MEMORANDUM

TO: Oversight Board

FROM: Tiffany Bohee, Executive Director

SUBJECT: Approving the Due Diligence Review of Non-Housing Funds for unobligated balances available for transfer to the taxing entities and finding that all funds are obligated and, therefore, no funds are available for transfer to the taxing entities

EXECUTIVE SUMMARY

Pursuant Section 34179.5 and Section 34179.6 of the California Health & Safety Code, the Successor Agency engaged Macias Gini & O’Connell LLP (“MGO”) to conduct the due diligence review to determine the unobligated balances available for transfer to taxing entities (“Review”).

Sections 34179.5 and 34179.6 require the due diligence review be separated into two submissions to the Oversight Board; the first submission related to the Low and Moderate Income Housing Fund (LMIHF) of the former Redevelopment Agency, and the second submission relates to all other assets that remain with the Successor Agency (“Non-Housing Funds”). The Review of LMIHF balances was approved by the Oversight Board and submitted to the State Department of Finance (“DOF”), the State Controller’s Office (“SCO”), and the City Controller on October 12, 2012.

The Due Diligence Review for the Non-Housing balances was submitted to the Oversight Board, the State Department of Finance (“DOF”), the State Controller’s Office (“SCO”), and the City Controller on December 17, 2012. A public comment session was held on January 7, 2013. An Oversight Board approved Non-Housing Review must be transmitted to DOF and the City Controller by January 15, 2013.

MGO performed the procedures that were agreed upon by DOF and SCO for the Non-Housing assets of the former Redevelopment Agency. In summary, the Review found that all cash balances as of June 30, 2012 were either restricted by debt covenant or other governmental restrictions, or are restricted for the funding of enforceable obligations and payments through the Recognized Obligation Payment Schedules for Fiscal Year 2012-2013, and, therefore, there are no funds available for distribution to the taxing entities.
DISCUSSION

On December 17, 2012, the Review was made available to the public on the Oversight Board website, and was transmitted to DOF, SCO and the City Controller concurrent with the submission to the Oversight Board.

On January 7, 2013, the Oversight Board held a Public Comment Session for the Due Diligence Review of the Non-Housing Funds, which was 5 days in advance of the January 14, 2013 meeting. At the January 7th Oversight Board meeting, Cynthia Pon, C.P.A., represented MGO and presented their findings that as of June 30, 2012, the Agency held $431.4 million in assets and that:

- $198 million are legally restricted by debt covenants or governmental restrictions,
- $217 million are non-cash assets (e.g. physical assets),
- $6.3 million are legally restricted for the funding of an enforceable obligation, and
- $9.7 million are needed to satisfy ROPS payments for Fiscal Year 2012-2013

After deducting the restricted funds, the non-cash assets, and ROPS payments for this fiscal year, there are no funds remaining to be remitted to the County for disbursement to taxing entities. Once approved by the Oversight Board, the Successor Agency staff will submit the final approved review by January 15, 2013 to DOF, SCO and the City Controller.

(Originated by Sally Oerth, Deputy Director)

Tiffany Bohoe
Executive Director