

**Redevelopment Agency of the
City of Pittsburg**
65 Civic Avenue
Pittsburg, CA 94565-3814

BY FACSIMILE AND ELECTRONIC MAIL

March 3, 2011

Steven Mar, Chief, Local Government Audits Bureau
California State Controller
P.O. Box 942850
Sacramento, CA 94250-5874

RE: Response to Factual Errors, Comments on Draft Review Report of Select
Redevelopment Agencies

Mr. Mar:

The Redevelopment Agency of the City of Pittsburg (Pittsburg RDA) has reviewed the confidential draft of the recent review of select redevelopment agencies, and offers the following corrections to factual errors, clarifications, and additional documentation with this response. Additional, and more detailed, documentation is also available upon request as noted in the response below.

The objective of your review as stated on page 3 was to ascertain the agencies' degree of compliance with administrative, financial and reporting requirements and to gather relevant data for analyses. In the approximately 24 hours allowed us to review the draft report, the Pittsburg RDA has the following response:

On page 9, the draft states that some cities' charges to RDAs "appeared to be questionable," but "they may be legitimate if the RDAs are able to provide the basis and documentation to demonstrate they are necessary and reasonable."

Under the heading "Redevelopment Agency of the City of Pittsburg" for Finding 4, the draft refers to a "lack of documentation of what service was provided." This is a factual error. The Pittsburg RDA has, and will continue to, document its activities as appropriate and required by law.

The Pittsburg RDA's FY 2009-10 budget of \$143 million for services and projects included \$3 million (just 2 percent) to the City for indirect costs. Services provided by the City to the Pittsburg RDA include the following:

- Management of \$421 million in outstanding bonds, including one with a variable interest rate backed by a Letter of Credit, which requires additional monitoring and administration. Services include monitoring, reporting, audits and periodic

negotiation of new agreements and letters of credit.

- Planning (including CEQA), design, construction management and/or construction of 29 RDA funded projects during FY 2009-10 with project budgets totaling approximately \$58 million.
- Indirect services such as human resources, accounts payable, revenue deposits and tracking, project budgeting, records maintenance, treasurer services relating to the investment of redevelopment funds and costs of maintaining City Hall that houses Pittsburg RDA staff.

The result of the efforts listed above include removal of blight, construction of important infrastructure/capital projects and most, notably, a significant decrease in Pittsburg's crime rate to the lowest level in 50 years. Additional information is available on request.

In an effort to further document the services provided, Pittsburg RDA staff hosted Greg Brummels, the Controller's representative, on a tour of numerous projects in Pittsburg that were recently completed with redevelopment funds. The projects included fire stations, schools, affordable housing and other facilities. A list of project sites included in the tour is attached to this response (Attachment 1). Documentation of the nature and degree of this assistance for the various projects was available to Mr. Brummels if he had requested it.

This section of the draft also refers to an "undocumented loan of \$16,606,000 from the RDA to the City" for specified projects that resulted in a "large balance in the General Fund." This is untrue. The agreement between the Pittsburg RDA and the City is for design, construction and implementation of a list of specific capital projects. The \$16,600,000 was payment in advance for these services, not a loan. Additionally, the City has let contracts to construction contractors, design consultants and other vendors as part of its effort to fulfill its obligations under the agreement. The City needed to have these funds readily available in order to honor these contracts. To describe this as "a large balance" without referencing the encumbrance of these funds to pay contracts is inaccurate.

In the interest of accuracy, it should also be noted that four of the projects subject to this agreement with project budgets totaling \$5 million were completed during FY 2009-10, and another 16 projects with totaling \$45 million were under design or construction.

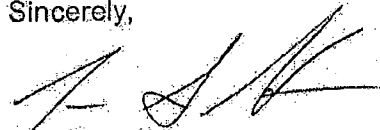
The draft report also states that the "RDA is losing interest which should accrue to the Agency." This statement is untrue and should be removed. The \$16 million was immediately placed in an interest-bearing account. The interest earned accrues to the fund, and is appropriated to other redevelopment-supported projects. There is no difference in the rate of interest on these funds and the rate earned on any other redevelopment funds. There is no loss of funds to the Pittsburg RDA whatsoever. Documentation of this fact is readily available from the Director of Finance. Had the Controller's representative requested this information, it would have been provided to him.

In addition, Schedule 3 - Redevelopment Reporting Issues does not reflect the Pittsburg RDA's filing of the Independent Audit Report on February 28, 2011. (Attachment 2) The table instead shows "Outstanding" for the report's filing status, which is not factually correct.

The Redevelopment Agency of the City of Pittsburg is requesting correction of the above inaccuracies prior to the release of the final report. Attached to this letter is additional documentation of City services provided to the Pittsburg RDA and a proposed revision to the text in the Finding 4 section of the draft (Attachment 3) that more accurately reflects the ongoing code enforcement actions and its impact on the City's crime rate.

I am available for your questions or comments by cell phone at (925) redacted or by email at jsbranti@ci.pittsburg.ca.us.

