

CITY OF SOLANA BEACH

AGENDA

Oversight Board of the Successor Agency for the Solana Beach Redevelopment Agency

REGULAR MEETING

Thursday, December 13, 2012

4:30 P. M.

City Hall, 635 S. Highway 101, Solana Beach, California

AGENDA MATERIALS

A full agenda packet including relative supporting documentation is available at City Hall and on the City's website www.cityofsolanabeach.org. Agendas are posted at least 72 hours prior to regular meetings and at least 24 hours prior to special meetings. Writings and documents regarding an agenda of an open session meeting, received after the official posting, and distributed to the Board for consideration, will be made available for public viewing at the same time. In addition, items received at least 1 hour 30 minutes prior to the meeting time will be available for public viewing. Materials submitted for consideration should be forwarded to the City Clerk's department 858-720-2400. The designated location for viewing public documents is the City Clerk's office at City Hall during normal business hours.

SPEAKERS

Please submit a speaker slip to the City Clerk/Secretary prior to the meeting, or the announcement of the Section/Item, to provide public comment.

AMERICAN DISABILITIES ACT TITLE 2

In compliance with the Americans with Disabilities Act of 1990, persons with a disability may request an agenda in appropriate alternative formats as required by Section 202. Any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to the City Clerk's office (858) 720-2400 at least 72 hours prior to the meeting.

As a courtesy to all meeting attendees, please set cellular phones and pagers to silent mode and engage in conversations outside the Council Chambers.

BOARD MEMBERS

Timothy P. Coughlin
San Diego County Board of Supervisors

Jeanne Deaver
Santa Fe Irrigation District

Doug Sheres, Vice Chair
San Diego County Board of Supervisors

Thomas Golich, Chair
City of Solana Beach

James Austin
California Community Colleges / MiraCosta

Carlos Estrella
San Diego County Board of Education

David Ott
City of Solana Beach

Kendall Berkey, General Counsel

Angela Ivey, Secretary

SPEAKERS:

Please submit a request to speak to the Secretary prior to the meeting or the announcement of the Item.

CALL TO ORDER AND ROLL CALL:

APPROVAL OF AGENDA:

CHAIR AND BOARDMEMBERS' COMMENTS

PUBLIC COMMENT – Non-Agenda Items

This portion of the agenda provides an opportunity for members of the public to address the Oversight Board of the Successor Agency on items relating to the Board's subject matter and not appearing on today's agenda. Comments relating to items on this evening's agenda are taken at the time the items are heard. Pursuant to the Brown Act, no action shall be taken by the Board on public comment items. The Board may refer items for placement on a future agenda.

BOARD BUSINESS

- 1. Due Diligence Review Report Related to the Other Redevelopment Agency Funds, Pursuant to Sections 34179.5(c)(1) – 34179.5(c)(6) of Assembly Bill 1484 of 2012 for the Opening of Public Comment Period.**

ADJOURN:

AFFIDAVIT OF POSTING:

*STATE OF CALIFORNIA
COUNTY OF SAN DIEGO
CITY OF SOLANA BEACH*

I, Angela Ivey, Secretary, of the Oversight Board to the Successor Agency and City Clerk of the City of Solana Beach, do hereby certify that this Agenda for the December 13, 2012 Regular Meeting was called by Oversight Board to the Successor Agency for the Redevelopment Agency of Solana Beach and was provided and posted on December 10, 2012 at 3:30 p.m. on the City Bulletin Board at the entrance to City Hall. Said meeting is held at 4:30 p.m., December 13, 2012, at City Hall, 635 S. Highway 101, Solana Beach, California.

Angela Ivey, Secretary
City of Solana Beach, CA



STAFF REPORT OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE SOLANA BEACH REDEVELOPMENT AGENCY

TO: Honorable Chair and Members of the Oversight Board
FROM: David Ott, Executive Director
MEETING DATE: December 13, 2012
ORIGINATING DEPT: Successor Agency of the Solana Beach Redevelopment Agency
SUBJECT: **Public Comment Session – Due Diligence Review of the Other Funds (Non-Housing) of the Solana Beach Successor Agency**

BACKGROUND:

On December 29, 2011, the California Supreme Court delivered its decision in the *California Redevelopment Association v. Matosantos* case, finding ABx1 26 ("Dissolution Act") largely constitutional. The Court's decision meant that all California redevelopment agencies, including the Solana Beach Redevelopment Agency, were dissolved on February 1, 2012. The City of Solana Beach opted to act as the Successor Agency to the former Redevelopment Agency.

