DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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November 20, 2012

Mr. Bruce Foltz, Finance Director
City of Wasco
764 E Street
Wasco, CA 93280

Dear Mr. Foltz:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Wasco 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 October 15, 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 November 7, 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 $512,593. In that letter, Finance questioned approximately $85,000 in unsupported expenditures during the Enforceable Obligation Payment Schedule (EOPS) period of July 1, 2012 through January 31, 2012. On November 8, 2012, the Agency provided additional documents to support the EOPS expenditures. Therefore, the Agency's LMIHF balance available for distribution to the affected taxing entities is $427,871 (see table below). As such, we are issuing a revised letter to reflect the change.

LMIHF Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	427,871
Finance Adjustments		0
Total LMIHF available to be distributed:	$	427,871

HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, that taxing entity's failure to remit those funds may result in offsets to its sales and use tax allocation or to its property tax allocation.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter and Finance's Housing Assets Transfer letter dated August 31, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Kylie Le, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,

For

STEVE SZALAY
Local Government Consultant

cc: Ms. Vickie Hight, City Clerk, City of Wasco
Ms. Ann K. Barnett, Kern County Auditor-Controller
California State Controller's Office