



# AGENDA ITEM

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- MEETING DATE:** Thursday, January 10, 2013
- TITLE:** Consideration of a Resolution of the Oversight Board to consider public comments and comments from relevant public agencies, and approve the Independent Accountant's Report of the Non-Housing Due Diligence Review of the All Other Non-Housing Funds Pursuant to Sections 34179.5 and 34179.6 of the Dissolution Act.
- PRESENTED BY:** Thomas M. Kanarr, Interim Finance Director
- RECOMMENDATION:** Adopt Oversight Board Resolution entitled, "RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER GLENDORA COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF GLENDORA, CALIFORNIA, APPROVING THE INDEPENDENT ACCOUNTANT'S REPORT REGARDING THE NON-HOUSING DUE DILIGENCE REVIEW CONDUCTED PURSUANT TO SECTION 34179.5 FOR RESIDUAL CASH ASSETS AND AUTHORIZING STAFF TO TRANSMIT THE REPORT TO THE OVERSIGHT BOARD, THE STATE CONTROLLER'S OFFICE, THE DEPARTMENT OF FINANCE AND THE COUNTY AUDITOR-CONTROLLER, ALL PURSUANT TO SECTIONS 34179.5 AND 34179.6 OF THE DISSOLUTION ACT."
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## **BACKGROUND:**

The Dissolution Act, Parts 1.8 and 1.85 of the California Health and Safety Code, as modified by the Supreme Court's opinion in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. S194861 and as amended by Assembly Bill 1484 chaptered and effective June 27, 2012, in particular Section 34719.5, require the Successor Agency to retain a licensed accountant for the purposes of determining the unobligated fund balances available for transfer to the taxing agencies, including the City's General Fund.

Two due diligence reviews are required, one related to housing assets and obligations and the other related to non-housing assets and obligations. This first report pertained to the Low and Moderate Income Housing Fund ("LMIHF"). It was reviewed and approved by the Successor Agency on October 23, 2012, and submitted to the Oversight Board, the Los Angeles County Auditor-Controller (CAC), the California State Controller's Office (SCO), and the State Department of Finance (DOF). The Oversight Board completed a public comment session, reviewed public comments and considered the results/opinions offered by the CAC, and then transmitted the report again to the CAC, SCO, and DOF. The Successor Agency received no comments from the public. The Department of Finance review was completed on November 9, 2012, and required the Successor Agency to amend the amount payable to the CAC to

\$1,415,404. This amount was remitted to the CAC on November 16, 2012. The non-housing review was similarly conducted by the audit firm Lance, Soll and Lunghard, LLC, and reviewed and approved by the Successor Agency on December 11, 2012. The Oversight Board received the Non-Housing DDR on December 13, 2012, and convened a public comment session. No public comments were received. The Non-Housing DDR was sent electronically to the DOF, CAC and SCO on December 14, 2012. To date, no comments have been received from those agencies.

## **DISCUSSION:**

The Dissolution Act, Parts 1.8 and 1.85 of the California Health and Safety Code, as modified by the Supreme Court's opinion in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. S194861 and as amended by Assembly Bill 1484 chaptered and effective June 27, 2012, in particular Section 34719.5, require the Successor Agency to retain a licensed accountant for the purposes of determining the unobligated fund balances available for transfer to the taxing agencies, including the City's General Fund.

Two due diligence reviews are required, one related to housing assets and obligations and the other related to non-housing assets and obligations. This first report has been completed, and determined that the amount to be remitted to the CAC was \$781,851. This amount was amended by the DOF to \$1,415,404, which amount was subsequently paid by the Successor Agency on November 16, 2012. The DOF required that LMIHF debt service be covered by future tax increment, rather than held as an encumbrance of LMIHF fund balance.

The second due diligence report on the Non Housing assets and obligations portion has been completed by the audit firm Lance, Soll and Lunghard, LLP. In round numbers, the report determined that the total non-housing RDA assets were \$20.8 million. Of this, \$2.2 million is unspent bond proceeds (which can be retained by the Successor Agency pursuant to the provisions of AB 1484, and will be expended for public improvements) from bonds previously issued by the former Redevelopment Agency, and \$5.5 million is the book value of land held for resale. It should be noted that the book value may not be a useful predictor of current market value of land or of the amount achievable upon remarketing of such land. The balance of \$13.1 million is the amount (pending public comment and any CAC and DOF process) that is to be remitted to the CAC. The deadline for that payment is April 10, 2013.

The prescribed process is for the Successor Agency to approve the report, and forward it to the Oversight Board. These were done December 11, 2012 and December 13, 2012, respectively. The OB will consider public comments and comments from the relevant agencies, and approve or amend the Non Housing DDR at its January 8, 2013 meeting. The DDR will be submitted to the DOF, SCO and CAC prior to the January 15, 2013 deadline. The DOF has until April 1, 2013 to issue a Finding of Completion.