On June 27, 2012, Assembly Bill 1484 became effective. AB 1484 added several new procedures to the process of winding-down the affairs of the former Redevelopment Agency. Specifically, Health and Safety Code Section 34179.5 provides for a "Due Diligence Review" of the available cash assets of the former Redevelopment Agency (the "DDR"), with the first DDR confined to the Low and Moderate Income Housing Fund and the second including all other funds.

The Oversight Board reviewed the DDR for the Low and Moderate Income Housing Funds in October, and that DDR has been reviewed by the Department of Finance ("DOF"). If DOF finds that the Successor Agency has available cash assets, it will be required to remit those funds to the County Auditor-Controller for distribution to taxing entities. The Successor Agency has not yet received a final determination from DOF regarding whether amounts are due pursuant to the Housing Fund DDR.

CITY COUNCIL ACTION:

The purpose of this meeting is for the Oversight Board to review and to receive public comment on the second DDR, for Other (Non-Housing) Funds. The Oversight Board is required to hold this public comment session at least five business days before the Oversight Board votes on approval of the DDR. AB 1484 requires the Oversight Board to review, approve and transmit the Non-Housing Fund DDR to DOF by January 15, 2013.

DISCUSSION:

The Non-Housing Fund DDR shows that the Successor Agency owes no payment to the County for disbursement to taxing entities.

The first six pages of the DDR explain its content and limitations. The DDR is not an audit, but rather a review of certain "Agreed-Upon Procedures."

The Non-Housing Fund DDR indicates that:

- As of June 30, 2012, the Successor Agency held \$521,214 of Non-Housing Funds of the former Redevelopment Agency. Another \$86,530 was transferred to the City, for total cash of \$607,744. This June 30, 2012 balance included the property tax funds received by the Successor Agency to pay enforceable obligations and administrative expenses for the period from July 1, 2012 to December 31, 2012.
- Of these funds:
 - \$519,726 was legally restricted as to purpose and cannot be provided to taxing entities (consisting of \$322,345 in bond proceeds and bond reserves; and \$197,381, which is the remaining proceeds of the \$278,215 loan from the City to the Successor Agency, which can only be used for items listed on the ROPS);
 - \$79,165 was required to make bond payments due between July 1, 2012 and December 31, 2012.
 - \$380,530 was required to pay enforceable obligations and administrative expenses shown on approved ROPS II for the period from July 1, 2012 to December 31, 2012.
- Subtracting these amounts from the total amounts available shows a deficit of \$371,677. Consequently, no funds need to be remitted by the Successor Agency to the Auditor-Controller. (Note that this deficit approximates the total amount of the City funds loaned to the Successor Agency, which total \$393,880.)

The Successor Agency staff concurs with these results of the Non-Housing Fund Due Diligence Review.

The Oversight Board is to take public comment on the Non-Housing Fund DDR at this meeting. At a second meeting, the Board will be asked to adopt a resolution approving the DDR for transmittal to DOF, the State Controller, and the County Auditor-Controller.

Next Steps:

After approval of the DDR by the Oversight Board, DOF may adjust the amounts determined to be available based on its own analysis. It must complete this review by April 1, 2013. The Successor Agency can request a meet and confer with DOF within five business days of receipt of DOF's determination. DOF is required to meet and confer and make a decision within 30 days of the request. If DOF determines that the full payment of the amounts is not feasible, DOF can agree to an installment payment plan. If the Successor Agency does not make the payments with five days of final notice from DOF, AB1484 authorizes the Board of Equalization to withhold sales and property taxes from the City of Solana Beach or withhold future property tax payments. These provisions are the subject of several court challenges.

CEQA COMPLIANCE STATEMENT:

Not a project as defined by CEQA.

OPTIONS:

- Approve staff recommendation.
- Provide direction.

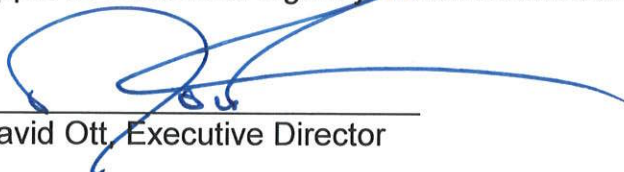
SUCCESSOR AGENCY RECOMMENDATION:

The Successor Agency recommends that the Oversight Board:

1. Take public comment on the Non-Housing Funds Due Diligence Review for the Solana Beach Successor Agency.
2. Close the public comment session; and
3. Continue the matter for adoption of a resolution transmitting the Due Diligence Review to the County Auditor-Controller, Department of Finance, and State Controller.

