DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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October 28, 2015

Mr. Kevin Mizuno, Finance Manager
City of Clayton
6000 Heritage Trail
Clayton, CA 94517

Dear Mr. Mizuno:

Subject: Other Funds and Accounts Due Diligence Review

The City of Clayton 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 19, 2015. 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:

- Assets transferred to the City of Clayton (City) totaling $230,983 have been adjusted. Our review of the Agency's General Ledger shows the former redevelopment agency (RDA) transferred cash totaling $230,983 to the City on November 30, 2011; however, there was no corresponding enforceable obligation to support the transfer to the City.

  Therefore, the OFA available balance for distribution to the affected taxing entities will be increased by $230,983.

- The Agency's request to retain funds totaling $1,480,339 for funding of agreements has been adjusted by $475,000.

  The Agency requests $475,000 for the payment of a Fire Station Loan to the City. The loan resulted from a Purchase and Sale Agreement between the RDA and the City entered into on June 17, 1999 for the purchase of a site for the fire station. The agreement requires payments to be made annually until January 1, 2023.

  Pursuant to HSC section 34171 (d) (2), an enforceable obligation does not include any agreements, contracts, or arrangements between the City and the RDA, except such was entered into on or before December 31, 2010 at the time of issuance of indebtedness obligations, and solely for the purpose of securing or repaying those

indebtedness obligations. As the Purchase and Sale Agreement was not made for the purpose of securing indebtedness obligations or for repaying any indebtedness obligation, this item is not an enforceable obligation that requires the retention of funds.

However, pursuant to HSC section 34191.4 (b) (1), the Agency may be able to request repayment of this loan on a Recognized Obligation Payment Schedule once the Agency receives a Finding of Completion.

Therefore, the OFA available balance for distribution to the affected taxing entities will be increased by $475,000.

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 $1,256,379 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	$550,396
Finance Adjustments	
Add:	
Disallowed transfers to the City	230,983
Requested retained balances not supported	475,000
Total OFA available to be distributed:	$ 1,256,379

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.

Failure to transmit the identified funds will 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.

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

Sincerely,

Jennifer for

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Laura Hoffmeister, Assistant City Manager, City of Clayton
Mr. Bob Campbell, Auditor-Controller, Contra Costa County