.5 was enacted in June 2012 solely for the purpose of identifying unobligated balances of the former redevelopment agencies so those balances could be transferred to other taxing entities. The object of this redistribution of tax increment was to shift dollars to school districts, thereby minimizing the States' financial obligation to those districts. To accomplish this, the DDR Process requires a review of "transfers" from a redevelopment agency to its formation entity of "assets and cash equivalents" that were made between January 1, 2011 and June 30, 2012. (Section 34179.5(c)(2).) It then reverses any "transfers" that were not made pursuant to an enforceable obligation, as defined in section 34171(d). According to the DOF, in doing so, section 34179.5 effectively nullifies the AB 26 Part 1.8 definition of enforceable obligation (which did include City-Agency agreements) and instead, purports to apply the Part 1.85 definition (which invalidated City-Agency agreements during the dissolution period) to pre-dissolution and freeze period payments from a redevelopment agency to its creator-city. (Section 34179.5(b)(2).) DOF then construes these sections as a legislative invalidation of all City-Agency agreements from January 1, 2011 to the date of dissolution. The Legislature cannot side-step Proposition 22 by attempting to retroactively redistribute already allocated and encumbered tax increment. (*Matosantos*, 53 Cal.4th at 261-265.)

Therefore, Citrus Heights respectfully requests that this Court declare the repayment of the Loan and disbursement of the Grant to be lawful under the Dissolution Law.

C. CITRUS HEIGHTS HAS NO REMEDY IF THE CLAWBACK IS ALLOWED.

The DOF contends repeatedly that Citrus Heights has a remedy available that will provide for repayment of the funds at issue. However, application of the repayment formula of Section 34191.4 for City/Former RDA loans would result in a repayment schedule that would take over 225 years to repay the City. (Declaration of Devon Rodriguez ["Rodriguez Decl."], at 6.)

Under the most recent "Sponsoring Entity Loan Repayment Calculator" form provided by the DOF, the City would only receive a mere $30,000 repayment on an annual basis. (Rodriguez Decl., at 6.) Although the DOF in its Opposition Brief (Opposition Brief at page 5) contends without any factual support that over time the repayment of the City/Former RDA Loan will

increase as redevelopment is wound down, that is simply not true here since the current level of funds distributed to taxing entities represents almost all of the property tax generated from the redevelopment area. (Rodriguez Decl., at 5) Even the DOF cannot contend that repayment over an extended period of time such as 225 years is a reasonable remedy and provides the City with relief from its onerous determination. As discussed above, the City has limited financial resources and is uniquely dependent on its sales and use tax revenues to pay for essential governmental services. A $30,000 annual payment is far from sufficient to covers the most basic services that the City is obligated to provide to its residents, including police services and repairs to failing roads and storm water systems.

Notably, the DOF is silent on this issue because it knows that repayment under Section 34191.4 fails to provide a reasonable remedy.

III. CONCLUSION

For all these reasons and for the reasons set forth in their Opening Brief, the Petitioners Successor Agency and City of Citrus Heights respectfully request this Court issue the requested writ of mandate and enter judgment in their favor, enjoining Respondents from taking any action would result in the unlawful undoing of the Former RDA's repayment of the Loan and disbursement of the Grant.

DATED: February 20, 2014

Respectfully submitted,

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Successor Agency to the City of Citrus Heights v. Ana J. Matosantos
Sacramento Superior Court Case No. 34-2013-80001587

I, Konni S. Stalica, certify and declare as follows:

I am over the age of 18 years, and not a party to this action. My business address is 1300 Clay Street, Eleventh Floor, City Center Plaza, Oakland, California 94612, which is located in the county where the mailing described below took place.

I am readily familiar with my employer's practices for collection and processing of correspondence for regular mailing with FEDERAL EXPRESS.

