

**PINOLE OVERSIGHT BOARD  
AGENDA  
SPECIAL MEETING  
(OVERSIGHT BOARD OF THE SUCCESSOR  
AGENCY TO THE PINOLE  
REDEVELOPMENT AGENCY)**

**SEPTEMBER 18, 2013  
4:00 P.M.**

**2131 Pear Street,  
Pinole City Council Chambers  
Pinole, California**

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Whitney Dotson - EBRPD  
Mary Drazba - City of Pinole  
John Marquez - Contra Costa Community College  
Norma Martinez-Rubin – Office of the County Superintendent of Schools  
Peter Murray - City of Pinole  
Debbie Long, Chair - Contra Costa County  
Maureen Toms, Vice Chair - Contra Costa County

**Public Comment:** The public is encouraged to address the Oversight Board on any matter listed on the agenda or on any other matter within its jurisdiction subject to the rules of decorum to be described and acted on by the Board. If you wish to address the City Council or Agency Board, please complete the card that is provided at the rear entrance to the Council Chambers and hand the card to the City Clerk/Secretary. The Board will hear public comment on items listed on the agenda during discussion of the matter and prior to a vote. The Board will hear public comment on matters **not** listed on the agenda during Citizens to be Heard, Agenda Items 5.

**Americans With Disabilities Act:** In compliance with the Americans With Disabilities Act of 1990, if you need special assistance to participate in meeting, or you need a copy of the agenda, or the agenda packet in an appropriate alternative format, please contact the City Clerk's Office at (510) 724-8928. Notification at least 48 hours prior to the meeting or time when services are needed will assist the City staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service. Assisted listening devices are available at this meeting. Ask the City Clerk if you desire to use this device.

**Note:** Staff reports are available for inspection at the Office of the City Clerk, City Hall, 2131 Pear Street during regular business hours, 8:00 a.m. to 4:30 p.m. Monday –Thursday and on the City of Pinole Website at [www.ci.pinole.ca.us](http://www.ci.pinole.ca.us). You may also contact the City Clerk via e-mail at [pathenour@ci.pinole.ca.us](mailto:pathenour@ci.pinole.ca.us)

**1. CALL TO ORDER & PLEDGE OF ALLEGIANCE**

**2. ROLL CALL, CLERK'S REPORT & STATEMENT OF CONFLICT**

*An official who has a conflict must, prior to consideration of the decision: (1) publicly identify in detail the financial interest that causes the conflict; (2) recuse himself /herself from discussing and voting on the matter; and (3) leave the room until after the decision has been made, Cal. Gov't Code § 87200.*

**3. PUBLIC COMMENT**

*Citizens may speak under any item not listed on the Agenda. The time limit is 3 minutes and is subject to modification by the Chair. Pursuant to provisions of the Brown Act, no action may be taken on a matter unless it is listed on the agenda, or unless certain emergency or special circumstances exist. The Oversight Board may direct staff to investigate and/or schedule certain matters for consideration at a future meeting.*

**4. CONSENT CALENDAR MATTERS**

- A. Approve the Minutes of May 2, 2013

**5. MATTERS FOR CONSIDERATION**

- A. Review and Approve the Recognized Obligation Payment Schedule (ROPS 2013-14B) For January - June 30, 2014 - \$1,438,669 [**OS Board Report 2013-04; Action: Adopt Resolution Per Staff Recommendation (Espinosa / Loomis)**]
- B. Approve the Administrative Budget for the Pinole Successor Agency for January 2013 Through June 30, 2014 [**OS Board Report 2013-05; Action: Adopt Resolution Per Staff Recommendation (Espinosa/Loomis)**]
- C. Department of Finance Final Determination to Due Diligence Reviews (DDR's) for Housing and Other Funds of the Pinole Successor Agency [**OS Board Report 2013-06; Action: Informational Only – No Action Requested (Espinosa/Loomis)**]
- D. Cancellation of the Regular Meeting of October 2, 2013  
Recommendation to Cancel Due to Lack of Business Items  
**Action: Cancel October 2, 2013 meeting**

**6. ADJOURNMENT to the Regular Meeting of November 6, 2013**

**POSTED: September 11, 2013 at 4:00 P.M.**

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**Patricia Athenour, MMC**  
**Pinole City Clerk / Clerk to the Board**

***Documents regarding any item on this agenda, provided to a majority of the Oversight Board after distribution of the packet will be made available for public inspection at the Administration Counter at City Hall & during the meeting, in a binder located outside the Council Chambers, 2131 Pear Street, available during normal business hours. (Pursuant to SB 343-effective July 1, 2008)***

**PINOLE OVERSIGHT BOARD  
(OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE PINOLE  
REDEVELOPMENT AGENCY)  
MINUTES**

**MAY 2, 2013**

**1. CALL TO ORDER & PLEDGE OF ALLEGIANCE**

Vice Chair Toms called the meeting of the Oversight Board for the Successor Agency of the Pinole ("Oversight Board") to order at 5:00 p.m. in the Pinole City Council Chambers, 2131 Pear Street, Pinole CA and led the Pledge of Allegiance.

**2. ROLL CALL, CLERK'S REPORT & STATEMENT OF CONFLICT**

**BOARD MEMBERS PRESENT:**

Board member Drazba  
Board member Marquez  
Board Member Martinez-Rubin  
Vice Chair Toms

**BOARD MEMBERS ABSENT:**

Chair Long  
Board Member Dotson  
Board Member Murray

The voting record reflects their absence.

City Clerk Athenour reported that the agenda was posted on May 1, 2013 at 4 p.m. All legally required notice was provided. She asked whether there were any conflicts with any items and none were reported.

City Clerk Athenour announced the following corrections to the February 27 and April 3 Minutes. She said the documents were amended to reflect that City Manager Belinda Espinosa was not in attendance at the February 26 and April 3 meetings, and Mr. De La Rosa was also not present on April 3. With this reporting, there is no need to remove the items from the Consent Calendar for approval.

**3. PUBLIC COMMENT**

No citizens addressed the Oversight Board.

**4. CONSENT CALENDAR MATTERS**

A. Approve the Minutes of the February 27 and April 3, 2013 Meetings

**Action: Motion by Board members Drazba / Martinez-Rubin; the Oversight Board approved the February 27 and April 3, 2013 Oversight Board Minutes.**

Passed unanimously of the members present.

## 5. MATTERS FOR CONSIDERATION

- A. Receive Public Comments and Approve the Due Diligence Review of Housing Funds and Other Funds As Required By AB 1484 [**OS Board Report 2013-03; Action: Adopt Resolutions As Recommended by Staff (Loomis/Downs)**]
  - a. Resolution Approving Due Diligence Review of Housing Funds
  - b. Resolution Approving Due Diligence Review of Other Funds

**Richard Loomis**, Finance Director presented Staff Report 2013-03 into the record. He summarized the comments from the auditor at the last meeting (April 3). The reports are the end product, providing an accounting of the assets transferred to the Successor Agency, housing programs assets, and the cash assets. He reported no residual cash balances because the City made a “true up” payment based on a demand letter in December 2012.

Loomis discussed the non-housing assets in greater detail, referring to Attachment B, Item 3, \$25 million dollars or which \$13 million has been converted to cash through the sale of the shopping centers and that money is in a separate account in US Bank. The auditor did not have to opine or comment on those transfers because the State Controllers Report has already been completed and the DOF will rely on that to make their decision. He discussed the City's position that we completed a validation action, so our opinions differ. The DOF has 2 weeks to make a decision and if they call the money, the City will have a five-day period to schedule a meet and confer hearing. He discussed the timeline if the City were to elect to take judicial action, stating that we would go to court and request a TRO and ask for a hearing and file a motion for a summary judgment based on the validation action we filed in February 2011. He said the only thing in dispute is an interpretation of the statues at the trial court level. If we move forward with this action, Pinole would be the first city in California to request an official ruling of the validation action. In order to take this next step, the Board is required to approve the two resolutions presented in the report, and he recommended adoption.

