



April 1, 2013

Mr. Brice McQueen, Successor Agency Manager  
City of Sunnyvale  
650 W. Olive Ave.  
Sunnyvale, CA 94088

Dear Mr. McQueen:

Subject: Other Funds and Accounts Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Sunnyvale 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:

- Cash assets transferred to the City of Sunnyvale totaling \$13,819,358 is not allowed. Our review indicated that there were two transfers in the amount of \$8,830,951 on June 30, 2011 and \$4,988,407 on January 31, 2012, totaling \$13,819,358. These transfers were in accordance with a 1977 City general fund loan. HSC section 34179.5 (c) (2) only allows transfers to the City that are required of an enforceable obligation. As it relates to the DDR review process, HSC section 34179.5 (b) (2) defines enforceable obligations and excludes these types of loan agreements. In addition, HSC section 34179.5 (c) (2) requires that any cash or cash equivalents that transferred between January 1, 2011 through June 20, 2012 to the City note the enforceable obligation that required the transfer. Since an enforceable obligation did not exist, the OFA balances available for distribution to the taxing entities will be adjusted by \$13,819,358.

Upon receiving a Finding of Completion, these loans may become enforceable pursuant to HSC section 34191.4 (b).

- Assets legally restricted in the amount of \$63,388 for unclaimed property. The Agency states these funds need to be retained until August 2013. Finance agrees with this assessment and believes these funds should remain restricted until August 2013 pursuant to Government Code section 50050. When the funding becomes available in August 2013, the Agency should either disburse this amount to the taxing entities or

offset the request for Redevelopment Property Tax Trust Funds on the Recognized Obligation Payment Schedule.

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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's OFA balance available for distribution to the affected taxing entities is \$13,819,358 (see table below).

<b>OFA Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ -
Finance Adjustments	
Add:	
Transfers to Sunnyvale General Fund:	\$ 13,819,358
<b>Total OFA available to be distributed:</b>	<b>\$ 13,819,358</b>

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.

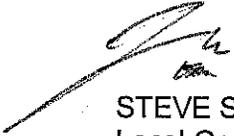
In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

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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,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Grace K. Leung, Director of Finance, City of Sunnyvale  
Ms. Irene Lui, Controller Treasurer, County of Santa Clara  
California State Controller's Office