

# **CITY OF SOLANA BEACH**

## **ACTION AGENDA**

The Action Agenda of the Oversight Board Meeting is a document provided immediately following the Meeting in order to communicate the business transacted that resulting in actions taken by Board. This is a preliminary draft and not a public record. The meeting's legal record is the Minutes approved by the Board.

**Oversight Board of the Successor Agency for the Solana Beach Redevelopment Agency**  
**SPECIAL MEETING**  
**Monday, October 1, 2012**  
**4:30 P. M.**

City of Solana Beach, 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](http://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 Manager**  
**City of Solana Beach**

Kendall Berkey, General Counsel

Angela Ivey, Secretary/City Clerk

**SPEAKERS:**

*Please submit your speaker slip to the City Clerk prior to the meeting or the announcement of the Item. Allotted times for speaking are 3 minutes.*

**CALL TO ORDER AND ROLL CALL:**

**APPROVAL OF AGENDA:**

**CHAIR AND BOARDMEMBERS' COMMENTS**

**PUBLIC COMMENT** (limited to 3 minutes per speaker)

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 by submitting a speaker slip (located on the back table) to the City Clerk. 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 City Council on public comment items. Council may refer items to the City Manager for placement on a future agenda. The maximum time allotted for each presentation is THREE MINUTES (SBMC 2.04.190). Please be aware of the timer light on the Council Dais.

**BOARD BUSINESS**

1. Due Diligence Review Report Related to the Low and Moderate Income Housing Funds, Pursuant to 2012 Assembly Bill 1484 (**Public Comment**).

Discussion

**ADJOURN:**

**AFFIDAVIT OF POSTING:**

STATE OF CALIFORNIA  
COUNTY OF SAN DIEGO  
CITY OF SOLANA BEACH

I, Angela Ivey, City Clerk of the City of Solana Beach, do hereby certify that this Agenda for the October 1, 2012 Special Meeting was called by Oversight Board to the Successor Agency for the Redevelopment Agency of Solana Beach was provided and posted on September 27, 2012 at 5:15 p.m. on the City Bulletin Board at the entrance to the City Council Chambers. Said meeting is held at 4:30 p.m., October 1, 2012, at City Hall, 635 S. Highway 101, Solana Beach, California.

Angela Ivey, City Clerk  
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:** October 1, 2012  
**ORIGINATING DEPT:** Successor Agency of the Solana Beach Redevelopment Agency  
**SUBJECT:** **Public Comment Session – Due Diligence Review of Low and Moderate Income Housing Fund of the Solana Beach Successor Agency**

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### **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 "Review"). One Review is required for the unobligated Low and Moderate Income Housing Funds ("LMIHF") and another Review is required for all other funds. The two Reviews are to be conducted by an auditor hired by the Successor Agency with the end goal of distributing what are determined to be available cash assets to the taxing entities during FY 2012-13. At the conclusion of both Reviews, if the Successor Agency remits the cash assets to the County Auditor-Controller, the DOF will issue a Finding of Completion for the Successor Agency.

The issuance of the Finding of Completion makes the Successor Agency eligible to potentially retain former Redevelopment Agency properties, reinstate loans between the former Redevelopment Agency and the City, and spend unspent bond proceeds from

CITY COUNCIL ACTION:

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bonds issued prior to January 1, 2011 for the purposes for which the bonds were issued (subject to restrictions). The only benefit that the Solana Beach Successor Agency would obtain would be the ability to spend \$420,966 in unspent 2006 bond proceeds, since the Successor Agency retains no property and entered into no loans that could be reinstated." More importantly, however, if the payments are not made, AB1484 authorizes the Board of Equalization to withhold sales and property taxes from the City of Solana Beach. These provisions are the subject of several court challenges.

The Review as it relates to the LMIHF must be complete by October 1, 2012. The Review for all other funds must be complete by December 15, 2012.

The LMIHF Review has been completed for the Successor Agency and has been delivered to the Oversight Board. The Oversight Board is required to convene a public comment session to take place at least five business days before the Oversight Board votes on approval of the Review on October 9, 2012. The Oversight Board is to review, approve and transmit the Review to DOF by October 15, 2012 for the LMIHF and by January 15, 2013 for all other funds.

**DISCUSSION:**

The Review of former Solana Beach Redevelopment Agency's LMIHF shows that no payment is owed to the County for disbursement to taxing entities.