On the date set forth below, at my place of business at Oakland, California, a true copy of the following document(s):

- **REPLY MEMORANDUM OF POINTS AND AUTHORITIES BY PETITIONERS SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF CITRUS HEIGHTS AND CITY OF CITRUS HEIGHTS IN SUPPORT OF PETITION FOR WRIT OF MANDATE AND PROHIBITION AND COMPLAINT FOR DECLARATORY RELIEF**

- **DECLARATION OF DEVON RODRIGUEZ IN SUPPORT OF REPLY MEMORANDUM OF POINTS AND AUTHORITIES BY PETITIONERS SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF CITRUS HEIGHTS AND CITY OF CITRUS HEIGHTS IN SUPPORT OF PETITION FOR WRIT OF MANDATE AND PROHIBITION AND COMPLAINT FOR DECLATORY RELIEF**

was (were) placed for deposit via Federal Express in a sealed envelope addressed to:

Kamala D. Harris
George Waters
1300 I Street, Suite 125
Sacramento, CA 94244-2550
Tel: 916/445-1968
Fax: 916/324-8835

Attorneys for California Department of Finance and Ana Matosantos

John F. Whisenhunt
Scott M. Fera
County of Sacramento
700 H Street, Suite 2650
Sacramento, CA 95814
Tel: 916/874-2545
Fax: 916/874-8207

Attorneys for Julie Valverde, Auditor-Controller of the County of Sacramento

and that envelope was placed for collection on that date following ordinary business practices.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on February 20, 2014.

Konni S. Stalica

Konni S. Stalica

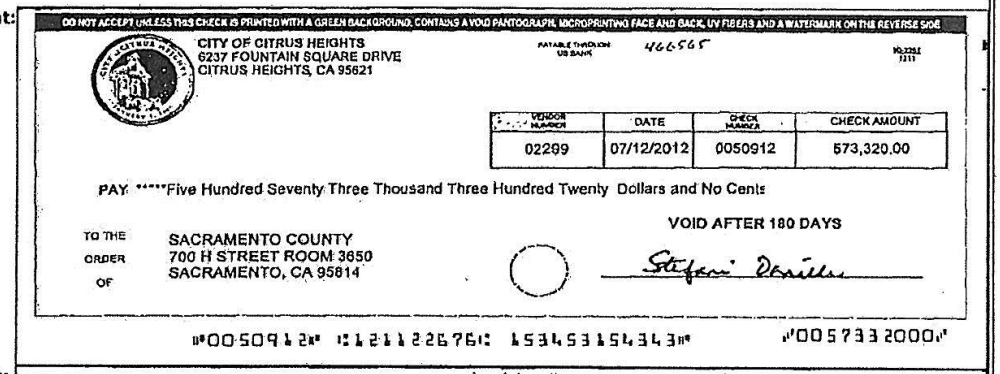
Goldfarb & Lipman LLP
1300 Clay Street
Eleventh Floor
Oakland
California
94612
510 836 6336
510 836 1035 FAX

EXHIBIT B

Print Close

Account #: 153453154343 MICR Acct. #: 153453154343 Check No.: 50912
Transaction Type: Check Amount: $573,320.00 Date: 07/17/2012
Sequence Number: 8892871038

Front:



DO NOT ACCEPT UNLESS THIS CHECK IS PRINTED WITH A GREEN BACKGROUND, CONTAINS A VOID PANTOGRAPH, MICROPRINTING FACE AND BACK, UV FIBERS AND A WATERMARK ON THE REVERSE SIDE