**ACTION: Motion by Board members Marquez/Drazba, the Oversight Board Adopted Resolution 2013-02, Approving Due Diligence Review of Housing Funds, Subject to a Noted Correction on the Resolution.**

**Vote: Passed 4-0.**

**ACTION: Motion by Board members Drazba/Martinez-Rubin, the Oversight Board Adopted Resolution 2013-03, Approving Due Diligence Review of Other Funds, Subject to a Noted Correction on the Resolution.**

**Vote: Passed 4-0.**

## 6. ADJOURNMENT to the Regular Meeting of June 5, 2013

If there is definite notice about the actions, Mr. Loomis said he would have the Secretary send notification if a Special Meeting was required. Board Member Drazba thanked staff for turning this around and rescheduling the meeting on such short notice to conduct this business.

At 5:20 p.m., Acting Chair Toms adjourned the meeting.

**Submitted By:**

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**Patricia Athenour, MMC**  
**Pinole City Clerk / Clerk to the Board**

**Approved by the Oversight Board:**

**SUCCESSOR AGENCY  
OVERSIGHT BOARD REPORT 2013-04**

**5A**

DATE: SEPTEMBER 18, 2013

TO: SUCCESSOR AGENCY OVERSIGHT BOARD

FROM: BELINDA B. ESPINOSA, CITY MANAGER  
RICHARD LOOMIS, FINANCE DIRECTOR 

SUBJECT: RECOGNIZED OBLIGATION PAYMENT SCHEDULE (*ROPS* 13-14B) FOR JANUARY - JUNE 2014 (\$1,438,669.00)

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**RECOMMENDATION**

Adopt Resolution (Attachment A) approving the Recognized Obligation Payment Schedule (*ROPS*), pursuant to Part (m) of Section 34177 of the Health & Safety Code, for the time period July through December of 2013, in the amount of \$1,438,669.00.

**BACKGROUND**

On June 28, 2012, the Governor signed into law AB-1484 which accelerated the filing date for the January to June (2013) Recognized Payment Obligation Schedule ("*ROPS*").

While redevelopment agency ***Successor Agencies*** may not initiate any *new* activities nor incur *new* indebtedness, they are nevertheless required under legislative statute and court order to continue making those payments necessary for day to day operations pursuant to contractual commitments (enforceable obligations), regulatory authorities, and indebtedness entered into prior to the enactment of ABx1-26 (Statutes of 2011). The legislation requires that only payments listed on approved Recognized Obligations Payment Schedules may be processed.

**REVIEW & ANALYSIS**

The enclosed *ROPS* document is a listing of the minimum amounts that are required (scheduled) to be paid by the Pinole Redevelopment Successor Agency during the six month period January through June of 2014, including the identification of a proposed funding source for payment of the existing enforceable obligations. This schedule must be reviewed and approved by the Oversight Board prior to submission to the State Department of Finance for final confirmation.

This law (AB-1484) requires that the disbursement schedule for Enforceable Obligations for the next semi-annual six month accounting period (required to close-out the business affairs of the previous redevelopment agencies) be reviewed by the local Oversight Board and submitted to County and State Administrative authorities prior to October 1, 2014. The *Enforceable Obligations* scheduled for payment in this six months (January - June 2014) total the sum \$1,378,669.00, as listed on Attachment C, and described (in brief) on Attachment B.

***We anticipate that the sum of these Enforceable Obligation payments will be significantly less than moneys held in Trust by the Auditor-Controller in the Redevelopment Property Tax Trust Fund, by approximately \$2.7 million. Therefore, in addition to surplus residual cash (estimated to be the sum of \$868,124) transferred pursuant to the Other Funds & Accounts Due Diligence Review (OFA-DDR), funds will be distributed to Affected Taxing Entities (ATE's) for this fiscal year.***

A review of the four (4) previous *ROPS Documents (January 2012 – December 2013)* has been completed by the State Department of Finance. One (Item #36 – Restoration Design Group Pinole Creek Monitoring) Enforceable Obligation listed for payment has been denied by the Department of Finance. Alternate grant funding has been identified by the Development Services Department to fund this contracted work.

Completed project activities and fully discharged/liquidated debts are identified on the “Notes” page of the mandatory ROPS 13-14B Authorization Forms (enclosed as Attachment “C”).

A new *EOF (#41)* has been added for the ROPS 13-14B filing, reflecting legal/litigation fees to be paid to the public law firm of Meyers, Nave, Riback, Silver & Wilson, as further described in the enclosed “litigation budget” (Attachment “D”).

As the Pinole Successor Agency local Oversight Board, you will be required to monitor and review these listings semi-annually, for the next three and one-half years. Payments for January 1<sup>st</sup> through June 30<sup>th</sup> 2014, represent the five (5<sup>th</sup>) “six month” payment authorization period.

## **FISCAL IMPACT**

Staff has determined that the sufficient funding will be available in the Redevelopment Property Tax Trust Fund (RPTTF) Account held by the Contra Costa County Auditor-Controller to fully fund all *Enforceable Obligations* identified for the ROPS 13-14B authorization period. At this time, the anticipated “residual/surplus” funding available for distribution from the RPTTF is approximately \$ 3.5 million (DDR close-out funds of \$0.9 million and excess July-December 2013 tax collections of \$2.7 million).

## **ATTACHMENTS**

- Attachment A – Draft Resolution
- Attachment B – Annotated Descriptions of Enforceable Obligations Scheduled for Payment (listed on Attachment C)
- Attachment C – Recognized Obligation Payment Schedule  
January - June 2014, Pinole Successor Agency
- Attachment D – Litigation Budget for Asset Transfer Dispute related to OFA DDR.

ATTACHMENT A

RESOLUTION NO. 2013-xx

**RESOLUTION OF THE SUCCESSOR AGENCY OVERSIGHT BOARD OF THE CITY OF PINOLE REDEVELOPMENT AGENCY, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA, APPROVING A FINAL RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR JANUARY THROUGH JUNE OF 2014.**

**WHEREAS**, Assembly Bill x1 26 (“ABx1 26”) was passed by the California State Legislature, signed by the Governor, and has been codified as part 1.8 of Division 24 of the California Health and Safety Code, commencing with Section 34161; and

**WHEREAS**, AB 26 requires successor agencies to continue to make all scheduled payments for enforceable obligations of their predecessor redevelopment agencies; and

**WHEREAS**, no later than October 1, 2013 successor agencies are required to adopt the fourth *Recognized Obligation Payment Schedule (ROPS 13-14B)* that lists all of the former agencies outstanding payment obligations payable from January through June of 2014; and

**WHEREAS**, the semi-annual *ROPS* listing of obligations must include information for each obligation including:

- A. The funding source for payment of each listed enforceable obligation,
- B. The payee,
- C. A short description of the nature of the work, product, service, facility or other thing of value for which payment is to be made,
- D. The amount of payments obligated to be made for the next six month “semi-annual” accounting period; and

**WHEREAS**, the City Finance Director has prepared the required *ROPS*, for review by the Pinole Successor Agency Oversight Board.

**NOW THEREFORE, BE IT RESOLVED** that the Oversight Board of the Successor Agency of the former City of Pinole Redevelopment Agency does hereby resolve that a final *Recognized Obligation Payments Schedule* for the period January through June of 2014, herein enclosed as Attachment C, is hereby approved.