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

The Review found that approximately \$2,000 in Low and Moderate Income Housing Funds were transferred to the Successor Agency after dissolution of the Redevelopment Agency, and \$193,699 was transferred to the City between January 1, 2011 and January 31, 2012. The Agreed-Upon Procedures allow the City and the Successor Agency to retain funds designated for enforceable obligations. Since all of the funds were designated for enforceable obligations, the Review found that no payment was owed to the County.

The Oversight Board is to take public comment on the Review at this meeting. On October 9, the Board will be asked to adopt a resolution approving the Review for transmittal to DOF, the State Controller, and the County Auditor-Controller.

**Next Steps:**

After approval of the Review by the Oversight Board, the DOF may adjust the amounts determined to be available for allocation to the taxing entities in the Review based on its own analysis. The DOF is to complete its review by November 9, 2012 for the LMIHF and by April 1, 2013 for the remaining funds. The DOF is required to provide the Successor Agency and the Oversight Board with an explanation of the basis for overturning or modifying any findings or determinations of the Oversight Board.

The Successor Agency and the City can request a meet and confer with the DOF after the DOF has made its determination of the amounts available for allocation to the taxing entities within five business days of receipt of the DOF's determination (and no later than November 16, 2012 for the LMIHF Review). The request to meet and confer must include an explanation and documentation of the basis for the dispute. The DOF is required to meet and confer and make a decision within 30 days of the request to meet and confer.

If the DOF determines that the full payment of the amounts determined to be available for allocation to the taxing entities is not feasible or would jeopardize a Successor Agency's ability to pay enforceable obligations, the DOF can agree to an installment payment plan.

Successor Agencies are required to transmit the funds determined to be available for allocation to the taxing entities within five business days of receipt of the notification of the amount determined by the DOF. Successor Agencies are required to make diligent efforts to recover money determined to be transferred without an enforceable obligation. If the Successor Agency fails to transmit the funds determined to be available for allocation to the taxing entities:

- The DOF can order an offset of the City's sales and use tax. If the DOF does not order such an offset, the County Auditor-Controller can offset property tax owed to the City; and
- As an alternative, the DOF can order the County Auditor-Controller to offset the amounts owed against future distributions from the RPTTF to the Successor Agency pursuant to Section 34183.

As noted, these provisions regarding the withholding of taxes are the subject of current court challenges.

**CEQA COMPLIANCE STATEMENT:**

Not a project as defined by CEQA.

**OPTIONS:**

- Approve staff recommendation.
- Provide direction.

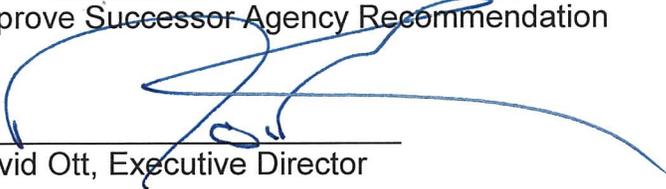
**SUCCESSOR AGENCY RECOMMENDATION:**

The Successor Agency recommends that the Oversight Board:

1. Take public comment on the Due Diligence Review for the Solana Beach Successor Agency.
2. Close the public comment session; and
3. Continue the matter to October 9, 2012, 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



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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 Low and Moderate Income Housing Fund  
Pursuant to Sections 34179.5(c)(1) through  
34179.5(c)(3)  
and Sections 34179.5(c)(5) through 34179.5(c)(6)  
of Assembly Bill No. 1484 of 2012**

**Lance Soll & Lunghard, LLP**

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Murrieta, CA 92562

Successor Agency  
of the Former Solana Beach Redevelopment Agency

Due Diligence Review  
of the Low and Moderate Income Housing Fund  
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(3)  
and Sections 34179.5(c)(5) through 34179.5(c)(6)  
of Assembly Bill No. 1484 of 2012

- ◊ 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 Solana Beach Redevelopment Agency  
City of Solana Beach, California

We have performed the procedures enumerated in Attachment A for the Low and Moderate Housing Fund, 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.