EXECUTIVE DIRECTOR'S RECOMMENDATION:

Approve Successor Agency Recommendation



David Ott, Executive Director

Attachments:

1. Due Diligence Review for the Solana Beach Successor Agency



**Successor Agency
of the Former
Solana Beach Redevelopment Agency**

**Due Diligence Review
of the Other Redevelopment Agency Funds
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(6)
of Assembly Bill No. 1484 of 2012**

Lance Soll & Lunghard, LLP

Orange County
Silicon Valley
Temecula Valley

www.lslcpas.com

Successor Agency
of the Former
Solana Beach Redevelopment Agency

Due Diligence Review
of the Other Redevelopment Agency Funds
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(6)
of Assembly Bill No. 1484 of 2012



CERTIFIED PUBLIC ACCOUNTANTS

- ◊ Brandon W. Burrows, CPA
- ◊ David E. Hale, CPA, CFP
A Professional Corporation
- ◊ Donald G. Slater, CPA
- ◊ Richard K. Kikuchi, CPA
- ◊ Susan F. Matz, CPA
- ◊ Shelly K. Jackley, CPA
- ◊ Bryan S. Gruber, CPA
- ◊ Deborah A. Harper, CPA

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES

To the Successor Agency of the
Former Redevelopment Agency of the City of Solana Beach
City of Solana Beach, California

We have performed the procedures enumerated in Attachment A for the Other Redevelopment Agency Funds, which were agreed to by the California State Controller's Office and the State of California Department of Finance (State Agencies) solely to assist you in ensuring that the dissolved redevelopment agency is complying with Assembly Bill 1484, Chapter 26, Section 17's amendment to health and safety code 34179.5. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Management of the successor agency is responsible for providing all the information obtained in performing these procedures. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

As stated above, the scope of this engagement was limited to performing the procedures identified in Attachment A, which specified the "List of Procedures for the Due Diligence Review" obtained from the California Department of Finance Website.

The results of the procedures performed are identified in Attachment B1 through B11.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of a certified opinion as to the appropriateness of the results of the procedures performed. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to the Successor Agency.

This report is intended solely for the information and use of the Successor Agency Oversight Board, the Successor Agency and the applicable State Agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Brea, California
December 10, 2012

List of Procedures for Due Diligence Review of the Other Redevelopment Agency Funds

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.
2. If the State Controller's Office has completed its review of transfers required under both sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - a. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - b. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - c. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.
3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - a. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - b. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - c. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

4. Perform the following procedures:
 - a. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
 - b. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
 - c. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.
 - d. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.
5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listing should be attached as an exhibit to the appropriate AUP report.
6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:
 - a. Unspent bond proceeds:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
 - b. Grant proceeds and program income that are restricted by third parties:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

- iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
 - c. Other assets considered to be legally restricted:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.
 - d. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.
- 7. Perform the following:
 - a. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are **not** liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
 - b. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
 - c. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
 - d. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.
- 8. Perform the following:
 - a. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
 - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

- ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
 - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
 - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.
- b. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:
- i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.
 - ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
 - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
 - iii. For the forecasted annual revenues:
 - a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.
- c. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.
- i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
 - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
 - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.
- d. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

- i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
 - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
 - iii. Include the calculation in the AUP report.
9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.
 10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).
 11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

Procedure 1
List of Assets Transferred from the Former Redevelopment Agency to the Successor Agency
Other Redevelopment Agency Funds
As of February 1, 2012

ATTACHMENT B1

<u>Asset</u>	<u>Balance at 2/1/2012</u>
Cash	\$ 130,184
Cash reserve with Fiscal Agent (Held in trust by fiduciary per bond restrictions)	<u>235,820</u>
Total Assets transferred:	\$ <u>366,004</u>

Procedure 2
 Listing of Transfers (Excluding Payments for Goods and Services) to the City
 Other Redevelopment Agency Funds
 For the Period from January 1, 2011 through June 30, 2012

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
<u>From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012</u>			
Unspent bond funds - 2006 TAB	LR	\$ 39,258 (1)	N
Unspent bond funds - 2006 TAB	LR	47,272 (1)	N
	Sub-total:	<u>86,530</u>	
<u>From Successor Agency to City for February 1, 2012 through June 30, 2012</u>			
None noted.			
Total Transfers to City for 1/1/2011 through 6/30/2012:		<u>\$ 86,530</u>	

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(1) Legal documentation was provided, however this is not an enforceable obligation.