CITY OF CITRUS HEIGHTS
6237 FOUNTAIN SQUARE DRIVE
CITRUS HEIGHTS, CA 95621

PAYABLE THROUGH US BANK 466565

VENDOR NUMBER	DATE	CHECK NUMBER	CHECK AMOUNT
02299	07/12/2012	0050912	573,320.00

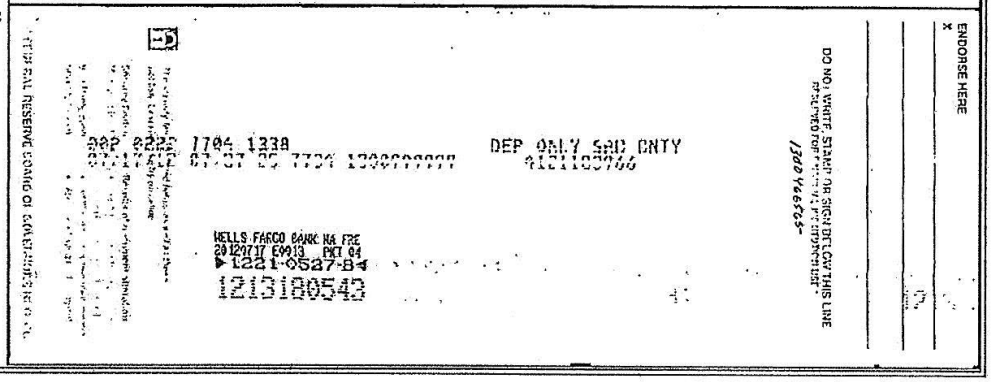
PAY *****Five Hundred Seventy Three Thousand Three Hundred Twenty Dollars and No Cents

VOID AFTER 180 DAYS

TO THE ORDER OF
SACRAMENTO COUNTY
700 H STREET ROOM 3650
SACRAMENTO, CA 95814

⑈0050912⑈ ⑆121122676⑆ 153453154343⑈ ⑈0057332000⑈

Back:



ENDORSE HERE

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE

DEP ONLY SAC CNTY

WELLS FARGO BANK NA FRE
20120717 E9913 PKT 04
▶1221-0527-84
121308543

COUNTY OF SACRAMENTO
TAX ALLOCATION SUMMARY
ALLOCATION OF TAX INCREMENTS TO CITRUS HEIGHTS RDA
FOR THE PERIOD JANUARY - JUNE 30, 2012

RPTTF Beginning Balance			$ -
Deposits:			
	Secured & Unsecured Property Tax Increment		1,410,837
	Supplemental & Unitary Property Tax Increment		4,829
Deposit totals			1,415,666
RPTTF Available Balance			1,415,666
H&S Code 34183 Distributions			
H&S §34182	ABX 1 26 Administrative Fees to County Auditor-Controller		
R&T §95.3	SB2557 Administration Fees		24,267
	PASS THROUGH		306,240
	ERAF	57,159	
H&S §33607.5	City Passthrough Payments		
H&S §33607.5	County Passthrough Payments	69,158	
H&S §33607.5	Special District Passthrough Payments	84,792	
§33607.5(a)(4)(A)	K-12 School Passthrough Payments - Tax Portion	35,513	
§33607.5(a)(4)(A)	K-12 School Passthrough Payments - Facilities Portion	46,503	
§33607.5(a)(4)(B)	Community College Passthrough Payments - Tax Portion	4,888	
§33607.5(a)(4)(B)	Community College Passthrough Payments - Facilities Portion	5,402	
§33607.5(a)(4)(C) & (D)	County Office of Educ & Special Education - Tax Portion	537	
§33607.5(a)(4)(C) & (D)	County Office of Educ & Special Education - Facilities Portion	2,288	
	ROPS Enforceable Obligations Payable from Property Taxes		511,839
	Successor Agency Administrative Cost Allowance		-
	SCO Invoices for Audit and Oversight		-
H&S Code 34183 Dist Totals			842,346
Residual Balance			573,320
			-
Residual Distributions			
	Residual Balance to Cities		-
	Residual Balance to Counties		-
	Residual Balance to Special Districts		-
	Residual Balance to K-12 Schools		-
	Residual Balance to Community Colleges		-
	Redidual Balance to ERAF		-
Ending RPTTF Balance			$ 573,320

EXHIBIT C

Expenditure Status Report

City of Citrus Heights
7/1/2010 through 6/30/2011

822 Public Improvement Grant - RDA

35 Redevelopment
222 Public Improvement Grant

PIG & CEA

Account Number		Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
822-35-222-53000 SERVICES AND SUPPLIES						
	000					
	0.00 *					
Total Public Improvement Grant - RDA		0.00	0.00	0.00	0.00	0.00
Grand Total	*10.11	0.00	0.00	0.00	0.00	0.00
	*822					
	0.00 +					
	*823					
	14,978.42 +					
	*824					
	318,241.46 +					
	*825					
	24,353.97 +					
	*11.12					
	*822					
	3,574.00 -					
	*823					
	8,993.74 +					
	*824					
	380,980.26 +					
	*825					
	131,733.50 +					
	006					
	885,707.15 *					