*Lance, Soll & Lunghard, LLP*

Brea, California  
September 20, 2012

**List of Procedures for Due Diligence Review of the Low and Moderate Housing Fund**

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 Low and Moderate Housing Fund (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 Low and Moderate Housing Fund (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 Low and Moderate Housing Fund (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 Low and Moderate Housing Fund (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  
Low and Moderate Housing Fund  
As of February 1, 2012

ATTACHMENT B1

<u>Asset</u>	<u>Balance at 2/1/2012</u>
Claim on Cash	\$ 2,000
<b>Total Assets transferred:</b>	<b>\$ 2,000</b>

Procedure 2

ATTACHMENT B2

Listing of Transfers (excluding payments for goods and services) to the City  
 Low and Moderate Housing Fund  
 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>			
Public improvements and affordable housing grant and cooperation agreement	EO	\$ 137,107	Y
Public improvements and affordable housing grant and cooperation agreement	EO	24,952	Y
Public improvements and affordable housing grant and cooperation agreement	EO	31,640	Y
<b>Sub-total:</b>		<u>193,699</u>	
<u>From Successor Agency to City for February 1, 2012 through June 30, 2012</u>			
None to report			
<b>Sub-total:</b>		<u>-</u>	
<b>Total Transfers to City for 1/1/2011 through 6/30/2012:</b>		<u>\$ 193,699</u>	

**Procedure 3  
Listing of Transfers (excluding payments for goods and services) to other public agencies or private parties  
Low and Moderate Housing Fund  
For the Period from January 1, 2011 through June 30, 2012**

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No transfers to other public agencies or private parties.

**Procedure 4  
Summary of the financial transactions of Redevelopment Agency and Successor Agency  
Low and Moderate Housing Fund  
Per schedule attached to List of Procedures for Due Diligence Review**

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Not applicable to the low and moderate housing fund due diligence review.

Procedure 5  
 Listing of All Assets (excluding all assets held by the entity that assumed the housing function)  
 Low and Moderate Housing Fund  
 As of June 30, 2012

Asset	Amount
Cash	
264-1011	\$ 2,000
<b>TOTAL CASH:</b>	<b>\$ 2,000</b>
<b>TOTAL ASSETS AT 6/30/2012:</b>	<b>\$ 2,000</b>

**Procedure 6  
Listing of Assets that are restricted  
Low and Moderate Housing Fund  
As of June 30, 2012**

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There are no restricted assets.

**Procedure 7**

**Listing of Assets That Are Not Liquid or Otherwise Available for Distribution  
Low and Moderate Housing Fund  
As of June 30, 2012**

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**ATTACHMENT B7**

There are no assets that are not liquid or otherwise available for distribution.

Procedure 8a  
 Listing of Assets (resources) that are dedicated or restricted for the funding of enforceable obligations  
 Low and Moderate Housing Fund  
 As of June 30, 2012

Item #	Project Name	Reference	Approved Obligation Amount	Amount Paid in Period Ending June 30, 2012	Amount Restricted for Obligation from June 30, 2012 Balance	Legal Documentation Obtained? (Y/N)
1	Public improvement and low/mod housing cooperation agreement	ROPS January - June 2012 #14 & #15	\$ 49,620,870 <u>\$ 49,620,870</u>	\$ 193,699 <u>\$ 193,699</u>	\$ 2,000 <u>\$ 2,000</u>	Y

**Procedure 8b  
Listing of Assets (resources) that need to be retained due to insufficient funding for the funding of enforceable obligations  
Low and Moderate Housing Fund  
As of June 30, 2012**

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There are no assets that need to be retained due to insufficient funding for the funding of enforceable obligations.

**Procedure 8c  
Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for bond debt payments  
Low and Moderate Housing Fund  
As of June 30, 2012**

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There are no assets that need to be retained due to projected insufficient property tax revenues for bond debt payments.

**Procedure 9  
Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for future ROPS  
Low and Moderate Housing Fund  
As of June 30, 2012**

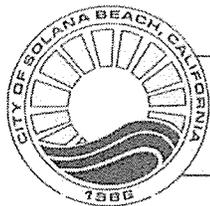
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There are no assets that need to be retained due to projected insufficient property tax revenues for future ROPS.

Procedure 10

Summary of Low-Mod Balances Available for Allocation to Affected Taxing Entities

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$	2,000
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)		
		-
		-
		-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)		
		-
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)		(2,000)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)		-
⌚ Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance		-
		-
Amount to be remitted to county for disbursement to taxing entities	\$	-

**CITY OF SOLANA BEACH**

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

September 20, 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 Low and Moderate Housing Fund in accordance with Assembly Bill 1484 for the Successor Agency of the former Solana Beach Redevelopment Agency. We confirm that we are responsible for the complete and fair presentation of the previously mentioned review in conformity with the listed procedures of 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 Low/Moderate Income Housing Fund.

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 the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 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 Low and Moderate Housing Fund 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 Solana Beach Redevelopment Agency 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 ABx1 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 ABx1 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: \_\_\_\_\_

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_