**PASSED AND ADOPTED** at a regular meeting of the Oversight Board of the Successor Agency of the City of Pinole held on the 18<sup>th</sup> day of September 2014 by the following vote:

AYES: BOARDMEMBERS:

NOES: BOARDMEMBERS:

ABSENT: BOARDMEMBERS:

ABSTAIN: BOARDMEMBERS:

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Patricia Athenour  
Secretary, Successor Agency Oversight Board

ATTACHMENT B

**ENFORCEABLE OBLIGATIONS  
ANNOTATED LIABILITY DESCRIPTIONS**

<u>Item #'s</u>	<u>Liability Description</u>
1-6	<p>Semi-annual Tax Allocation Bond Principal and Interest payable on February 1, 2014. Outstanding principal will be fully amortized to the following schedule:</p> <ul style="list-style-type: none"><li>a. 1998A-TABS through August 2017</li><li>b. 1998B-TABS through August 2017</li><li>c. 1999-TABS through August 2016</li><li>d. 2003A-TABS through August 2017</li><li>e. 2004A-TABS through August 2023</li><li>f. 2004B-TABS through August 2020</li></ul>
7	<p>Trustee Fees for "Paying &amp; Dissemination Agent" activities, are billed and paid annually in August; accordingly, no amount is included for funding during this semi-annual authorization period.</p>
8	<p><b><i>This Obligation has been cancelled following the close of escrow to dispose of the Shopping Center on 06/06/12.</i></b></p>
9	<p><b><i>No further expenditure of funds will be needed as this obligation has been discharged.</i></b> The "Agreement for Facility Construction, Maintenance and Joint Recreational Use" provides for the mutual and reasonable use of the all weather Pinole Middle School Soccer Field. The term of this Agreement (including extensions) runs through June 1, 2025.</p>
10	<p><b><i>No further expenditure of funds will be needed as this obligation has been discharged.</i></b> The contract provided for engineering design of the bridge infrastructure located at Railroad Avenue as part of Phase-2 of the Pinole Creek Restoration Project.</p>
11	<p>These mortgage payments are for land located at 2810 Pinole Valley Road (former Beacon's Gas Station) now incorporated into the Pinole Valley Shopping Center, paying interest on the unpaid principal and amortizing the outstanding principal through February 2014. This Obligation will be satisfied, during this semi-annual funding cycle.</p>

- 12                    These mortgage payments are for land located at 613-635 Tennent Avenue now incorporated into the Pinole Youth Center Building, paying interest on the unpaid principal and amortizing the outstanding principal through November 2017.
- 13                    These mortgage payments are for land and buildings located at 612 Tennent Avenue, paying interest on the unpaid principal and amortizing the outstanding principal through November 2017.
- 14                    These mortgage payments are for land and buildings located at 648 Tennent Avenue, paying interest on the unpaid principal and amortizing the outstanding principal through November 2017.
- 15-16                ***No further payment activity is required as these obligations were retired effective April 1, 2012. These obligations have been fully discharged.***
- 17                    This master lease secures commercial building space rental at 2300 San Pablo Avenue (Tina's Place) through October 31, 2015. Two additional 5-year extensions are available.
- 18                    This agreement allows for a month-to-month land lease (6,688 square feet) of property on Tennent Avenue (adjacent to Adrienne's Dance Studio at 660 Tennent Avenue) which is used as a public parking lot.
- 19                    This agreement provides for Tennent Improvements for leased commercial space (2300 San Pablo Avenue) at the corner of San Pablo Avenue and Tennent Avenue, and is related to the property lease described in item #17.
- 20                    This agreement provides for loan servicing for both commercial real estate and business assistance promissory notes related to property rehabilitation and business retention remitted on a monthly basis. At the present time, there are twenty-one (21) open accounts having an outstanding principal balance due of \$1,256,489 (as of July 31, 2013).
- 21                    The tax exempt status of the Tax Allocation Bonds requires routine reporting of interest earnings on the reserve account investments to the federal Internal Revenue Service. The minimum charge for each one of the six (6) individual bond indentures is \$2,000/year, and the individual reports (and if

necessary Tax Filings) are scheduled for preparation approximately every other month throughout the fiscal year.

- 22 ***No further expenditure of funds will be needed following transfer of ownership of the Centers. This obligation has been discharged.***
- 23 ***No further expenditure of funds will be needed following transfer of ownership of the Centers. This obligation has been discharged.***
- 24 This contract is for the administration of a Reciprocal Easement Agreement used for common area maintenance and capital improvement reimbursements related to the Restaurant Phase of the Pinole Vista Crossings Shopping Center. The cost of this agreement is funded by the property owners and does not require funding through “pledged revenues” (property taxes) generated within the boundaries of the former Redevelopment Project Areas.
- 25 This agreement is for compliance monitoring of the former Redevelopment Agency’s affordable housing rental restrictions. ***No further expenditure of funds will be needed as this obligation has been transferred to the City of Pinole, in its capacity as Successor Agency for Affordable Housing Program Activities.***
- 26 Specific provisions of the six (6) Indentures for the outstanding Tax Allocation Bonds require continuing disclosure of financial information (property taxation assessment values, tax collection amounts and analysis of the potential tax loss exposures from Assessment Appeals by property owners) related to the pledged revenue tax base annually, as long as there are unpaid bonds outstanding. This tax consultant prepares a comprehensive report annually, with one subsequent assessment modification Addendum and two Assessment Appeals Status Report updates.
- 27 Certifications of financial Continuing Disclosure Information (required by Bond Indentures) will be completed annual (each December) by the City’s External Auditor, as was the former Redevelopment Agency’s “past practice.”
- 28 ***No further payment activity is required as this obligation was discharged in the prior (2011-2012) year.***

- 29                    ***This obligation has expired and has been cancelled without payment.***
- 30                    Community Access Video Broadcast Services support charges have been included in the Annual Administrative Cost Budget at the standard billing rate of \$500/meeting for Public Agency meetings.
- 31                    Payroll cost allocations for City Staff assigned to complete the close-out/dissolution activities of the Oversight Board, are as follows:
1. Belinda Espinosa (Meeting Preparation and General Administration)
  2. Hector DeLaRosa (Real Property and Infrastructure Asset disposal)
  3. Richard Loomis (Financial Reporting and Disbursement of Funds for settlement/liquidation of Enforceable Obligations)
  4. Patricia Athenour (Meeting Agenda Preparation, Recordation of Oversight Committee actions, Document Retention)
- Annual Administrative Budgets will be submitted for review and approval at the May meetings of the Oversight Board, in advance of each new fiscal year.
- 32                    This reciprocal easement agreement provides for the payment of land rent (annually) for a Refuse Collection Enclosure adjacent to a business located at 2340 San Pablo Avenue (The Bear Claw Bakery), and terminates upon closure or ownership transfer of this business entity.
- 33                    Legal/Attorney Support Services will continue to be provided to guide and assist the Successor Agency Staff and Oversight Board in completing the dissolution duties. Support activities related to the general administrative functions of the Oversight Board, will be included in the Administrative Cost Budget; however, legal support duties related to the disposal of specific assets will be recouped through escrow settlements and taken from the sale proceeds of real and tangible personal property.
- 34                    The cost of Benefit Claims charged to the City for the former employees of the Redevelopment Agency are authorized pursuant to State Labor Codes and Regulations. At this time, neither one of the former employees eligible to receiveable payments is claiming unemployment insurance benefits.

- 35                    **No further payment activity is required as this obligation was discharged in January of 2012.**
- 36                    **Funding for this Enforceable Obligation was denied by the Department of Finance, but alternate grant funding for this contractual service has been secured by the Development Services Department Staff.**
- 37                    The State Department of Finance (*DOF*) has recognized **but deferred** funding for repayment of short-term borrowing of funds from the Housing Set-Aside Accounts of the former Redevelopment Agency to comply with mandatory statutory property tax increment transfers to the Supplemental Educational Revenue Augmentation Fund (*SERAF*) in fiscal years 2009-10 and 2010-11. Repayment for these loans will be authorized for funding by *DOF* beginning in the 2014-15 fiscal year.
- 38                    Internal (short-term cash flow) borrowing by the Successor Agency from the City's General Fund, was authorized by the City Council (07/17/12), to assure adequate funding for payment of all *Enforceable Obligations* for the first six-month *ROPS* funding interval (January – June 2012) of the prior fiscal year. *DOF* did authorize reimbursement of this borrowing pursuant to Health & Safety Code 34173(h), as a new "enforceable obligation." **Additional borrowing is not recommended at this time, as there appears to be sufficient pledged revenue available in the RPTTF for fully funding Enforceable Obligations due during the next ROPS Funding period.**
- 39                    Post Employment Benefit charges for retirees of the former Redevelopment Agency have been "generally" approved for funding by the State Department of Finance. At this time, there is only one former employee who is eligible and has chosen to receive Health Insurance Benefits.
- 40                    Notwithstanding the fact that this item does not specifically conform to the statutory definition of an *Enforceable Obligation*, as part of the resolution of the *Meet & Confer Hearing Process* we were previously directed by the *DOF* to "list [the reimbursement] on the next Recognized Obligation Payment Schedule," to return control of the Construction Defect Settlement Funds to the community non-profit housing entity.

