



May 29, 2013

Mr. Richard Loomis, Finance Director
City of Pinole
2131 Pear Street
Pinole, CA 94564

Dear Mr. Loomis:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

The City of Pinole 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 May 3, 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 October 15, 2012 submittal deadline pursuant to HSC section 34179.6 (c), Finance is not bound to completing its review and making a determination by the November 9, 2012 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.

Based on our review, Finance made no adjustments to the Low and Moderate Income Housing Fund (LMIHF) balance available for allocation to the affected taxing entities. As a result, there are no unencumbered LMIHF balances available for distribution.

However, 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. The Controller identified \$24,514,621 in inappropriately transferred assets in its report dated December 12, 2012; Finance will address improper transfer of assets during the Agency's Other Funds and Accounts Due Diligence Review, currently under review at this time.

Please direct inquiries to Nichelle Thomas, Supervisor or Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Belinda Espinosa, City Manager, City of Pinole
Mr. Bob Campbell, Auditor-Controller, Contra Costa County

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Mr. Steven Mar, Bureau Chief, Local Government Audit Bureau, California State
Controller's Office