

ITEM 1

OVERSIGHT BOARD FOR CITY OF SAN DIEGO REDEVELOPMENT SUCCESSOR AGENCY

DATE ISSUED: November 23, 2012

SUBJECT: Public Comment Session Regarding Independent Accountant's Report on Applying Agreed-Upon Procedures to the Former Redevelopment Agency of the City of San Diego for a Due Diligence Review of the Low and Moderate Income Housing Funds

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DESCRIPTIVE SUMMARY OF ITEM:

On December 29, 2011, the California Supreme Court upheld Assembly Bill x1 26 ("AB 26"), the redevelopment dissolution law, and invalidated Assembly Bill x1 27 ("AB 27"), the "voluntary alternative redevelopment program." On February 1, 2012, the Redevelopment Agency of the City of San Diego ("Former RDA") dissolved. On June 27, 2012, the State Legislature enacted Assembly Bill 1484 ("AB 1484"), which modified AB 26 substantially. Pursuant to California Health and Safety Code ("Code") Section 34179.5 of AB 1484, two Due Diligence Reviews ("DDR") are required, including a DDR of the Low and Moderate Income Housing Fund ("Housing DDR") and a DDR of other remaining, non-housing account balances. Each DDR must be prepared by a licensed accountant with experience and expertise in local government accounting, approved by the county auditor-controller ("CAC"), to determine the Former RDA's unobligated balances available for transfer to taxing entities.

The Successor Agency selected, and the CAC approved, the independent accounting firm of Macias Gini & O'Connell, LLP ("MGO") to complete each DDR. Attachment A is MGO's report applying the agreed upon procedures for the Housing DDR ("MGO Report"). Pursuant to Code Section 34179.6(b), the Oversight Board must hold a public comment session on the MGO Report at least five business days before holding a meeting to consider approval of the amount of cash and cash equivalents related to housing assets that are available for disbursement to taxing entities as determined in the MGO Report. The public comment session will occur on November 27, 2012, and the approval meeting is anticipated to occur on December 4, 2012.

STAFF RECOMMENDATION: That the Oversight Board hold a public comment session on the MGO Report pursuant to Code Section 34179.6(b).

DISCUSSION:

Background

As described above, the MGO Report has been prepared in compliance with Code Section 34179.5 to determine the amount of cash and cash equivalents of the Former RDA related to housing assets that are available for disbursement to taxing entities. Pursuant to Code Section 34179.5(c), the Housing DDR must, at a minimum, include a review of the following:

- 1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012;
- 2) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer including a review of the documentation of the enforceable obligation that required the transfer;
- 3) The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer including a review of the documentation of the enforceable obligation that required the transfer;
- 4) The review should provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010-2011 and 2011-2012 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the State Controller for the 2009-2010 fiscal year;
- 5) The review should provide a separate accounting for all other funds and accounts combined as follows:
 - a. A statement of the total value of each fund as of June 30, 2012;
 - b. An itemized statement listing of any amounts that are legally restricted as to purpose and cannot be provided to taxing entities including such things as bond proceeds, grant fund or other such funds;
 - c. An itemized statement of the values of any assets that are not cash or cash equivalents such as but not limited, land, equipment and records;
 - d. An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation;
 - e. An itemized listing and analysis of any amounts of current balances that are need to satisfy obligation that will be placed on the Recognized Obligation Payment Schedules (“ROPS”) for the current fiscal year;
 - f. The review shall total the net balances available to for allocation to affected taxing entities pursuant to Code Section 34179.6.

Code Section 34179.6(a) contemplates that, by October 1, 2012, the Successor Agency would provide the written report on the Housing DDR to the Oversight Board. Code Section 34179.6(c) contemplates that, by October 15, 2012, the Oversight Board would hold the public comment session on the Housing DDR, followed at least five (5) business days later by a meeting for the approval vote on the Housing DDR. The Oversight Board must review and approve the amount of cash and cash equivalents of the Former RDA related to housing assets that are available for disbursement to taxing entities as determined in the MGO Report, and must transmit its determination to the Department of Finance (“DOF”) and the CAC. Pursuant to Code Section 34179.6(d), the DOF will make the final determination with respect to the Housing

DDR. Code Section 34179.6(e) entitles the Successor Agency to request to meet and confer with the DOF to resolve any disputes regarding the DOF's preliminary determination.

Due to circumstances beyond the Successor Agency's control, the statutory timelines for completion and approval of the Housing DDR could not be met. The Successor Agency has been in contact with the DOF and kept the DOF apprised of its progress, both before and after the target completion date of October 1. One item that significantly delayed the preparation of the Housing DDR was the postponed release of written agreed-upon procedures needed to initiate and perform each DDR. Independent auditing firms across the state were hesitant to proceed with any work related to any DDR until the DOF released its official written procedures to be completed by the auditing firms. While AB 1484 was approved and signed into law on June 27, 2012, the DOF did not release its written procedures until August 28, 2012, thereby reducing the time auditing firms had to complete their review by two full months. As a result, the DOF reported that, as of November 1, 2012 (i.e., one month after the target completion date), the DOF had received the written report on the Housing DDR with respect to only 240 of over 400 dissolved redevelopment agencies throughout the state.

Once the DOF released the written procedures, the Successor Agency engaged Macias to prepare both DDRs with respect to the Former RDA, and MGO began field work by mid-September 2012. This timing left only a few weeks to complete the Housing DDR by the statutory deadline for one of the largest former redevelopment agencies in the state. Successor Agency staff and MGO have been working diligently to complete the Housing DDR in an expedited manner.

Conclusion

The MGO Report has been prepared in compliance with Code Section 34179.5 to determine the amount of cash and cash equivalents of the Former RDA related to housing assets that are available for disbursement to taxing entities. The Oversight Board's public comment session on the Housing DDR will occur on November 27, 2012, and the Oversight Board's approval meeting on the Housing DDR is anticipated to occur on December 4, 2012. Representatives of the Successor Agency and MGO will be available during those two meetings to explain the contents of the MGO Report.

David Graham
Office of the Mayor