DEPARTMENT OF FINANCE

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REVISED

February 21, 2013

Mr. Rene Mendez, City Manager
City of Gonzales
PO Box 647
Gonzales, CA 93926

Dear Mr. Mendez:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Gonzales Successor Agency (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund Due Diligence Review (DDR) to the California Department of Finance (Finance) on November 7, 2012. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities.

On December 3, 2012, Finance issued a letter stating the Agency's Low and Moderate Income Housing Fund (LMIHF) balance available for distribution to the affected taxing entities was $266,307. In that letter, Finance questioned $266,307 in transfers.

On December 13, 2012, the Agency contacted Finance, and subsequently provided adequate documentation to support the transfer of funds for an enforceable obligation. As a result, there are no unencumbered LMIHF balances available for distribution; therefore, we are issuing a revised letter to reflect the change.

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter and Finance's Housing Assets Transfer letter dated September 5, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Mary Villegas, Administrative Specialist/Deputy City Clerk, City of Gonzales
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County
California State Controller's Office