Expenditure Status Report

City of Citrus Heights
7/1/2010 through 6/30/2011

823 Public Improvement Grant - Housing

35 Redevelopment
223 Public Improvement Grant-Housing

Account Number		Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
823-35-223-53000	SERVICES AND SUPPLIES						
823-35-223-53182	Utilities Water	0.00	2,900.12	2,900.12	0.00	-2,900.12	0.00
823-35-223-53201	Professional Services	0.00	5,117.79	5,117.79	0.00	-5,117.79	0.00
823-35-223-53340	Materials & Supplies	0.00	300.00	300.00	0.00	-300.00	0.00
823-35-223-53401	Special Department Supplies/Services	0.00	4,369.22	4,369.22	0.00	-4,369.22	0.00
	Total SERVICES AND SUPPLIES	0.00	12,687.13	12,687.13	0.00	-12,687.13	0.00
823-35-223-99000	Transfers						
823-35-223-99100	Transfers Out	0.00	2,291.29	2,291.29	0.00	-2,291.29	0.00
	Total Transfers	0.00	2,291.29	2,291.29	0.00	-2,291.29	0.00
	Total Public Improvement Grant - Housing	0.00	14,978.42	14,978.42	0.00	-14,978.42	0.00
	Grand Total	0.00	14,978.42	14,978.42	0.00	-14,978.42	0.00

Expenditure Status Report

City of Citrus Heights
7/1/2010 through 6/30/2011

824 Cooperative Agreement - RDA

35 Redevelopment
224 Cooperative Agreement-RDA

Account Number		Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
824-35-224-51000	SALARIES						
824-35-224-51001	Salaries - Full Time	0.00	117,360.75	117,360.75	0.00	-117,360.75	0.00
824-35-224-51140	Salaries Over Time	0.00	1,280.92	1,280.92	0.00	-1,280.92	0.00
Total SALARIES		0.00	118,641.67	118,641.67	0.00	-118,641.67	0.00
824-35-224-52000	BENEFITS						
824-35-224-52210	Retirement	0.00	23,309.67	23,309.67	0.00	-23,309.67	0.00
824-35-224-52220	Workers Compensation	0.00	1,417.77	1,417.77	0.00	-1,417.77	0.00
824-35-224-52230	Medical Insurance	0.00	17,627.50	17,627.50	0.00	-17,627.50	0.00
824-35-224-52231	Unused Medical Insurance	0.00	1,590.40	1,590.40	0.00	-1,590.40	0.00
824-35-224-52234	Dental Insurance	0.00	1,654.72	1,654.72	0.00	-1,654.72	0.00
824-35-224-52235	Vision Insurance	0.00	204.18	204.18	0.00	-204.18	0.00
824-35-224-52250	Life Insurance	0.00	155.89	155.89	0.00	-155.89	0.00
824-35-224-52255	Disabilty Insurance	0.00	588.54	588.54	0.00	-588.54	0.00
824-35-224-52260	SUI Unemployment Insurance	0.00	730.46	730.46	0.00	-730.46	0.00
824-35-224-52275	Medicare	0.00	1,778.85	1,778.85	0.00	-1,778.85	0.00
824-35-224-52280	Deferred Compensation	0.00	3,585.67	3,585.67	0.00	-3,585.67	0.00
Total BENEFITS		0.00	52,643.65	52,643.65	0.00	-52,643.65	0.00
824-35-224-53000	SERVICES AND SUPPLIES						
824-35-224-53102	Communications	0.00	85.26	85.26	0.00	-85.26	0.00
824-35-224-53106	Membership/Dues	0.00	200.00	200.00	0.00	-200.00	0.00
824-35-224-53107	Mileage Reimbursement	0.00	29.56	29.56	0.00	-29.56	0.00
824-35-224-53108	Meetings & Conferences	0.00	62.42	62.42	0.00	-62.42	0.00
824-35-224-53201	Professional Services	0.00	56,401.80	56,401.80	0.00	-56,401.80	0.00
824-35-224-53210	Legal Services	0.00	10,371.10	10,371.10	0.00	-10,371.10	0.00
Total SERVICES AND SUPPLIES		0.00	67,150.14	67,150.14	0.00	-67,150.14	0.00
824-35-224-65000	Inter-Departmental Charges						