Procedure 3

**Listing of Transfers (Excluding Payments for Goods and Services) to Other Public Agencies or Private Parties
Other Redevelopment Agency Funds
For the Period from January 1, 2011 through June 30, 2012**

<u>Describe Purpose of Transfer</u>	<u>Enforceable Obligation (EO)/ Other Legal Requirement (LR)</u>	<u>Amount</u>	<u>Legal Documentation Obtained? (Y/N)</u>
<u>From former Redevelopment Agency to other public agencies or private parties for January 1, 2011 through January 31, 2012</u>			
Mira Costa Community College	LR	\$ 15,609	Y
San Dieguito Union High School District	LR	26,711	Y
Solana Beach School District	LR	114,281	Y
County of San Diego	LR	42,024	Y
San Diego Office of Education	LR	4,578	Y
San Diego County Water Authority	LR	734	Y
Metropolitan Water District	LR	581	Y
City of SB P/T FY 11	LR	27,120	Y
Highway 101 P/T FY 11	LR	646	Y
Street Lighting P/T FY 11	LR	1,907	Y
⊙ Santa Fe Irrigation District FY 10/11 SERAF	LR	3,973	Y
	LR	43,223	Y
	Sub-total:	<u>281,387</u>	

From Successor Agency to other public agencies or private parties for February 1, 2012 through June 30, 2012

None noted.

Total Transfers to other public agencies or private parties for 1/1/2011 through 6/30/2012: \$ 281,387

Procedure 4
 Summary of the Financial Transactions of Redevelopment Agency and Successor Agency
 All Funds
 Per schedule attached to List of Procedures for Due Diligence Review

ATTACHMENT B4

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
Assets (modified accrual basis)				
Cash and Imprest Cash	\$ 730,411	\$ 458,597	\$ 132,264	\$ 285,399
Cash with Fiscal Agent	1,179,076	1,179,186	235,820	235,815
Tax Increment Receivable	14,914	11,302	-	-
Accrued Interest Receivable	1,260	-	-	-
Due from Other Funds	669,707	826,281	-	-
Total Assets	\$ 2,595,368	\$ 2,475,366	\$ 368,084	\$ 521,214
Liabilities (modified accrual basis)				
Accounts payable	\$ 253,066	\$ 218,331	\$ 2,080	\$ 91,472
Other liabilities	2,791	1,686	-	3,765
Due to Other Funds	669,707	826,281	-	278,215
Total Liabilities	925,564	1,046,298	2,080	373,452
Equity	1,669,804	1,429,068	366,004	147,762
Total Liabilities + Equity	\$ 2,595,368	\$ 2,475,366	\$ 368,084	\$ 521,214
Total Revenues:	\$ 801,448	\$ 792,433	\$ 464,301	\$ 88,035
Total Expenditures:	998,852	896,062	1,527,365	306,277
Total Transfers:	-	(137,107)	-	366,004
Net change in equity	(197,404)	(240,736)	(1,063,064)	147,762
Beginning Equity:	1,867,208	1,669,804	1,429,068	-
Ending Equity:	\$ 1,669,804	\$ 1,429,068	\$ 366,004	\$ 147,762
Other Information (show year end balances for all four periods presented):				
Capital assets as of end of year	\$ -	\$ -	\$ -	\$ -
Long-term debt as of end of year	3,370,000	3,300,000	3,300,000	3,230,000

Procedure 5
 Listing of All Assets
 Other Redevelopment Agency Funds
 As of June 30, 2012

<u>Assets</u>			<u>Amount</u>
Cash	652-1011	General Cash - UB of CA (1)	\$ (80,834)
	652-1014	Cash - Successor Agency (2)	<u>366,233</u>
		TOTAL CASH:	\$ 285,399
Cash with fiscal agent	652-1140	Cash w/Fiscal Agent	<u>235,815</u>
		TOTAL CASH WITH FISCAL AGENT:	<u>235,815</u>
		TOTAL ASSETS AT 6/30/2012:	<u>\$ 521,214</u>

(1) payments made to Successor Agency's vendors by the City of Solana Beach pursuant to loan agreement between the City and the Successor Agency and approved by the Oversight Board.

