



May 21, 2013

Mr. Tom Dibble, Finance Director
City of Hanford
315 North Douty Street
Hanford, CA 93230

Dear Mr. Dibble:

Subject: Other Funds and Accounts Due Diligence Review

The City of Hanford successor agency (Agency) submitted an oversight board approved Other Funds and Accounts (OFA) Due Diligence Review (DDR) to the California Department of Finance (Finance) on March 6, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Since the Agency did not meet the January 15, 2013 submittal deadline pursuant to HSC section 34179.6 (c), Finance is not bound to completing its review and making a determination by the April 1, 2013 deadline pursuant to HSC section 34179.6 (d). However, Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of OFA available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- Transfers in the amount of \$713,093. Our review indicates that \$713,093 was transferred to pay for a loan between the City of Hanford (City) and the Agency. Pursuant to HSC section 34167.5, asset transfers after January 1, 2011, between the city or county, or city and county that created a redevelopment agency for which an enforceable obligation does not exist is not permitted.
- Balances retained for fiscal year 2012-13 obligations in the amount of \$43,509. The Agency requested to retain \$168,509 to satisfy fiscal year 2012-013 obligations. Our analysis indicates that the Agency wishes to retain \$125,000 for the approved administrative cost allowance for the July through December 2012 Recognized Obligation Payment Schedule. Additionally, the Agency agreed to withdraw its request to retain \$2,189 for accounts payable. Therefore, the balance is adjusted by the difference of \$43,509 (\$168,509-\$125,000).

If you disagree with Finance's adjusted amount of OFA balances available for distribution to the taxing entities, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's OFA balance available for distribution to the affected taxing entities is \$1,639,123 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 882,521
Finance Adjustments	
Disallowed transfers	\$ 713,093
Retained balance not supported	43,509
Total OFA available to be distributed:	\$ 1,639,123

Absent a Meet and Confer request, 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, please 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 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 do not in any way eliminate the Controller's authority.

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Please direct inquiries to Beliz Chappuie, Supervisor or Anna Kyumba, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in blue ink, appearing to read 'S Szalay', with a stylized flourish.

STEVE SZALAY
Local Government Consultant

cc: Mr. Ty Mizote, Assistant City Attorney, City of Hanford
Ms. Cassandra Mann, Property Tax Manager, County of Kings
California State Controller's Office