



March 26, 2013

Ms. Patty Kong, Finance Director
City of Mountain View
500 Castro Street
Mountain View, CA 94041

Dear Ms. Kong:

Subject: Other Funds and Accounts Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Mountain View 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 January 14, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Pursuant to HSC section 34179.6 (d), 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:

- The oversight board approved as asset balance that is \$8,449 more than the OFA DDR balance. The difference stems from the interest earned between June 30, 2012 and January 15, 2013. Since these balances are known, the OFA balances available for distribution to the taxing entities will be adjusted by \$8,449.
- Balances requested to be retained for assets legally restricted in the amount of \$2,189,808 of the OFA DDR's Procedure 6 is partially denied. Included in this amount is \$509,037 of capital project bond proceeds. However, this amount was not included in the beginning balance of the OFA DDR. The Agency cannot offset funds that were not included in the beginning balance of the OFA DDR. Therefore, the OFA balances available for distribution to the taxing entities will be adjusted by \$509,037.
- In Resolution No. OB-9, the Oversight Board states that the \$6.3 million OFA unencumbered balances should be retained by the Agency to call the 2003 Certificates of Participation on August 1, 2013. However, HSC section 34177 (d) requires that all unencumbered OFA balances be remitted to the taxing entities. Therefore, retention of these funds is not authorized. Furthermore, the Agency may be allowed to bring back city loans once they receive a Finding of Completion, thereby dissolution may not necessarily be imminent. Therefore, the oversight board's request to retain funds to

debase the 2003 Certificates of Participation in the amount of \$6,306,265 is not allowed, and the Agency must remit all available OFA balances to the taxing entities.

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 \$6,815,302 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR (adjusted by oversight board):	\$ -
Finance Adjustments	
Add:	
Oversight board's request to retain funds not authorized	\$ 6,297,816
Interest earned on unencumbered funds	\$ 8,449
Requested retention amount not included in beginning balance	509,037
Total OFA available to be distributed:	\$ 6,815,302

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, 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.

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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.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish extending to the left.

STEVE SZALAY
Local Government Consultant

cc: Mr. Jannie Quinn, City Attorney, City of Mountain View
Ms. Irene Lui, Controller Treasurer, County of Santa Clara
Ms. Jacelyn Ma, Property Tax Apportionment Manager, County of Santa Clara
California State Controller's Office