



July 18, 2013

Mr. Farhad Mortazavi, Community Development Director
City of Millbrae Successor Agency
621 Magnolia Avenue
Millbrae, CA 94030

Dear Mr. Mortazavi:

Subject: Other Funds and Accounts Due Diligence Review

The City of Millbrae 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 May 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:

- Balances requested to be retained for fiscal year 2012-13 in the amount of \$774,912 is partially denied. Included in this amount is \$30,225 requested for Item No. 10 listed on the January through June 2013 Recognized Obligation Payment Schedule (ROPS III). Pursuant to the ROPS III determination letter dated October 3, 2012, this item was not approved for funding. Therefore, the amount available for distribution to the affected taxing entities will be increased by \$30,225.
- Balances requested to be retained for the July True-Up payment in the amount of \$978,530 is not allowed. This amount was returned to the County Auditor-Controller of San Mateo via wire transfer on May 31, 2012. Total amount of assets as of June 30, 2012 had already been reduced to reflect this transfer. Therefore, the amount available for distribution to the affected taxing entities will be increased by \$978,530.

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 \$2,331,079 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 1,322,324
Finance Adjustments	
Add:	
Requested retained balance not supported:	30,225
Requested retained balance for July True-up payment not supported:	978,530
Total OFA available to be distributed:	\$ 2,331,079

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.

Please direct inquiries to Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

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Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. LaRae Brown, Finance Director, City of Millbrae
Ms. Shirley Tourel, Senior Internal Auditor, County of San Mateo
California State Controller's Office