DEPARTMENT OF FINANCE

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April 8, 2013

Mr. Don Pauley, City Manger
City of Kingsburg
1401 Draper Street
Kingsburg, CA 93631

Dear Mr. Pauley:

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 Kingsburg Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on January 11, 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 20, 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:

- Transfer of $129,542 to the City of Kingsburg (City) for the Train Depot Restoration Project. Based on documentation provided by the Agency, $129,542 represents funds the former redevelopment agency (RDA) paid for the project from fiscal years 2005-06 through 2011-12. The Agency provided documentation establishing $120,803 was recorded in the former RDA capital project fund and funded from former RDA reserves when the invoice was received prior to January 1, 2011. Therefore, $120,803 is allowable; however, the remaining $8,739 was paid after January 1, 2011. HSC section 34179.5 (c) states that transfers made to the City after January 1, 2011 through June 30, 2012 must be in accordance with an enforceable obligation, as defined in HSC section 34171 (d), requiring the transfer. No contracts were in place for the $8,739 transferred after January 1, 2011. In addition, the invoices provided to support the amount were addressed to the City, not the former RDA. Therefore, the balance available for distribution will be increased by $8,739.

The Agency's OFA balance available for distribution to the affected taxing entities is $25,801 (see table on the following page).

OFA Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	17,062
Finance Adjustments		
Add:		
Disallowed transfers	$	8,739
Total OFA available to be distributed:	$	25,801

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 Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Don Jensen, Assistant City Manager/Finance Director, City of Kingsburg
Mr. George Gomez, Accounting Financial Manager, County of Fresno
California State Controller's Office