



December 2, 2014

Mr. Chadrick Smalley, Manager
City of Richmond
440 Civic Center Plaza
Richmond, CA 94804

Dear Mr. Smalley:

Subject: Other Funds and Accounts Due Diligence Review

The City of Richmond 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 September 18, 2014. 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:

- The request to legally restrict assets in the amount of \$1,146,500 for a 1998 Bond Reserve Shortfall is not allowed. The Agency requested, and was approved, for Redevelopment Property Tax Trust Funds (RPTTF) for this obligation on its Recognized Obligation Payment Schedule (ROPS) for the January through June 2014 (13-14B) period. Therefore, the request to legally restrict assets is not allowed.
- The request to legally restrict assets in the amount of \$2,723,046 for the Terminal One Site Settlement Agreement is not allowed. Although the Agency and the City of Richmond are obligated to perform all necessary environmental work to abate hazardous substances at the site, there is no obligation or requirement in the settlement agreement that these funds must be restricted. Additionally, it is our understanding that the Agency does not have these funds in a restricted or fiduciary account. Therefore, the request to legally restrict assets is not allowed. The Agency should request funding for this obligation on the ROPS, as needed, to perform the necessary environmental work.
- The request to retain funds in the amount of \$4,188,338 for expenditures incurred during the ROPS I period (January through June 2012) but not paid until the ROPS II period is

partially allowed. The Agency requested Bond Proceeds and Other Funds for these expenditures, which have already been restricted in other procedures in the DDR. Of the amount requested for retention, the Agency only requested \$89,079 from Reserve Balances or RPTTF; the remaining \$4,099,259 does not qualify for retention. Therefore, Finance has adjusted the request by \$4,099,259 (\$4,188,338 - \$89,079).

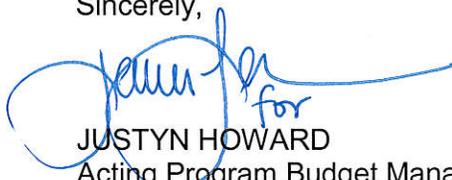
Although adjustments have been made, the adjusted Agency's OFA balance available for distribution to the affected taxing entities is zero (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ (9,040,419)
Finance Adjustments	
Add:	
Requested restricted balances not supported	3,869,546
Requested retained balances not supported	4,099,259
Total OFA available to be distributed:	\$0

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 Nichelle Thomas, Supervisor or Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Terri Simon, Redevelopment Specialist III, City of Richmond
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office