- 41                    Legal/Attorney Litigation Services related Asset Transfer Dispute with the Department of Finance and State Controller's Office, as described in the OFA-DDR Final Determination Letter.

**Recognized Obligation Payment Schedule (ROPS 13-14B) - Summary**

Filed for the January 1, 2014 through June 30, 2014 Period

**Name of Successor Agency:** Pinole  
**Name of County:** Contra Costa

<b>Current Period Requested Funding for Outstanding Debt or Obligation</b>	<b>Six-Month Total</b>
<b>Enforceable Obligations Funded with Non-Redevelopment Property Tax Trust Fund (RPTTF) Funding</b>	
<b>A Sources (B+C+D):</b>	<b>\$ 29,045</b>
B Bond Proceeds Funding (ROPS Detail)	-
C Reserve Balance Funding (ROPS Detail)	-
D Other Funding (ROPS Detail)	29,045
<b>E Enforceable Obligations Funded with RPTTF Funding (F+G):</b>	<b>\$ 1,409,624</b>
F Non-Administrative Costs (ROPS Detail)	1,284,624
G Administrative Costs (ROPS Detail)	125,000
<b>H Current Period Enforceable Obligations (A+E):</b>	<b>\$ 1,438,669</b>

<b>Successor Agency Self-Reported Prior Period Adjustment to Current Period RPTTF Requested Funding</b>	
I Enforceable Obligations funded with RPTTF (E):	1,409,624
J Less Prior Period Adjustment (Report of Prior Period Adjustments Column U)	(192,533)
<b>K Adjusted Current Period RPTTF Requested Funding (I-J)</b>	<b>\$ 1,217,091</b>

<b>County Auditor Controller Reported Prior Period Adjustment to Current Period RPTTF Requested Funding</b>	
L Enforceable Obligations funded with RPTTF (E):	1,409,624
M Less Prior Period Adjustment (Report of Prior Period Adjustments Column AB)	-
<b>N Adjusted Current Period RPTTF Requested Funding (L-M)</b>	<b>1,409,624</b>

Certification of Oversight Board Chairman:  
Pursuant to Section 34177(m) of the Health and Safety code, I hereby  
certify that the above is a true and accurate Recognized Obligation  
Payment Schedule for the above named agency.

_____	_____
Name	Title
/s/ _____	
Signature	Date

**Recognized Obligation Payment Schedule (ROPS) 13-14B - Report of Fund Balances**  
(Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177(l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.

A	B	C	D	E	F	G	H	I	J	K		
<b>Fund Balance Information by ROPS Period</b>		<b>Fund Sources</b>								<b>Total</b>	<b>Comments</b>	
		<b>Bond Proceeds</b>		<b>Reserve Balance</b>		<b>Other</b>	<b>RPTTF</b>					
		Bonds Issued on or before 12/31/10	Bonds Issued on or after 01/01/11	Review balances retained for approved enforceable obligations	RPTTF balances retained for bond reserves	Rent, Grants, Interest, Etc.	Non-Admin	Admin				
<b>ROPS III Actuals (01/01/13 - 6/30/13)</b>												
1	<b>Beginning Available Fund Balance (Actual 01/01/13)</b> Note that for the RPTTF, 1 + 2 should tie to columns L and Q in the Report of Prior Period Adjustments (PPAs)			623,856					-	\$ 623,856		
2	<b>Revenue/Income (Actual 06/30/13)</b> Note that the RPTTF amounts should tie to the ROPS III distributions from the County Auditor-Controller					179,023	1,177,554	126,463		\$ 1,483,040		
3	<b>Expenditures for ROPS III Enforceable Obligations (Actual 06/30/13)</b> Note that for the RPTTF, 3 + 4 should tie to columns N and S in the Report of PPAs					14,045	1,699,443	145,279		\$ 1,858,767		
4	<b>Retention of Available Fund Balance (Actual 06/30/13)</b> Note that the Non-Admin RPTTF amount should only include the retention of reserves for debt service approved in ROPS III									\$ -		
5	<b>ROPS III RPTTF Prior Period Adjustment</b> Note that the net Non-Admin and Admin RPTTF amounts should tie to columns O and T in the Report of PPAs.	No entry required						187,720	4,813		\$ 192,533	
6	<b>Ending Actual Available Fund Balance (1 + 2 - 3 - 4 - 5)</b>	\$ -	\$ -	\$ 623,856	\$ -	\$ 164,978	\$ (521,889)	\$ (18,816)		\$ 55,596		
<b>ROPS 13-14A Estimate (07/01/13 - 12/31/13)</b>												
7	<b>Beginning Available Fund Balance (Actual 07/01/13) (C, D, E, G, and I = 4 + 6, F = H4 + F6, and H = 5 + 6)</b>	\$ -	\$ -	\$ 623,856	\$ -	\$ 164,978	\$ (334,169)	\$ (14,003)		\$ 248,129		
8	<b>Revenue/Income (Estimate 12/31/13)</b> Note that the RPTTF amounts should tie to the ROPS 13-14A distributions from the County Auditor-Controller					63,419	3,818,512	125,000		\$ 4,006,931		
9	<b>Expenditures for 13-14A Enforceable Obligations (Estimate 12/31/13)</b>					14,045	4,168,307	125,000		\$ 4,307,352		
10	<b>Retention of Available Fund Balance (Estimate 12/31/13)</b> Note that the RPTTF amounts may include the retention of reserves for debt service approved in ROPS 13-14A									\$ -		
11	<b>Ending Estimated Available Fund Balance (7 + 8 - 9 - 10)</b>	\$ -	\$ -	\$ 623,856	\$ -	\$ 214,352	\$ (683,964)	\$ (14,003)		\$ (52,292)		

**Recognized Obligation Payment Schedule (ROPS ) 13-14B - ROPS Detail**  
**January 1, 2014 through June 30, 2014**  
 (Report Amounts in Whole Dollars)