824 Cooperative Agreement - RDA

35 Redevelopment
224 Cooperative Agreement-RDA

Account Number		Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
824-35-224-65010	City Manager Charges	0.00	28,878.00	28,878.00	0.00	-28,878.00	0.00
824-35-224-65020	City Clerk Charges	0.00	8,538.00	8,538.00	0.00	-8,538.00	0.00
824-35-224-65030	Finance Department Charges	0.00	16,746.00	16,746.00	0.00	-16,746.00	0.00
Total Inter-Departmental Charges		0.00	54,162.00	54,162.00	0.00	-54,162.00	0.00
824-35-224-66000	Inter-Departmental Charges						
824-35-224-66010	Human Resources Charges	0.00	5,742.00	5,742.00	0.00	-5,742.00	0.00
824-35-224-66020	Central Services Charges	0.00	4,050.00	4,050.00	0.00	-4,050.00	0.00
824-35-224-66030	Government Buildings Charges	0.00	8,220.00	8,220.00	0.00	-8,220.00	0.00
824-35-224-66040	Information Services Charges	0.00	4,278.00	4,278.00	0.00	-4,278.00	0.00
824-35-224-66050	Risk Management Charges	0.00	3,354.00	3,354.00	0.00	-3,354.00	0.00
Total Inter-Departmental Charges		0.00	25,644.00	25,644.00	0.00	-25,644.00	0.00
Total Cooperative Agreement - RDA		0.00	318,241.46	318,241.46	0.00	-318,241.46	0.00
Grand Total		0.00	318,241.46	318,241.46	0.00	-318,241.46	0.00

Expenditure Status Report

City of Citrus Heights
7/1/2010 through 6/30/2011

825 Cooperative Agreement - Housing

35 Redevelopment

225 Cooperative Agreement-Housing

Account Number		Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
825-35-225-51000	SALARIES						
825-35-225-51001	Salaries - Full Time	0.00	16,288.23	16,288.23	0.00	-16,288.23	0.00
Total SALARIES		0.00	16,288.23	16,288.23	0.00	-16,288.23	0.00
825-35-225-52000	BENEFITS						
825-35-225-52210	Retirement	0.00	3,225.48	3,225.48	0.00	-3,225.48	0.00
825-35-225-52220	Workers Compensation	0.00	74.15	74.15	0.00	-74.15	0.00
825-35-225-52230	Medical Insurance	0.00	2,724.13	2,724.13	0.00	-2,724.13	0.00
825-35-225-52231	Unused Medical Insurance	0.00	772.77	772.77	0.00	-772.77	0.00
825-35-225-52234	Dental Insurance	0.00	246.87	246.87	0.00	-246.87	0.00
825-35-225-52235	Vision Insurance	0.00	26.34	26.34	0.00	-26.34	0.00
825-35-225-52250	Life Insurance	0.00	27.02	27.02	0.00	-27.02	0.00
825-35-225-52255	Disabilty Insurance	0.00	87.58	87.58	0.00	-87.58	0.00
825-35-225-52260	SUI Unemployment Insurance	0.00	82.11	82.11	0.00	-82.11	0.00
825-35-225-52275	Medicare	0.00	248.59	248.59	0.00	-248.59	0.00
825-35-225-52280	Deferred Compensation	0.00	358.20	358.20	0.00	-358.20	0.00
Total BENEFITS		0.00	7,873.24	7,873.24	0.00	-7,873.24	0.00
825-35-225-53000	SERVICES AND SUPPLIES						
825-35-225-53210	Legal Services	0.00	192.50	192.50	0.00	-192.50	0.00
Total SERVICES AND SUPPLIES		0.00	192.50	192.50	0.00	-192.50	0.00
Total Cooperative Agreement - Housing		0.00	24,353.97	24,353.97	0.00	-24,353.97	0.00
Grand Total		0.00	24,353.97	24,353.97	0.00	-24,353.97	0.00