### Licensed Accountant

As presented at the August meeting, the Successor Agency selected and the County Auditor-Controller ("CAC") approved *Lance, Soll & Lunghard, LLP* an accounting firm with experience and expertise in local government accounting to conduct the due diligence reviews to determine the unobligated balances available for transfer to taxing entities relating to housing and non-housing assets and obligations in order to ascertain unobligated cash or cash equivalent balances that would be available for transfer to local taxing entities. *Lance, Soll & Lunghard, LLP* delayed commencing work on the due diligence review until the review standards were developed and issued by the DOF as below described.

In July and August of this year, members of the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants (“CalCPA”), along with the State Controller’s Office (“SCO”) and the DOF, developed the review standards/agreed upon procedures. On August 30, 2012, the DOF posted the standards/procedures and *Lance, Soll & Lunghard, LLP* began work on the housing due diligence review, and subsequently, on the non-housing DDR.

Legal Requirements and Standards for the Due Diligence Review

Under Section 34179.5, the due diligence review requires the independent accountant to reconcile assets, balances and liabilities with previous reports made to the State. Further, this review includes valuation of cash and cash equivalents (such as LAIF deposits), and obligations. "At a minimum, the [due diligence] review required by this section shall include the following: ‘...[a]n itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment.’ ..."

The review and report occurs as to housing assets between August and November 2012, and as to non-housing assets between November 2012 and April 2013. The review process entails several steps in order to be completed as required, and the penalty for failure to pay or transfer will result in the DOF causing the equivalent amount(s) to be deducted from sales and use taxes and/or property taxes due to the City, as the sponsoring community.

Key dates include the following for both reviews:

<b>DUE DILIGENCE REVIEW SCHEDULE AND DEADLINES</b>		
	<b>Housing Review</b>	<b>Non-housing Review</b>
Due Diligence Review Due from Successor Agency to Oversight Board	October 1, 2012	December 15, 2012
Oversight Board Deadline to Conduct Hearing, Review, Approve and Submit Due Diligence Review	October 15, 2012	January 15, 2013
DOF Deadline to Issue “Finding of Completion”	November 9, 2012	April 1, 2013
Successor Agency Deadline to Request Meet and Confer with DOF about Reviews	Five (5) Days of DOF Action, no Later than November 16, 2012	Five (5) Days of DOF Action, no Later than April 6, 2013
Successor Agency Deadline to Make Transfers to County Auditor-Controller based on DOF Findings	November 28, 2012	April 10, 2013

Findings

Attached to this report and the Resolution is the Non-Housing Funds Due Diligence Review report transmitted by the Successor Agency to the Oversight Board. *Lance, Soll & Lunghard, LLP* reviewed cash and non-cash balances, expenditures, revenues and transfers prior to and following dissolution on February 1, 2012. In general, the activities noted in the report reflect transactions associated with the former Agency in the course of implementation of its responsibilities, and the subsequent transfer of all non-housing assets to the Successor Agency on February 1

The primary findings are noted below:

1. Total Non-Housing funds transferred on February 1, 2012 from the Glendora Community Redevelopment Agency to the Successor Agency: \$19,472,189
2. Total transfers to other public agencies or private parties for January 1, 2011 through June 30, 2012 [debt service principal and interest]: \$1,538,328.
3. Total Assets at June 30, 2012: \$20,763,207
4. Total restricted assets [remaining unspent proceeds from tax allocation bonds previously issued by the former redevelopment Agency]: \$2,185,626
5. Total assets that are not liquid or otherwise available for distribution [primarily the book value land held for resale]: \$5,505,400
6. Balance of Non-Housing Fund assets remaining with Successor Agency as of June 30, 2012 available for disbursement to taxing agencies: \$13,072,182.

**CEQA (CALIFORNIA ENVIRONMENTAL QUALITY ACT):**

None.

**FISCAL IMPACT:**

The Due Diligence Review has one overarching objective: to determine through third-party "audit" the amount of cash assets the State of California will require the City/Successor Agency to transfer to the County of Los Angeles. In the parlance of the recently-established procedures, this amount is "available for disbursement to taxing agencies." The amount to be remitted to the County, per the attached Due Diligence Review, is \$13,072,182. After review and approval by the Oversight Board, the State DOF, and the CAC, the payment is due to the CAC no later than April 10, 2013.

Respectfully submitted,



Thomas M. Kanarr  
Interim Finance Director

Fiscal  
Review: 

THOMAS M. KANARR  
Interim Finance Director

Manager  
Approval: 

CHRIS JEFFERS  
City Manager

**ATTACHMENTS:**

Attachment A: Oversight Board Resolution

Attachment B: Non-Housing Due Diligence Review Report