A	B	C	D	E	F	G	H	I	J	K				L	M	N	O	P
										Funding Source								
										Non-Redevelopment Property Tax Trust Fund (Non-RPTTF)		RPTTF						
Item #	Project Name / Debt Obligation	Obligation Type	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Retired	Bond Proceeds	Reserve Balance	Other Funds	Non-Admin	Admin	Six-Month Total			
								\$ 56,513,740		\$ -	\$ -	\$ 29,045	\$ 1,284,624	\$ 125,000	\$ 1,438,669			
1	Non-housing 1998-A Tax Allocation Bonds	Bonds Issued On or Before 12/31/10	5/1/1998	8/1/2017	US Bank, National Trust	Indenture Debt Service Payments for Principle & Interest	Pinole Vista	3,689,250	N				81,750		\$ 81,750			
2	Non-housing 1998-B Tax Allocation Bonds	Bonds Issued On or Before 12/31/10	5/1/1998	8/1/2017	US Bank, National Trust	Indenture Debt Service Payments for Principle & Interest	Pinole Vista	2,753,712	N				79,144		\$ 79,144			
3	Housing 1999 Tax Allocation Bonds	Bonds Issued On or Before 12/31/10	8/1/1999	8/1/2016	US Bank, National Trust	Indenture Debt Service Payments for Principle & Interest	Pinole Vista	2,811,163	N				66,675		\$ 66,675			
4	Non-housing 2003-A Tax Allocation Bonds	Bonds Issued On or Before 12/31/10	7/1/2003	8/1/2017	US Bank, National Trust	Indenture Debt Service Payments for Principle & Interest	Pinole Vista	3,409,025	N				63,613		\$ 63,613			
5	Non-housing 2004-A Tax Allocation Bonds	Bonds Issued On or Before 12/31/10	9/1/2004	8/1/2023	US Bank, National Trust	Indenture Debt Service Payments for Principle & Interest	Pinole Vista	28,602,398	N				486,401		\$ 486,401			
6	Housing 2004-B Tax Allocation Bonds	Bonds Issued On or Before 12/31/10	9/1/2004	8/1/2020	US Bank, National Trust	Indenture Debt Service Payments for Principle & Interest	Pinole Vista	8,356,434	N				182,092		\$ 182,092			
7	Bond Indenture Agreements	Fees	9/1/2004	8/1/2023	US Bank, National Trust	Trustee, Paying Agent & Dissemination Agent Fees for Bond Indentures	Pinole Vista	120,750	N				-		\$ -			
8	Pinole Vista Shopping Center - Disposition & Development Agreement	Improvement/Infrastructure	3/10/1995	12/31/2065	TKG Pinole Vista, LLC	Capital Call for facility renovation for Shopping Center Project	Pinole Vista	-	Y				-		\$ -			
9	WCCUSD Cooperative Use Reimbursement Agreement	Improvement/Infrastructure	5/17/2005	6/1/2025	West Contra Costa Unified School District	Construction Cost Sharing for Recreational Facility (Soccer Field) located at School	Pinole Vista	-	Y				-		\$ -			
10	Pinole Creek Restoration Project Engineering Design Contract	Professional Services	11/1/2010	11/1/2012	Willdan Engineering	Engineering Design for Phase-2 of Public Infrastructure Project (Bridge Removal @ Railroad Avenue.	Pinole Vista	-	Y				-		\$ -			
11	2810 Pinole Valley Road Mortgage Note	Third-Party Loans	3/16/2004	4/16/2014	Ramon Dimalanta	Real Estate Property Mortgage secured by land incorporated in the Pinole Valley Shopping Center Project	Pinole Vista	140,908	Y				140,908		\$ 140,908			
12	613-635 Tennent Avenue Mortgage Note	Third-Party Loans	9/27/2002	9/27/2017	John & Nancy Donkonics	Real Estate Property Mortgage secured by land incorporated into Public Infrastructure Project (Youth Center)	Pinole Vista	276,298	N				33,973		\$ 33,973			
13	612 Tennent Avenue Mortgage Note	Third-Party Loans	11/6/2007	12/1/2017	John Collins, Trustee of the Collins Survivor's Trust	Real Estate Property Mortgage secured by land held for development of an Affordable Housing Project	Pinole Vista	210,729	N				36,125		\$ 36,125			
14	648 Tennent Avenue Mortgage Note	Third-Party Loans	11/6/2007	12/1/2017	John Collins, Trustee of the Collins Survivor's Trust	Real Estate Property Mortgage secured by land used for Public Infrastructure (Public Parking Lot)	Pinole Vista	45,823	N				11,954		\$ 11,954			
15	870 San Pablo Avenue Mortgage Note	Third-Party Loans	4/1/2004	3/1/2012	Marcel Castanchoa	Real Estate Property Mortgage secured by land used for the Pinole Shores Business Park Project	Pinole Vista	-	Y				-		\$ -			
16	870 San Pablo Avenue Mortgage Note	Third-Party Loans	4/1/2004	3/1/2012	Angela Raffa	Real Estate Property Mortgage secured by land used for the Pinole Shores Business Park Project	Pinole Vista	-	Y				-		\$ -			
17	2300 San Pablo Avenue Property Lease	Business Incentive Agreements	11/1/2005	10/31/2015	Main Street Management	Commercial Building Space Lease for Downtown Restaurant Project (Tina's Place)	Pinole Vista	449,176	N			14,045	8,749		\$ 22,794			
18	636 San Pablo Avenue Land Lease	Miscellaneous	6/16/1982	6/16/2017	AT&T / SBC Communications	Public Parking Lot Land Lease	Pinole Vista	16,000	N				-		\$ -			
19	2300 San Pablo Avenue Tennent Improvement Agreement	OPA/DDA/Construction	7/22/2010	10/31/2025	Dale Moore Construction	Tennent Improvement construction contract for Business Attraction Program	Pinole Vista	5,500	N				5,500		\$ 5,500			
20	Housing & Non-housing Professional Services Agreement	Fees	4/3/2007	6/30/2016	AmeriNation Community Services	Monthly loan processing service for outstanding redevelopment loans to both individuals and business entities	Pinole Vista	40,291	N				1,650		\$ 1,650			
21	Bond Indenture Professional Service Agreement	Fees	9/1/2004	8/1/2023	BLX Group, LLC Inc.	Income Tax Arbitrage Analysis and IRS Tax Filing for Indenture Reserve Investment Accounts	Pinole Vista	64,000	N				6,000		\$ 6,000			





**Recognized Obligation Payment Schedule 13-14B - Notes**

January 1, 2014 through June 30, 2014

Item #	Notes/Comments
7	Trustee Fees for bond indenture accounts and Paying and Dissemination Agent activities are paid annually in August each year.
8	project completed
9	project completed
10	project completed
15	Mortgage liquidated
16	Mortgage liquidated
17	project completed
18	project completed
24	Property Management Fees offset by Common Area Maintenance (CAM) charges on completed shopping center project
25	Affordable Housing Compliance Monitoring transferred to the City as the Housing Successor Agency
28	project completed
29	Brokerage Agreement (commission fee) expired
34	at this time former RDA Employee (Mary Drazba, Economic Development Director) is not eligible for Unemployment Benefits
35	the severance provisions of all employment contracts for former RDA Employees have been completed/discharged
36	the professional service contract was disallowed by the DOF
37	SERAF Loans are not yet eligible for repayment through the RPTTF/ROPS Authorization Process
38	credit for the July 2012 (AB-1484) True-up Payment was credited against the Housing DDR Close-out activity
40	this Housing Program Litigation trust account for project repairs was transferred to the City as the Housing Successor Agency
41	added for ROPS 13-14B funding cycle

**SUCCESSOR AGENCY  
OVERSIGHT BOARD REPORT 2013-05**

**5B**

**DATE: SEPTEMBER 18, 2013**

**TO: SUCCESSOR AGENCY OVERSIGHT BOARD**

**FROM: BELINDA B. ESPINOSA, CITY MANAGER  
RICHARD LOOMIS, FINANCE DIRECTOR**



**SUBJECT: ADMINISTRATIVE BUDGET FOR PINOLE SUCCESSOR AGENCY  
FOR JANUARY 2013 THROUGH JUNE 2014 (18 MONTHS)**

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**RECOMMENDATION**

Adopt a Resolution (Attachment A) approving the Successor Agency Proposed Administrative Budget, pursuant to Part (j) of Section 34177 of the Health & Safety Code, for the time period January 2013 through June of 2014.

**BACKGROUND**

On June 29, 2011, the Governor signed into law ABx1-26 ("AB 26") which automatically suspended redevelopment activities (effective 06/28/11) and subsequently dissolved all redevelopment agencies effective 10/01/11. On December 29, 2011, the State Supreme Court issued a Ruling upholding the provisions of AB 26, suspending the dissolution date to become effective 02/01/12.

AB 26 provides for payment of an administrative cost allowance to successor agencies to wind down the financial management and business affairs (primarily the orderly discharge of debt repayments and the disposal of residual assets) on behalf of the former redevelopment agencies, provided the local Oversight Board approves an Administrative Budget identifying these expenditures. Specifically, AB 26 added Section 34171(b) to the Health & Safety Code, which includes the fiscal parameters limiting payment of "administrative cost allowance," as follows:

*"Administrative cost allowance" means an amount that, subject to the approval of the oversight board, is payable from property tax revenues of up to 5 percent of the property tax allocated to the successor agency for the 2011-12 fiscal year and up to 3 percent ... thereafter.; provided, however, that the amount shall not be less than two hundred fifty thousand (\$250,000) for any fiscal year..."*

## **REVIEW & ANALYSIS**

Section 34177(j) requires that staff of the successor agencies prepare Administrative Budgets for review and approval by the local Oversight Boards. The proposed Administrative Budget shall, at a minimum, include:

1. An estimate of administrative costs looking forward six months; and
2. The proposed sources of payment of the identified administrative costs; and
3. Identification of administrative services provided by the Successor Agency.