(2) of this amount, \$278,215 are loan proceeds from loan agreement between the City and the Successor Agency and approved by the Oversight Board.

Procedure 6
 Listing of Assets that are Restricted
 Other Redevelopment Agency Funds
 As of June 30, 2012

Item #	Description	Documentation Referenced	Amount	Purpose	Legal Documentation Obtained? (Y/N)
1	Cash with fiscal Agent a) Reserve account - debt service payment	652-1140	\$ 235,815	Held in trust by fiduciary per bond restrictions	Y
2	Cash - Successor Agency a) Cash - Successor Agency	652-1014	197,381	Loan proceeds from loan agreement between the City and SA	Y
3	Unspent bond funds - 2006 TAB		<u>86,530</u>	Unspent bond proceeds to be spent in accordance with bond restrictions	Y
			TOTAL:	<u>\$ 519,726</u>	

Procedure 7
Listing of Assets That Are Not Liquid or Otherwise Available for Distribution
Other Redevelopment Agency Funds
As of June 30, 2012

ATTACHMENT B7

Item #	Description	Reference	Amount	Value Method	Variance Noted? (Y/N)
None to report					

Procedure 8a

**Listing of Assets (resources) that are dedicated or restricted for the funding of enforceable obligations
Other Redevelopment Agency Funds
As of June 30, 2012**

<u>Item #</u>	<u>Project Name</u>	<u>Reference</u>	<u>Approved Obligation Amount</u>	<u>Amount Paid in Period Ending June 30, 2012</u>	<u>Amount Restricted for Obligation for June 30, 2012 Balance</u>	<u>Legal Documentation Obtained? (Y/N)</u>
1	2006 Tax allocation bond	ROPS 1 line 1	\$ 229,844	\$ 150,679	\$ 79,165	Y
			<u>\$ 229,844</u>	<u>\$ 150,679</u>	<u>\$ 79,165</u>	

Procedure 8b

Listing of Assets (resources) that need to be retained due to insufficient funding for the funding of enforceable obligations

Other Redevelopment Agency Funds

As of June 30, 2012

ATTACHMENT B8b

Given deficit per Procedure 10, all amounts being held by the City or Successor Agency need to be retained to pay enforceable obligations.

Procedure 8c

Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for bond debt payments

Other Redevelopment Agency Funds

As of June 30, 2012

ATTACHMENT B8c

Given deficit per Procedure 10, all amounts being held by the City or Successor Agency need to be retained to pay enforceable obligations.

Procedure 9

**Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for future ROPS
Other Redevelopment Agency Funds
As of June 30, 2012**

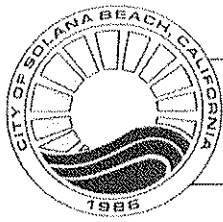
<u>Item #</u>	<u>Project Name</u>	<u>Reference</u>	<u>Approved Obligation Amount</u>	<u>Estimated Future Revenues</u>	<u>Revenue Source</u>	<u>Amount Needed to be Retained from June 30, 2012 Balance</u>	<u>Identified on the ROPS 2</u>
1	2006 Tax Allocation Bond	ROPS II, Line 1	\$ 233,330	\$ -	RPTTF	\$ 233,330	Y
2	Arbitrage	ROPS II, Line 4	2,200	-	RPTTF	2,200	Y
3	Oversight Board Legal Council	ROPS II, Line 17	20,000	-	RPTTF	20,000	Y
4	Legal Service (Admin)	ROPS II, Line 5	25,000	-	Administrative Cost Allowance	25,000	Y
5	Legal Service (Admin)	ROPS II, Line 6	20,000	-	Administrative Cost Allowance	20,000	Y
6	Audit (Admin)	ROPS II, Line 7	5,900	-	Administrative Cost Allowance	5,900	Y
7	Salary/Benefits (Admin)	ROPS II, Line 8	54,500	-	Administrative Cost Allowance	54,500	Y
8	Material, Supplies & Services (Admin)	ROPS II, Line 9	8,400	-	Administrative Cost Allowance	8,400	Y
9	Administrative Charges (Admin)	ROPS II, Line 10	7,500	-	Administrative Cost Allowance	7,500	Y
10	Claims Liability Charges (Admin)	ROPS II, Line 11	2,100	-	Administrative Cost Allowance	2,100	Y
11	Workers Comp Charges (Admin)	ROPS II, Line 12	1,600	-	Administrative Cost Allowance	1,600	Y
			<u>\$ 380,530</u>	<u>\$ -</u>		<u>\$ 380,530</u>	