Expenditure Status Report

City of Citrus Heights
7/1/2011 through 1/31/2012

822 Public Improvement Grant - RDA

35 Redevelopment
222 Public Improvement Grant - RDA

Account Number		Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
822-35-222-53000	SERVICES AND SUPPLIES						
822-35-222-53117	Property Tax	0.00	86.00	86.00	0.00	-86.00	0.00
822-35-222-53181	Utilities Gas & Electric	300.00	0.00	0.00	0.00	300.00	0.00
822-35-222-53182	Utilities Water	300.00	0.00	0.00	0.00	300.00	0.00
822-35-222-53185	Utilities Sewer	300.00	0.00	0.00	0.00	300.00	0.00
822-35-222-53201	Professional Services	100,000.00	-3,660.00	-3,660.00	0.00	103,660.00	3.66
822-35-222-53210	Legal Services	30,000.00	0.00	0.00	0.00	30,000.00	0.00
	Total SERVICES AND SUPPLIES	130,900.00	-3,574.00	-3,574.00	0.00	134,474.00	0.00
822-35-222-80000	CAPITAL ACQUISITION						
822-35-222-80090	Construction Costs	5,694,912.00	0.00	0.00	0.00	5,694,912.00	0.00
	Total CAPITAL ACQUISITION	5,694,912.00	0.00	0.00	0.00	5,694,912.00	0.00
822-35-222-99000	Transfers						
	Total Transfers	0.00	0.00	0.00	0.00	0.00	0.00
	Total Redevelopment	5,825,812.00	-3,574.00	-3,574.00	0.00	5,829,386.00	0.00

Expenditure Status Report

City of Citrus Heights
7/1/2011 through 1/31/2012

823 Public Improvement Grant - Housing

35 Redevelopment

223 Public Improvement Grant-Housing

Account Number	Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
823-35-223-53000 SERVICES AND SUPPLIES						
823-35-223-53117 Property Tax	0.00	545.94	545.94	0.00	-545.94	0.00
823-35-223-53182 Utilities Water	0.00	4,040.30	4,040.30	0.00	-4,040.30	0.00
823-35-223-53201 Professional Services	100,000.00	4,407.50	4,407.50	0.00	95,592.50	4.41
Total SERVICES AND SUPPLIES	100,000.00	8,993.74	8,993.74	0.00	91,006.26	8.99
823-35-223-71000 Revenue Neutrality						
Total Revenue Neutrality	0.00	0.00	0.00	0.00	0.00	0.00
823-35-223-80000 CAPITAL ACQUISITION						
823-35-223-80090 Construction Costs	1,587,180.00	0.00	0.00	0.00	1,587,180.00	0.00
Total CAPITAL ACQUISITION	1,587,180.00	0.00	0.00	0.00	1,587,180.00	0.00
823-35-223-99000 Transfers						
Total Transfers	0.00	0.00	0.00	0.00	0.00	0.00
Total Public Improvement Grant-Housing	1,687,180.00	8,993.74	8,993.74	0.00	1,678,186.26	0.53