The aggregate amount approved for the administrative budget is limited by a "cost allowance" which is based upon the percentage of the ROPS obligations to be funded by the Redevelopment Property Tax Trust Fund ("RPTTF"), with a minimum annual funding guarantee of \$250,000. The primary reimbursable expense are cost allocation of a portion of the salary and benefit costs of personnel assigned to successor agency activities, but may also include other incidental items such as:

- Office supplies, postage and document delivery charges
- Publication fees for Public Notices
- Photocopying related to Oversight Meeting Agendas and Minutes
- Video Broadcast Charges Oversight Meetings
- Internet/Web Access Charges for posting of Public Records
- Attorney Support Services (non-project specific)

Pursuant to Health & Safety Code Section 34167(d)(1), other support charges that are required by debt covenants pursuant to bond indenture agreements will be funded as *Enforceable Obligations*, that are not subject to the administrative cost reimbursement limitations, including:

- Financial Reports & Audits
- Trustee Fees for Paying Agent, Dissemination Agency & Depository Services

Similarly, any support expenses necessary for the preservation and/or disposal of real estate, infrastructure and tangible personal property assets (including legal fees) are not subject to administrative cost reimbursement limits, and are not included in the proposed Administrative Budget.

## **FISCAL IMPACT**

The combined limit for this second Administrative Budget for the Pinole Successor Agency is computed to be the sum of \$750,000, determined as follows:

- |  |                  |
|--|------------------|
| • January through June 2013 (DOF Approved)       | = \$126,463      |
| • July through December 2013 (statutory minimum) | = 125,000        |
| • January through June 2013 (statutory minimum)  | = <u>125,000</u> |
| Combined Limit for 18 months                     | = \$376,329      |

## **ATTACHMENTS**

Attachment A – Draft Resolution

Attachment B – Annotated Descriptions of Administrative Cost Expenditures

Attachment C – Budget Summary Schedule (January 2013 – June 2014)

**ATTACHMENT A**

RESOLUTION NO. \_\_\_\_-2013

**RESOLUTION OF THE SUCCESSOR AGENCY OVERSIGHT BOARD OF THE CITY OF PINOLE REDEVELOPMENT AGENCY, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA, APPROVING AN INITIAL ADMINISTRATIVE BUDGET FOR THE ELEVEN (18) MONTHS BEGINNING JANUARY 2013 AND ENDING JUNE OF 2014**

**WHEREAS**, Assembly Bill x1 26 ("ABx1 26") was passed by the California State Legislature, signed by the Governor, and has been codified as part 1.8 of Division 24 of the California Health and Safety Code, commencing with Section 34161; and

**WHEREAS**, ABx1 26 requires successor agencies to periodically prepare administrative budgets and provide administrative cost estimates; and

**WHEREAS**, Successor Agency Oversight Boards are required to review and approve Administrative Budgets semi-annually in advance of each distribution of property tax revenues from the Redevelopment Property Tax Trust Fund by each County Auditor-Controller; and

**WHEREAS**, a SECOND Administrative Budget setting forth administrative costs incurred and estimated for the eighteen (18) months beginning January 2013 and ending June of 2014, has been reviewed and discussed by the Pinole Oversight Board.

**NOW THEREFORE, BE IT RESOLVED** that the Oversight Board of the Successor Agency of the former City of Pinole Redevelopment Agency does hereby resolve that an Administrative Budget for the period January 2013 through June of 2014, herein enclosed as Attachment C, is hereby approved, in an amount not to exceed the sum of \$376,329.47.

**PASSED AND ADOPTED** at a regular meeting of the Oversight Board of the Successor Agency of the City of Pinole held on the 18<sup>th</sup> day of September 2013 by the following vote:

AYES:	BOARDMEMBERS:
NOES:	BOARDMEMBERS:
ABSENT:	BOARDMEMBERS:
ABSTAIN:	BOARDMEMBERS:

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Patricia Athenour  
Secretary, Successor Agency Oversight Board

**EXHIBIT B**

**ANNOTATED DESCRIPTIONS OF  
ADMINISTRATIVE BUDGET COST ELEMENTS**

<u>ROPS Item #'s</u>	<u>Budget Item Description</u>
30	Community Access Video Broadcast Services support charges have been included in the Annual Administrative Cost Budget at the standard billing rate of \$500/meeting for Public Agency meetings.
31	Payroll cost allocations for City Staff assigned to complete the close-out/dissolution activities of the Oversight Board, are as follows: <ol style="list-style-type: none"><li>1. Belinda Espinosa (Meeting Preparation, General Administration and Staff Supervision)</li><li>2. Hector DeLaRosa (Real Property and Infrastructure Asset disposal)</li><li>3. Richard Loomis (Financial Reporting, Cash Management, and Funds Disbursement for settlement/liquidation of Enforceable Obligations)</li><li>4. Patti Athenour (Meeting Agenda Preparation, Recordation of Oversight Committee actions, Document Retention)</li></ol>
33	Legal/Attorney Support Services will be provided to guide and assist the Oversight Board in completing its dissolution duties. Support activities related to the general administrative functions of the Oversight Board, will be included in the Administrative Cost Budget; however, legal support duties related to the disposal of specific assets will be recouped through escrow settlements and taken from the sale proceeds of real and tangible personal property.

**Pinole Successor Agency - Proposed Administrative Budget  
January 2013 - June 2014 (Second reporting period)**

Funding provided by Redevelopment Property Tax Trust Fund (RPTTF):  
 Allocated by CCC on 01/11/2013 \$ 126,463.00 ROPS-III (Jan-Jun 2013) DOF Letter Dated 10/11/2012  
 Allocated by CCC on 06/03/2013 125,000.00 ROPS 13-14A (Jul-Dec 2013) DOF Letter Dated 04/14/13  
 To be Allocated by CCC on 01/03/2014 125,000.00 ROPS 13-14B (Jan - Jun 2014) Scheduled for Local-OB Approval 09/18/13  
 Administrative Cost Allowance Claimed \$ 376,463.00

City of Pinole Successor Agency Costs:

Staffing Cost Allocations of Payroll Charges:

Belinda Espinosa, City Manager	\$ 27,602.58	January - June 2013 Payroll (Actual)	29,763.00	July - December 2013 Payroll to be allocated at 25%
			29,763.00	January - June 2014 Payroll to be allocated at 25%
Hector DeLaRosa, Ass't City Manager	30,932.16	January - June 2013 Payroll (Actual)	31,290.50	July - December 2013 Payroll to be allocated at 30%
			31,290.50	January - June 2014 Payroll to be allocated at 30%
Richard Loomis, Finance Director	28,689.99	January - June 2013 Payroll (Actual)	19,522.00	July - December 2013 Payroll to be allocated at 20%
			19,522.00	January - June 2014 Payroll to be allocated at 20%
Patricia Athenour, City Clerk	28,425.74	January - June 2013 Payroll (Actual)	29,229.50	July - December 2013 Payroll to be allocated at 35%
			29,229.50	January - June 2014 Payroll to be allocated at 35%
Meyers-Nave Attorney Services (Legal Support)	28,119.00	January - June 2013 paid	5,450.00	July - December 2013 ROPS 13-14A Authorized
			4,000.00	January - June 2014 ROPS 13-14B Requested
PCTV Recording & Boardcasting of Meetings	1,500.00	January - June 2013 paid	1,000.00	July - December 2013 ROPS 13-14A Authorized
			1,000.00	January - June 2014 ROPS 13-14B Requested
Estimate of Administrative Costs to be Expended	\$ 376,329.47			
Funding advanced by CCC-A/C through RPTTF	\$ 376,463.00			
<b>Estimated Surplus/(Deficiency) in Funding</b>	<b>\$ 133.53</b>			

Prepared on 08/27/2013  
 Prepared by: R. Loomis  
 Reviewed by: B. Espinosa

**SUCCESSOR AGENCY  
OVERSIGHT BOARD REPORT 2013-06**

**5C**

**DATE: SEPTEMBER 18, 2013**

**TO: SUCCESSOR AGENCY OVERSIGHT BOARD**

**FROM: BELINDA B. ESPINOSA, CITY MANAGER  
RICHARD LOOMIS, FINANCE DIRECTOR**



**SUBJECT: DEPARTMENT OF FINANCE FINAL DETERMINATION AS TO DUE  
DILIGENCE REVIEWS (DDR's) FOR HOUSING AND "OTHER"  
FUNDS OF THE PINOLE SUCCESSOR AGENCY)**

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**RECOMMENDATION**

This is an information only item to advise the Oversight Board as regards final determination letters from the State Department of Finance issued for Due Diligence Review(s) completed by the Independent Auditor (Mann, Urrutia, Nelson CPA's).

