



April 13, 2013

Ms. Shannon Jensen, Economic Development Assistant  
City of Coalinga  
155 West Durian Avenue  
Coalinga, CA 93210

Dear Ms. Jensen:

Subject: Other Funds and Accounts Due Diligence Review

This letter supersedes the California Department of Finance's (Finance) original Other Funds and Accounts (OFA) Due Diligence Review (DDR) determination letter dated March 8, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Coalinga Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on January 9, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Finance issued an OFA DDR determination letter on March 8, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer session was held on March 21, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of those specific items being disputed. Specifically, the following adjustments were made:

- The request to retain balances in the amount of \$968,042 is partially disallowed. The Agency claims the amount is needed to satisfy Finance approved obligations for the July through December 2012 and January through June 2013 Recognized Obligation Payment Schedule periods (ROPS II and III, respectively). Finance concurs the Agency did not receive all RPTTF funds approved for ROPS II and III periods; As such, the Agency will be allowed to retain reserve funds up to the amount actually expended as reported by the Agency on the subsequent period Recognized Obligation Payment Schedules (as reported on the Prior Period Payment Worksheet). Finance approved \$1,720,711 for the ROPS II period; however, the Agency only expended \$1,391,014. Since the County Auditor Controller (CAC) only distributed \$784,169 for the ROPS II, the Agency will be permitted to retain \$606,845 for the period. Finance also approved \$524,281 for the ROPS III period. Since the CAC only distributed \$505,594, the Agency will be permitted to retain \$18,687. The total allowed retention for both periods is \$625,532; therefore, the total OFA available for distribution is increased by \$342,510.

The Agency's OFA balance available for distribution to the affected taxing entities is \$606,278 (see table below).

<b>OFA Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ 263,768
Finance Adjustments	
Add:	
Requested retained balance not supported	342,510
<b>Total OFA available to be distributed:</b>	<b>\$ 606,278</b>

This is Finance's final determination of the OFA balances available for distribution to the taxing entities. HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient. Upon submission of payment, it is requested you provide proof of payment to Finance within five business days.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, the successor agency is required to take diligent efforts to recover such funds. A failure to recover and remit those funds may result in offsets to the other taxing entity's sales and use tax allocation or to its property tax allocation. If funds identified for transmission are in the possession of a private entity, HSC 34179.6 (h) (1) (B) states that any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

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

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

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

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Please direct inquiries to Evelyn Suess, Supervisor or Danielle Brandon, Analyst at  
(916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish extending from the end of the signature.

STEVE SZALAY  
Local Government Consultant

cc: Mr. Darryl Pyle, City Manager, City of Coalinga  
Mr. George Gomez, Accounting Financial Manager, Fresno County  
California State Controller's Office