Expenditure Status Report

City of Citrus Heights
7/1/2011 through 6/30/2012

824 Cooperative Agreement - RDA

35 Redevelopment
224 Cooperative Agreement-RDA

Account Number		Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
824-35-224-51000	SALARIES						
824-35-224-51001	Salaries - Full Time	305,659.00	190,525.47	190,525.47	0.00	115,133.53	62.33
824-35-224-51140	Salaries Over Time	0.00	577.41	577.41	0.00	-577.41	0.00
Total SALARIES		305,659.00	191,102.88	191,102.88	0.00	114,556.12	62.52
824-35-224-52000	BENEFITS						
824-35-224-52210	Retirement	55,099.00	32,945.11	32,945.11	0.00	22,153.89	59.79
824-35-224-52220	Workers Compensation	4,392.00	2,599.70	2,599.70	0.00	1,792.30	59.19
824-35-224-52230	Medical Insurance	57,163.00	25,060.00	25,060.00	0.00	32,103.00	43.84
824-35-224-52231	Unused Medical Insurance	0.00	2,328.04	2,328.04	0.00	-2,328.04	0.00
824-35-224-52234	Dental Insurance	0.00	2,535.52	2,535.52	0.00	-2,535.52	0.00
824-35-224-52235	Vision Insurance	0.00	289.35	289.35	0.00	-289.35	0.00
824-35-224-52250	Life Insurance	0.00	243.59	243.59	0.00	-243.59	0.00
824-35-224-52255	Disability Insurance	0.00	845.82	845.82	0.00	-845.82	0.00
824-35-224-52260	SUI Unemployment Insurance	6,272.00	1,097.82	1,097.82	0.00	5,174.18	17.50
824-35-224-52275	Medicare	0.00	2,762.16	2,762.16	0.00	-2,762.16	0.00
824-35-224-52280	Deferred Compensation	9,230.00	5,346.23	5,346.23	0.00	3,883.77	57.92
Total BENEFITS		132,156.00	76,053.34	76,053.34	0.00	56,102.66	57.55
824-35-224-53000	SERVICES AND SUPPLIES						
824-35-224-53101	Postage	250.00	0.00	0.00	0.00	250.00	0.00
824-35-224-53102	Communications	500.00	44.78	44.78	0.00	455.22	8.96
824-35-224-53105	Printing & Copying	250.00	0.00	0.00	0.00	250.00	0.00
824-35-224-53106	Membership/Dues	1,000.00	0.00	0.00	0.00	1,000.00	0.00
824-35-224-53107	Mileage Reimbursement	300.00	0.00	0.00	0.00	300.00	0.00
824-35-224-53108	Meetings & Conferences	2,500.00	0.00	0.00	0.00	2,500.00	0.00
824-35-224-53109	Training	500.00	0.00	0.00	0.00	500.00	0.00
824-35-224-53120	Advertising	1,500.00	0.00	0.00	0.00	1,500.00	0.00
824-35-224-53172	Building Maintenance & Repair	0.00	625.98	625.98	0.00	-625.98	0.00

Expenditure Status Report

City of Citrus Heights
7/1/2011 through 6/30/2012

824 Cooperative Agreement - RDA

35 Redevelopment

224 Cooperative Agreement-RDA

Account Number		Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
824-35-224-53181	Utilities Gas & Electric	300.00	0.00	0.00	0.00	300.00	0.00
824-35-224-53182	Utilities Water	300.00	0.00	0.00	0.00	300.00	0.00
824-35-224-53185	Utilities Sewer	300.00	0.00	0.00	0.00	300.00	0.00
824-35-224-53201	Professional Services	100,000.00	19,286.90	19,286.90	0.00	80,713.10	19.29
824-35-224-53210	Legal Services	30,000.00	5,175.38	5,175.38	0.00	24,824.62	17.25
824-35-224-53320	Books/Subscriptions	100.00	0.00	0.00	0.00	100.00	0.00
824-35-224-53340	Materials & Supplies	500.00	0.00	0.00	0.00	500.00	0.00
Total SERVICES AND SUPPLIES		138,300.00	25,133.04	25,133.04	0.00	113,166.96	18.17
824-35-224-65000	Inter-Departmental Charges						
824-35-224-65010	City Manager Charges	57,825.00	33,733.00	33,733.00	0.00	24,092.00	58.34
824-35-224-65020	City Clerk Charges	17,578.00	10,262.00	10,262.00	0.00	7,316.00	58.38
824-35-224-65030	Finance Department Charges	33,935.00	19,796.00	19,796.00	0.00	14,139.00	58.34
Total Inter-Departmental Charges		109,338.00	63,791.00	63,791.00	0.00	45,547.00	58.34
824-35-224-66000	Inter-Departmental Charges						
824-35-224-66010	Human Resources Charges	8,425.00	4,914.00	4,914.00	0.00	3,511.00	58.33
824-35-224-66020	Central Services Charges	7,358.00	4,291.00	4,291.00	0.00	3,067.00	58.32
824-35-224-66030	Government Buildings Charges	15,415.00	8,995.00	8,995.00	0.00	6,420.00	58.35
824-35-224-66040	Information Services Charges	8,651.00	5,047.00	5,047.00	0.00	3,604.00	58.34
824-35-224-66050	Risk Management Charges	16,551.00	9,653.00	9,653.00	0.00	6,898.00	58.32
Total Inter-Departmental Charges		56,400.00	32,900.00	32,900.00	0.00	23,500.00	58.33
824-35-224-99000	Transfers						
Total Transfers		0.00	0.00	0.00	0.00	0.00	0.00
Total Cooperative Agreement - RDA		741,853.00	388,980.26	388,980.26	0.00	352,872.74	52.43
Grand Total		741,853.00	388,980.26	388,980.26	0.00	352,872.74	52.43