**BACKGROUND**

Pursuant to the statutory provision of Health & Safety Code 34179.5, and with the approval of the County Auditor-Controller, the City hired the certified public accounting firm, Mann, Urrutia, Nelson CPA's & Associates (*MUN*), to conduct a Due Diligence Review to determine what (if any) unobligated liquid asset balances may be available in the Successor Agency for distribution to *Affected Taxing Entities (ATE's)*.

Under Assembly Bill x1-26 (ABx1-26), the elimination of redevelopment agencies in California became effective on February 1, 2012. AB-1484 was subsequently signed into law on June 27, 2012 and requires successor agencies to hire a licensed and experienced accounting firm approved by the County Auditor-Controller, to conduct due diligence reviews for both housing related and non-housing assets.

For these reports, *MUN* reviewed the financial activities for all housing and non-housing funds between January 1, 2011 and June 30, 2012 and prepared the attached Due Diligence Review Report(s). The intent of this Review is to determine the unobligated funds balance that may be available for distribution to the *ATE's*.

In January, we were contacted by *MUN* and requested to provide documentary evidence of both accounting transactions and administrative activities to complete the audit assignment, as summarized on Attachment A. Subsequent follow-up documentation and clarification of audit findings was completed in March, and initial "draft" reports were delivered to the City for review the week of March 18<sup>th</sup>. The Auditor's Field Work was substantially complete on March 19, 2013.

## **REVIEW & ANALYSIS**

The key finding from the Housing Fund Due Diligence Review, was that the Successor Agency has no unobligated balance (**Zero Dollars**) available for distribution to ATE's. This means that all unencumbered cash that was transferred to the Successor Agency from the former Redevelopment Agency in February of 2012 was previously (July of 2012) transferred to the County Auditor-Controller and distributed to the ATE's.

The Auditor's Report for other Successor Agency fund balances detailed in the Due Diligence Review of all Other Funds & Accounts ("OFA" / non-housing programs), identified the February 2011 real estate property asset transfers from the former Redevelopment Agency to the City, as an unresolved issue based upon Findings of the State Controller's Office in its *Asset Transfer Review* (issued December 2012). Upon review of the Independent Auditor's Report, the State DOF identified three (3) additional issues, and based upon it's reading of the provisions of the AB-1484 legislative statutes has requested transmittal of "residual/excess" cash balances to the County Auditor-Controller for distribution to the Affected Taxing Entities (ATE's), as follows:

<b>Residual Cash Available from RDA Close-out</b>	<b>\$ (619,472)</b>
1. Cash Proceeds from the Sale/Disposal of the Pinole Vista & Pinole Valley Shopping Centers	13,096,531
2. Cash Proceeds from the Sale/Disposal of the Fernandez Corners Mixed Used Project (2401 SPA)	1,354,000
3. Residual Cash from excess/surplus Bond Reserve Accounts	<u>141,758</u>
<b>Amount Ordered for Remittance to County Auditor-Controller for distributions to ATE's</b>	<b><u>\$13,972,817</u></b>

A copy of the Department of Finance's OFA-DDR Determination Letter (dated 08/23/13) is enclosed (Attachment B).

In "Closed Session" at a Special Meeting (08/28/13) of the City Council, the City Finance Director was directed to remit residual cash in the amount of \$141,758 as directed by the DOF to the Contra Costa County Auditor Controller (Attachment C, Successor Agency Check Number 072435). Additionally, the City Attorney was directed to prepare legal filings (litigation defenses) to abate potential "collections enforcement" offsets of the City of Pinole's Sales & Use Tax Allocation from the State Board of Equalization and/or future Local Property Tax Allocations from the County Auditor-Controller.

## **FISCAL IMPACT**

Pursuant to regulatory statute, the cost of these fiscal reviews (audit), was paid for by all local taxing jurisdictions out of "pledged revenues" (property tax increment" of the former redevelopment agencies), that would otherwise have been eligible for

distribution as “residual” cash to Affected Taxing Entities. The sum of \$12,500, was included and authorized in the current ROPS 13-14A funding cycle (EO# 27) for payment of audit fees, related to this Review Assignment/Task.

Additionally, a new *EOF* (item #41) in the amount of \$60,000 has been included in the ROPS 13-14B Funding Authorization Request, to cover the “budgeted” litigation expenditures anticipated for resolution of the Asset Transfer dispute with the State Controller.

### **ATTACHMENTS**

- Attachment A – DOF Final Determination as to Housing DDR (*dated 05/29/13*)
- Attachment B – DOF Final Determination as to Other Funds & Accounts DDR  
(*dated 08/23/13*)
- Attachment C – Notification of Remittance to CCC Auditor-Controller (*dated 08/29/13*)



May 29, 2013

Mr. Richard Loomis, Finance Director  
City of Pinole  
2131 Pear Street  
Pinole, CA 94564

Dear Mr. Loomis:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

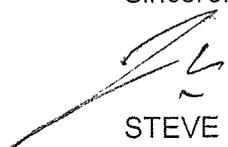
The City of Pinole Successor Agency (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund Due Diligence Review (DDR) to the California Department of Finance (Finance) on May 3, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Since the Agency did not meet the October 15, 2012 submittal deadline pursuant to HSC section 34179.6 (c), Finance is not bound to completing its review and making a determination by the November 9, 2012 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.

Based on our review, Finance made no adjustments to the Low and Moderate Income Housing Fund (LMIHF) balance available for allocation to the affected taxing entities. As a result, there are no unencumbered LMIHF balances available for distribution.

However, 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. The Controller identified \$24,514,621 in inappropriately transferred assets in its report dated December 12, 2012; Finance will address improper transfer of assets during the Agency's Other Funds and Accounts Due Diligence Review, currently under review at this time.

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

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Belinda Espinosa, City Manager, City of Pinole  
Mr. Bob Campbell, Auditor-Controller, Contra Costa County



August 23, 2013

Mr. Richard Loomis, Finance Director  
City of Pinole  
2131 Pear Street  
Pinole, CA 94564

Dear Mr. Loomis:

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 18, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Pinole Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on May 3, 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 was not bound to complete its review and make a determination by the April 1, 2013 deadline pursuant to HSC section 34179.6 (d). Finance issued an OFA DDR determination letter on July 18, 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 August 6, 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:

- Finance previously determined transfers totaling \$24,514,621 to the City of Pinole (City) are not permitted. This amount represents the book value of land and improvements totaling \$22,436,257 as well as net gain of \$2,078,364 on transferred properties that was subsequently sold by the City. In Finance's July 18, 2013 letter, the cash portion of the transfers totaling \$2,078,364, plus interest earned, was ordered returned to the Agency and remitted to the County Auditor Controller (CAC) for distribution to the affected taxing entities. Finance also determined that properties totaling \$22,436,257 are to be returned to the Agency and disposed of through the Long-Range Property Management Plan (LRPMP).

