DEPARTMENT OF FINANCE

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April 13, 2013

Ms. Rosa Rios, Director of Finance
City of Delano
1015 Eleventh Avenue
Delano, CA 93216

Dear Ms. Rios:

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 11, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Delano Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on January 15, 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 11, 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 28, 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 Agency requested to restrict $1,959,869 in procedure 6. Upon clarification with the Agency, this amount includes $940,917 to satisfy the July through December 2012 Recognized Obligation Payment Schedule (ROPS II) obligations. It is our understanding $940,917 is not restricted bond reserves with a fiscal agent. The remaining $1,018,952 is for bond reserves with a fiscal agent and should remain restricted. Further, it appears the $940,917 was already accounted for in procedure 9 of the DDR for fiscal year 2012-13 obligations. Since the amount has already been accounted for in a different procedure, the OFA balance available for distribution to the taxing entities will be increased by $940,917 to avoid duplication.

- Balances requested to be retained in the amount of $2,468,783 for fiscal year 2012-13 obligations are partially denied.

  For the ROPS II, Finance approved $1,088,568 and the Kern County Auditor Controller (CAC) distributed $940,909 from the Redevelopment Property Tax Trust Fund (RPTTF). In the ROPS II Prior Period Payments reported with the July through December 2013 Recognized Obligation Payment Schedule (ROPS 13-14A), the Agency reported $813,279 in expenditures. The Agency received sufficient funds from the RPTTF to cover all of the expenditures in the ROPS II period and no additional OFA balances need

to be retained. To the extent excess RPTTF was provided during the ROPS II period, the CAC may make an adjustment to the ROPS 13-14A distribution pursuant to HSC section 34186 (a). Therefore, the $940,909 distributed by the CAC for the ROPS II period should be retained by the Agency.

For the January through June 2013 Recognized Obligation Payment Schedule (ROPS III), Finance approved and the Agency received $1,189,593 from the RPTTF from the CAC in January 2013 and no prior period adjustments were made pursuant to HSC section 34186 (a). Since the CAC distributed funds from the RPTTF for approved ROPS III obligations after the June 30, 2012 OFA balances delineated in the DDR, the Agency does not need to retain current OFA balances for obligations that have already been funded through a separate process.

Therefore, the OFA balances available for distribution to the taxing entities will be adjusted by $1,527,874 ($2,468,783 - $940,909).

The Agency's OFA balance available for distribution to the affected taxing entities is $2,027,961 (see table below).

OFA Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	(440,830)
Finance Adjustments		
Add:		
Balance not restricted	$	940,917
Requested retained balance not supported		1,527,874
Total OFA available to be distributed:	$	2,027,961

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.

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Maribel G Reyna, City Manager, City of Delano
Ms. Mary B. Bedard, Auditor-Controller, County of Kern
California State Controller's Office