Procedure 10

Summary of Other Redevelopment Agency Funds Available for Allocation to Affected Taxing Entities

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$	521,214
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)		
	To City	86,530
	To other parties	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)		(519,726)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		-
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)		(79,165)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)		(380,530)
↻ Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance		-
		<hr/>
Amount to be remitted to county for disbursement to taxing entities	\$	<u>(371,677) (A)</u>

(A) Amount to be remitted to County for disbursement to taxing entities is zero.

**CITY OF SOLANA BEACH**

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www.cityofsolanabeach.org FAX (858) 792-6513 / (858) 755-1782

December 10, 2012

Lance, Soll & Lunghard, LLP
Certified Public Accountants
203 North Brea Boulevard, Suite 203
Brea, CA 92821-4056

We are providing this letter in connection with your performance of the Due Diligence Review of the Other Redevelopment Agency Funds in accordance with Assembly Bill 1484 for the Successor Agency of the former Successor Agency of the former Redevelopment Agency of the City of Solana Beach. We confirm that we are responsible for the complete and fair presentation of the previously mentioned review in conformity with the listed procedures of the Assembly Bill 1484 Due Diligence Review as published by the State Department of Finance on August 27, 2012. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud. The representations in this letter are confined to the Other Redevelopment Agency Funds.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your review:


1. We have made available to you:
 - a. In accordance with 34179.5(c)(1), the dollar value of all assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.
 - b. In accordance with 34179.5(c)(2), the dollar value of all 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. We have also provided the documentation of any enforceable obligation that required the transfer.
 - c. In accordance with 34179.5(c)(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. We have also provided documentation of any enforceable obligation that required the transfer.
 - d. In accordance with 34179.5(c)(4), the expenditure and revenue accounting information and have identified transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009–10 fiscal year.
 - e. In accordance with 34179.5(c)(5), a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012.

- f. In accordance with 34179.5(c)(5)(B), an itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.
- g. In accordance with 34179.5(c)(5)(C), an itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value.
- h. In accordance with 34179.5(c)(5)(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. In addition, we have provided a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements.
- i. In accordance with 34179.5(c)(5)(E), an itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

"Transfers" or "transferred" for the purposes of the performance of the Due Diligence Review of the Other Redevelopment Agency Funds are as defined in Section 34179.5(b)(3).

- 2. There are no material transactions that have not been properly recorded in the accounting records underlying this Due Diligence Review.
- 3. Management is not aware of any transfers (as defined by Section 34179.5) from either the former Redevelopment Agency or the Successor Agency to the City, other agencies or private parties for the period January 1, 2011 through June 30, 2012 that have not been identified in this report and related exhibits.
- 4. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 5. We have no knowledge of any fraud or suspected fraud affecting this Due Diligence Review involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on this Due Diligence Review.
- 6. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
- 7. When applicable, we have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us.
- 8. We have identified to you any previous audits, attestation engagements, performance audits, state controller reports or other studies related to the objectives of this Due Diligence Review and whether related recommendations have been implemented.
- 9. The Successor Agency of the former Redevelopment Agency of the City of Solana Beach has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.

10. In regard to the dissolution of the Redevelopment Agency in accordance with AB 1X 26 and AB 1484, we are responsible for compliance with the laws, regulations, provisions of contracts and grant agreements applicable to the Redevelopment Agency.
11. There are no known violations of:
 - a. Laws and regulations,
 - b. Provisions of contracts and grant agreements,
 - c. Provisions related to the dissolution of the Redevelopment Agency in AB 1X 26 and AB 1484 whose effects should be considered for disclosure in this Due Diligence Review.
12. All bank accounts and investments associated with this review have been properly reflected in the general ledger accounting records.
13. No events, including instances of noncompliance, have occurred subsequent to the performance of this Due Diligence Review and through the date of this letter that would require adjustment to or disclosure in the aforementioned Due Diligence Review.

Signed:  _____

Title: City Manager

Signed: Maria Marron Bullock

Title: Finance Manager / Treasurer