Sincerely,

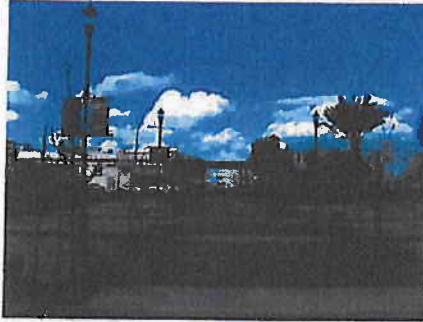


Joe Sbranti
Assistant City Manager for Development Services/Director of Redevelopment/
City Engineer

Attachments (3)

List of projects completed since the adoption of the “Projects Funded by Agency” list dated October 19, 2009:

- Power Avenue/Stoneman Avenue Pedestrian Improvements
- Old Town Plaza



- Block 105 Public Improvements
- 2010/11 Pavement Rehabilitation
- Plaza Marina



- Los Medanos Village (affordable housing)



- East Leland Court-Mercy Housing (affordable housing)



- Vidrio



- Railroad Avenue Building Improvement (Old Town Pastry & Pirate Cove Yogurt Shop and Railroad Book Depot)



- Fire Station 84
- Fire Station 85



List of projects under design/construction since the adoption of the "Project Funded by Agency" list dated October 19, 2009:

- California Theatre Phase I and Cumberland Service Access
- Buchanan Park Swimming Pool Renovation
- Railroad Avenue Building Improvement (Pittsburg Education Association)
- California Avenue Widening-Phase I
- Traffic Signal at Diane and California Avenues
- Bailey Road Improvement Project
- Plaza Marina Tenant Improvements (Nana's Place)
- Block A Mixed Use Design
- Seismic Retrofit Bridge Project (Willow Pass Rd.)
- Central Harbor Dock and Shed Replacement

- North Parkside Drive Storm Drain Improvements
- 2011/12 Pavement Rehabilitation Project
- Library Improvements
- Siena Court (affordable housing)
- EJ Phair
- The New Mecca Café
- La Almenara (affordable housing)
- Fire Prevention Bureau

Schedule 3— Redevelopment Agency Reporting Issues July 1, 2009, through June 30, 2010

Redevelopment Agency Name	Filed Independent Audit Report	Filed Annual Fiscal Statement	Establish Time Limits	Establish Low/Mod Housing Fund	Required Tax Increment Deposited into Low/Mod Fund	Accrued Interest Earned by Low/Mod Fund	Determination of Necessity of Planning & Administration Cost Charged to Low/Mod Fund	Initiate Development of Housing or Sale of Real Property Acquired by Low/Mod Fund	Adopt an Implementation Plan
Anderson Redevelopment Agency	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Community Redevelopment Agency of the City of Calexico	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Community Redevelopment Agency of the City of Citrus Heights	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Community Development Agency of the City of Coronado	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
City of Desert Hot Springs Redevelopment Agency	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Redevelopment Agency of the City of Fremont	Filed Late	No	Yes	Yes	Yes	Yes	Yes	No	Yes
Redevelopment Agency of the City of Fresno	Yes	No	Yes	Yes	Yes	Yes	N/A ¹	Yes	No
Hercules Redevelopment Agency	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Community Redevelopment Agency of the City of Los Angeles	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
City of Palm Desert Redevelopment Agency	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Parlier Redevelopment Agency	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pasadena Community Development Commission	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No
Redevelopment Agency of the City of Pittsburg	Filed Late - Outstanding	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Placencia Redevelopment Agency	Filed Late	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Richmond Redevelopment Agency	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Redevelopment Agency for the County of Riverside	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Redevelopment Agency of the County of Sacramento	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Redevelopment Agency of the City of San Jose	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes

¹ Did not charge planning and administration

Redevelopment Agency of the City of Pittsburg

- Lack of documentation as to what service was provided. The RDA transferred \$3,000,000 to the city General Fund based solely upon an agreement signed in October 2009. The agreement contains a maximum amount of \$12,500,000 to be paid to the city. The agreement describes in general terms the services to be provided by the city. The agreement does not require the city to document the costs incurred in providing those services. [The City maintains documentation of certain activities that it provides the RDA, such as code enforcement actions taken. Law enforcement and code enforcement funded in part by RDA has led to a reduction in the rate of serious crimes to the lowest level in 50 years.] Thus, there is no way of determining if the city provided any of the services.
- ~~Undocumented loan~~ [Transfer] of \$16,606,000 from the RDA to the city. The amount was transferred during fiscal year 2009-10 from the RDA to the city for specified projects. At the end of fiscal year 2009-10, the unexpended balance for those projects was \$15,446,574. ~~With such a large balance in the city General Fund, the RDA is losing interest which should accrue to the Agency.~~ Some of the projects are not expected to start [construction] for another one or two years. [There are currently 16 projects under construction or design.] ~~This is tantamount to an undocumented interest free loan from the RDA to the city.~~