



June 11, 2013

Mr. Robert M. Stewart, Redevelopment Administrator
City of Pleasant Hill
100 Gregory Lane
Pleasant Hill, CA 94523-3323

Dear Mr. Stewart:

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 May 7, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Pleasant Hill Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on February 20, 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). Finance issued an OFA DDR determination letter on May 7, 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 May 28, 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. Specifically, the following adjustments were made:

- Assets transferred in the amount of \$647,518 are not supported by an enforceable obligation. The former redevelopment agency (RDA) transferred a total of \$3,813,612 in assets to the City of Pleasant Hill (City) during the period January 1, 2011 to January 31, 2012, pursuant to a March 8, 2011 Agreement between the former RDA and the City. The City transferred back \$3,126,402, but retained \$647,518 for two agreements. Per HSC section 34179.5 (c) (2), the dollar value of assets and cash transferred by the former RDA or successor agency to the city, county, or city and county that formed the former RDA between January 1, 2011 through June 30, 2012, must be evidenced by documentation of the enforceable obligation that required the transfer. HSC section 34179.5 states "enforceable obligation" includes any of the items listed in subdivision (d) of section 34171, contracts detailing specific work that were entered into by the former RDA prior to June 28, 2011, with a third party other than the city, county, or city and county that created the former RDA. HSC section 34171 (d) (2) states "enforceable obligation" does not include any agreements, contracts, or arrangements between the city that created the RDA and the former RDA. The Agreement with the City is not an enforceable obligation and the former RDA was not a party to the contracts entered into

by the City. Therefore, the transfer was not made pursuant to an enforceable obligation and is not permitted. The OFA balance available will be increased by \$647,518.

- The request to retain balances in the amount of \$1,606,506 was decreased by \$229,914. For the July through December 2012 (ROPS II) period, the County Auditor Controller (CAC) distributed \$1,376,592 from the Redevelopment Property Tax Trust Fund, which was approved by Finance. For the January through June 2013 (ROPS III) period, Finance approved \$2,304,930 and the CAC distributed \$1,923,883 from the RPTTF. The CAC also adjusted the ROPS III January 2, 2013 distribution by \$151,133 pursuant to HSC section 34186 (a). This resulted in a \$229,914 (\$2,304,930 - \$1,923,883 - \$151,133) shortfall for the ROPS III period. Therefore, the Agency may retain \$1,606,506 (\$1,376,592 + \$229,914) for the ROPS II and III periods. Finance will reverse its adjustment of \$229,914.

The Agency did not object to the following adjustment made by Finance during the Meet and Confer process. HSC section 34179.6 (d) authorizes Finance to make adjustments. We maintain that the following adjustment is appropriate:

- The total amount of assets held by the Agency as of June 30, 2012 has been adjusted by \$1,678. It is our understanding the cash balance should be \$8,501,054 and the interest receivable balance should be \$24,675, resulting in an increase of \$1,678. Therefore, the balances have been adjusted accordingly.

The Agency's OFA balance available for distribution to the affected taxing entities is \$4,992,460 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 4,343,264
Finance Adjustments	
Add:	
Disallowed transfers	\$ 647,518
Adjustment to the June 30, 2012 balance	1,678
Total OFA available to be distributed:	\$ 4,992,460

This is Finance's final determination of the OFA balances available for distribution to the taxing entities. 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.

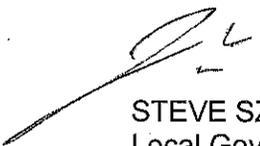
Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain 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.

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 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 Suess, Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Mary McCarthy, Finance Manager, City of Pleasant Hill
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office