Expenditure Status Report

City of Citrus Heights
7/1/2011 through 6/30/2012

825 Cooperative Agreement - Housing

35 Redevelopment
225 Cooperative Agreement-Housing

Account Number		Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
825-35-225-51000	SALARIES						
825-35-225-51001	Salaries - Full Time	50,612.00	31,802.54	31,802.54	0.00	18,809.46	62.84
Total SALARIES		50,612.00	31,802.54	31,802.54	0.00	18,809.46	62.84
825-35-225-52000	BENEFITS						
825-35-225-52210	Retirement	9,281.00	5,568.01	5,568.01	0.00	3,712.99	59.99
825-35-225-52220	Workers Compensation	313.00	186.65	186.65	0.00	126.35	59.63
825-35-225-52230	Medical Insurance	10,805.00	4,130.00	4,130.00	0.00	6,675.00	38.22
825-35-225-52231	Unused Medical Insurance	0.00	2,328.02	2,328.02	0.00	-2,328.02	0.00
825-35-225-52234	Dental Insurance	0.00	399.71	399.71	0.00	-399.71	0.00
825-35-225-52235	Vision Insurance	0.00	42.98	42.98	0.00	-42.98	0.00
825-35-225-52250	Life Insurance	0.00	43.82	43.82	0.00	-43.82	0.00
825-35-225-52255	Disabilty Insurance	0.00	151.45	151.45	0.00	-151.45	0.00
825-35-225-52260	SUI Unemployment Insurance	1,123.00	225.32	225.32	0.00	897.68	20.06
825-35-225-52275	Medicare	0.00	489.73	489.73	0.00	-489.73	0.00
825-35-225-52280	Deferred Compensation	894.00	512.92	512.92	0.00	381.08	57.37
Total BENEFITS		22,416.00	14,078.61	14,078.61	0.00	8,337.39	62.81
825-35-225-53000	SERVICES AND SUPPLIES						
825-35-225-53101	Postage	1,000.00	0.00	0.00	0.00	1,000.00	0.00
825-35-225-53105	Printing & Copying	2,000.00	0.00	0.00	0.00	2,000.00	0.00
825-35-225-53120	Advertising	3,000.00	0.00	0.00	0.00	3,000.00	0.00
825-35-225-53182	Utilities Water	15,000.00	0.00	0.00	0.00	15,000.00	0.00
825-35-225-53201	Professional Services	50,000.00	0.00	0.00	0.00	50,000.00	0.00
825-35-225-53210	Legal Services	10,000.00	0.00	0.00	0.00	10,000.00	0.00
825-35-225-53340	Materials & Supplies	500.00	0.00	0.00	0.00	500.00	0.00
Total SERVICES AND SUPPLIES		81,500.00	0.00	0.00	0.00	81,500.00	0.00
825-35-225-99000	Transfers						

825 Cooperative Agreement - Housing

35 Redevelopment
225 Cooperative Agreement-Housing

Account Number	Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
825-35-225-99100 Transfers Out	0.00	85,852.15	85,852.15	0.00	-85,852.15	0.00
Total Transfers	0.00	85,852.15	85,852.15	0.00	-85,852.15	0.00
Total Cooperative Agreement - Housing	154,528.00	131,733.30	131,733.30	0.00	22,794.70	85.25
Grand Total	154,528.00	131,733.30	131,733.30	0.00	22,794.70	85.25

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