



August 2, 2013

Ms. Tina Olson, Finance Director  
City of Pittsburg  
65 Civic Avenue  
Pittsburg, CA 94565

Dear Ms. Olson:

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 July 2, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Pittsburg Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on April 22, 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 July 2, 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 July 18, 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. Based on our review of your DDR, there are no balances available for distribution to the affected taxing entities. However, as related to the transfer of land and properties valued at \$12,383,676, we noted the following:

- Property transferred to the 9<sup>th</sup> Street Associates in the amount of \$905,930 is no longer denied. The Agency provided additional documentation during the Meet and Confer process to identify that this property was transferred in November 2011 pursuant to a Disposition Development and Loan Agreement between the former Redevelopment Agency (RDA) and the 9th Street Associates. Therefore, the transfer is allowable as it was made pursuant to an enforceable obligation.
- Property transfers to the City of Pittsburg (City) totaling \$11,477,746 made in July 2012 continue to be denied. The Agency states that the transfer is allowable based on Oversight Board Resolution No. 12-009 OSB approving the transfer. The Oversight Board concluded the properties and other fixed assets were for governmental use and thereby allowable for transfer to the City. However, Finance did not review Resolution No. 12-009 OSB and is unable to determine whether or not all properties meet the definition of governmental use.

The non-liquid assets transferred to the City are subject to the California State Controller's Office (SCO) review of asset transfers. It is our understanding the SCO is

concluding its review of those properties. 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. Finance will rely upon the outcome of the SCO audit to determine if the property transfers are allowable. To the extent it is determined the properties do not meet criteria outlined in HSC section 34181 (a), they should be returned to the Agency and disposed of in a manner consistent with the Agency's Long-Range Property Management Plan pursuant to HSC section 34191.5.

Since property is not considered cash or cash-equivalent asset, Finance has made no adjustment to the available balance to the affecting taxing entities for this amount. However, the Agency is required to reverse any improper transfers of property and recover the assets from the City.

As stated above, 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 Sues, Dispute Resolution Supervisor or Derk Symons, Analyst at (916) 445-1546.

Sincerely,



Handwritten signature of Steve Szalay, with the word "for" written below the signature.

STEVE SZALAY  
Local Government Consultant

cc: Ms. Maria Aliotti, Redevelopment Manager, City of Pittsburg  
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa  
Mr. Steven Mar, Bureau Chief, State Controller's Office, Local Government Audit Bureau  
California State Controller's Office