Based on further review during the Meet and Confer process, Finance determined the property transfers actually total \$23,951,094. Of this amount, \$9,500,563 remains as non-cash assets and should be returned to the Agency. For DDR purposes, these remaining property transfers would not affect the balance available for distribution to the affected taxing entities. However, the OFA balance for remittance will be increased by the remaining \$14,450,531. This amount represents available cash proceeds from the

sale of properties in the amount of \$1,354,000 and \$13,096,531 as further discussed below.

Per the California State Controller's Office (Controller) December 12, 2012 Asset Transfer Review Report (report), the transfer of these assets to the City was not permitted and the Controller ordered their immediate return. However, three of the transferred properties have since been sold to third parties and are not available for return to the Agency. The properties would have retained their book value for DDR purposes, if the Agency had not transferred the properties. Additionally, because the properties have been sold, they cannot be returned to the Agency for disposition as per HSC section 34191.4. Therefore, the OFA balance available to be remitted to the affected taxing entities is increased as a result of the following transactions:

- o 2401 San Pablo Avenue Mixed Use property – This property includes low income housing and commercial use property with a book value of \$2,189,124 that was transferred to the City in February 2012 with a value of \$835,124. The property was subsequently sold by the City at a loss for \$1,561,460. The City then transferred \$835,124 of the sale proceeds back to the Agency. This resulted in a \$726,336 gain by the City and a \$1,354,000 loss to the Agency. Per the Controller's report, the amount transferred back to the Agency was incorrectly included on the asset transfer form as \$563,527. As such, the Controller reduced the total land and improvements by \$271,597 to correct the error. Therefore, Finance has reduced the non-cash assets book value by \$271,597 and OFA balance available for distribution will be increased by \$1,354,000 ( $\$2,189,124 - \$835,124$ ), which reflects the book value of the property less the cash received by the Agency from the sale.
- o Pinole Vista and Pinole Valley Shopping Centers – Per the Controller's report, these properties were transferred to the City in February 2011 with a combined book value of \$10,746,570. The Controller's report also concluded that the transfers were unallowable and ordered the return of the properties to the Agency. However, the City sold both properties to a third party between May and June of 2012 for a total of \$13,096,531 ( $\$12,830,531 + \$266,000$ ), which equals the sale price of the property net of sale costs plus ground lease payments made by the tenant of Pinole Vista Shopping Center. Therefore, Finance has reduced the non-cash assets total by the combined book value of the properties in the amount of \$10,746,570 and increased the OFA balance available for distribution by \$13,096,531 or the book value of the properties, and gains on the sale, plus the lease payments not realized due to the transfer.

The Agency claims all three transfers are valid and should be permitted as they are the subject of a July 5, 2011 Judgment of Validation (Judgment). However, as stated in the Controller's report, the Judgment does not override the provisions of ABx1 26 and AB 1484, which prohibit the transfers of properties to the City. Specifically, per HSC section 34179.5 (c) (2), the dollar value of assets and cash transferred by the former redevelopment agency 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 redevelopment agency 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. Therefore, the transfers of these properties were not made pursuant to enforceable obligations and are not permitted. The Agency did not provide any other information to demonstrate that the transfers of the properties were made pursuant to an enforceable obligation.

- Legally restricted assets totaling \$5,084,417 was previously decreased by \$765,614. Bond documents for the 1999, 2003A, Second Subordinate 2004A, and Third Subordinate 2004A Tax Allocation Bonds indicate a reserve requirement amount totaling \$4,318,803. However, reserved funds, as documented by US Bank statements, total \$5,084,417. The Agency claims these funds are needed to satisfy future bond debt service payments. Finance continues to believe this adjustment is appropriate; the Agency may not retain those funds for legally restricted purposes. However, Finance is allowing the Agency to retain an additional \$623,856 to satisfy enforceable obligation for fiscal year 2012-13 per HSC 34179.5 (c) (5) (E). Accordingly, the OFA balance available for distribution will be increased by \$141,758 (\$765,614 - \$623,856) for the remaining balances not supported.

- The Agency previously requested and was approved to retain \$5,399,574 of OFA balances under Procedure 9 to satisfy the Recognized Obligation Payment Schedule (ROPS) for fiscal year 2012-13. This amount includes the CAC June 2012 distribution of \$3,670,445 for the July through December 2012 ROPS period (ROPS II) and \$1,729,129 for the January through June 2013 ROPS period (ROPS III) prior period adjustment for the January through June 2012 period (the CAC allowed the Agency to retain the amount from the ROPS I period to be expended during ROPS III period). Both of these amounts are included in the June 30, 2012 OFA balance and intended for use after June 30, 2012.

The Agency's was approved to spend \$4,954,285 during ROPS II; however, the CAC only distributed \$3,670,446. Therefore, Finance has determined the Agency will be permitted to retain the amount actually expended up to the amount approved by Finance and already funded by the CAC, as noted above. Per the Prior Period reconciliation worksheet, the Agency reported expenditures of \$4,294,302 on approved enforceable obligations during the ROPS II; therefore, the Agency will be permitted to retain an additional \$623,856 (\$4,294,302 - \$3,670,445).

Finance notes that HSC section 34177 (a) (3) states that only those payments listed in the approved ROPS may be made from the funding source specified in the ROPS. However, HSC section 34177 (a) (4) goes on to state that with prior approval from the oversight board, the successor agency can make payments for enforceable obligations from sources other than those listed in the ROPS. In the future, the Agency should obtain prior oversight board approval when making payments for enforceable obligations from a funding source other than those approved by Finance.

The Agency's OFA balance available for distribution to the affected taxing entities is \$13,972,817 (see table on the following page).

<b>OFA Balances Available For Distribution To Taxing Entities</b>	
Available Balance per DDR:	\$ (619,472)
Finance Adjustments	
Add:	
Disallowed transfers	\$ 14,450,531
Request to restrict balances not supported	141,758
<b>Total OFA available to be distributed:</b>	<b>\$ 13,972,817</b>

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.

Mr. Richard Loomis  
August 23, 2013  
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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Szalay", with a horizontal line extending to the right from the end of the signature.

STEVE SZALAY  
Local Government Consultant

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

# Pinole Successor Agency

2131 Pear Street  
Pinole, CA 94564  
Phone: (510) 724-8933  
FAX: (510) 724-9826  
[www.ci.pinole.ca.us](http://www.ci.pinole.ca.us)

August 29, 2013

Office of the Auditor-Controller  
Contra Costa County  
625 Court Street  
Martinez, CA 94553-1282

Office of the Controller  
State of California  
P.O. Box 94250-5874  
Sacramento, CA 94250-5874

Office of Director of Finance  
State of California  
Via e-mail: [redvelopmentadministration@dof.ca.gov](mailto:redvelopmentadministration@dof.ca.gov)  
[danielle.brandon@dof.ca.gov](mailto:danielle.brandon@dof.ca.gov)

**RE: Notification] of Transmission of Funds  
Check #072435, dated 08/30/13 to County Auditor-Controller [HSC 34179.6(f)]**

Honorable State and County Officials:

Pursuant to the requirements of Health & Safety Code Section 34179.6(f), the Pinole Successor Agency herein remits funds in the amount of One Hundred Forty-one Thousand Seven Hundred Fifty-eight dollars (\$141,758), as partial payment of amounts identified by the State Department of Finance in its review of the OFA-DDR, as directed in the DOF letter dated 08/28/13 (*Other Funds and Account Due Diligence Review*) executed by Mr. Steve Szalay.

Please direct any questions or inquiries regarding this partial payment directly to me at (510) 724-9823 ([rloomis@ci.pinole.ca.us](mailto:rloomis@ci.pinole.ca.us)).

Respectfully Submitted,

  
Richard Loomis  
City Finance Director

Enclosures:

City of Pinole Check #072435  
OFA Funds & Accounts Due Diligence Review Letter DOF (S. Szalay, 08/23/13)

Cc B. Espinosa, City Manager  
P. Athenour, Agency Secretary  
S. Downs, Assistant City Attorney