



**SUCCESSOR AGENCY TO THE COSTA MESA
REDEVELOPMENT AGENCY**

AGENDA REPORT

MEETING DATE: August 21, 2012

ITEM NUMBER: 3

**SUBJECT: UPDATE TO OVERSIGHT BOARD RE ACCOUNTANT SELECTED FOR
DUE DILIGENCE REVIEWS; UPDATE RE COMMUNICATIONS WITH
DOF AND CAC**

DATE: August 21, 2012

FROM: FINANCE DEPARTMENT

PRESENTATION BY: BOBBY YOUNG, FINANCE & I.T. DIRECTOR

**CONTACT: COLLEEN O'DONOGHUE, ASSISTANT FINANCE DIRECTOR
(714) 754-5219**

RECOMMENDED ACTION

Receive report from Successor Agency staff re selection of White Nelson Diehl Evans as the licensed accountant for the due diligence reviews to be conducted pursuant to Section 34179.5, which accounting firm has been approved by the County Auditor-Controller; and, receive update regarding communications with DOF and CAC.

BACKGROUND AND DISCUSSION

Assembly Bill 1484, in particular new Section 34179.5, requires the Successor Agency to select, and for the county auditor-controller to approve the selection of, a licensed accountant with experience and expertise in local government accounting, to conduct "due diligence reviews" to determine the unobligated balances available for transfer to taxing entities relating to housing and non-housing assets and obligations in order to ascertain unobligated cash or cash equivalent balances that would be available for transfer to local taxing entities.

On July 19, 2012, Assistant Finance Director Colleen O'Donoghue submitted a request to, and the County Auditor-Controller approved, *White Nelson Diehl Evans* as the accountant to conduct the due diligence reviews. Note that AB 1484 provides no funding source for the Successor Agency to pay for these accounting tasks and reports.

Under Section 34179.5, the due diligence review requires the independent accountant to reconcile assets, balances and liabilities with previous reports made to the State. Further, this review includes valuation of cash and cash equivalents (such as LAIF deposits), and obligations. "At a minimum, the [due diligence] review required by this section shall include

the following: ... '[a]n itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment.' ..."

The review and report occurs as to housing assets between August and November 2012, and as to non-housing assets between November 2012 and April 2013. The DOF deadline for review, action, and issuance of a "finding of completion" as to housing assets and obligations is November 9, 2012, and as to non-housing assets and obligations is April 1, 2013. The Successor Agency and/or City may request to "meet and confer" with DOF about its approval and/or disapproval of matters in the due diligence reports, but the request must be made within five (5) days of DOF's action. The outside date for meet and confer requests as to housing matters is November 16, 2012, and as to non-housing matters is April 6, 2013.

The Successor Agency must make the transfers determined by the DOF to the County Auditor-Controller and report such amounts to DOF; for housing assets the transfer must occur by November 28, 2012 and for non-housing assets by April 10, 2013. The penalty for failure to pay or transfer will result in the DOF causing the equivalent amount(s) to be deducted from sales and use taxes and/or property taxes due to the City, as the sponsoring community.

Staff provided to the Successor Agency a copy of the "protest" letter sent to the CAC and DOF relating to the July 9 true-up demand and July 12 payment. On August 1, 2012, the Assistant Finance Director submitted to the DOF the "housing assets" schedule, which was required to be prepared and submitted by the Costa Mesa Housing Authority, as housing successor under the Dissolution Act. Staff will update the Oversight Board on other communications of importance with the County and State at the meeting.

Attached to this report is a summary of the critical dates under the Dissolution Act (both AB x1 26 and AB 1484) to mid-2013.

FISCAL AND LEGAL REVIEW

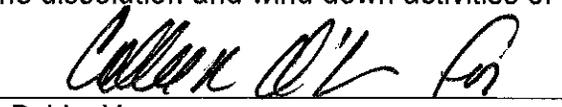
None required for this staff update.

CONCLUSION

Staff is available to answer questions regarding the dissolution and wind down activities of the Successor Agency.



Thomas R. Hatch
Chief Executive Officer



Bobby Young
Finance & I.T. Director



Colleen O'Donoghue
Assistant Finance Director

Critical Dates under Dissolution Act (per AB 1484)

2012

- July 9 County Auditor-Controller (CAC) notified Successor Agency of “true-up” demand amounts to be paid for distribution to taxing entities¹
- July 12 Successor Agency was to have remitted true-up payment to CAC for distribution to taxing entities²
- July 16: CAC distributes money received from Successor Agency to taxing entities. Monies received after July 12 date distributed within 5 days of receipt.³
- July 18: Department of Finance (DOF) could order offset of sales and use tax due to Sponsoring Community if the Successor Agency failed to make payments due on July 12, 2012.⁴
- August 1: Housing Successor submitted to DOF a list (on DOF forms) of housing assets transferred to entity by dissolved agency, which contains explanation of how assets meet statutory criteria. DOF may object to any of the assets within 30 days. If after meet and confer, DOF continues to object, asset must be returned to the Successor Agency.⁵
- August 10 Housing Successor notifies Successor Agency of designations of use or commitments of funds specified in 34176(g)(1)(A), if any, that Housing Successor empowers the Successor Agency to retain.⁶
- September 1: ROPS for January 1, 2013 through June 30, 2013 must be submitted electronically to DOF after Oversight Board approval.⁷ DOF makes determinations within 45 days. Within five (5) days of determination, Successor Agency may request meet and confer. Note: \$10,000 per day penalty for failure to timely submit a ROPS. Future ROPS must be submitted to DOF 90 days prior to property tax distribution.⁸
- September 11: If Successor Agency has not submitted ROPS, maximum administrative cost allowance for fiscal year covered by the ROPS will be reduced 25%.⁹
- October 1: CAC to notify Successor Agency of objections to items included on Third ROPS.¹⁰
- October 1: Successor Agency submits to Oversight Board, CAC, State Controller's Office (SCO), and DOF results of the housing due diligence review conducted by the licensed accountant.¹¹

¹ Section 34183.5 (a)(4), (b)(1), (2)(A)

² Section 34183.5(b)(2)(A)

³ Section 34183.5(b)(2)(A)

⁴ Section 34183.5(b)(2)(A)

⁵ Section 34176(a)(2)

⁶ Section 34179.6(c)

⁷ Section 34177(m)

⁸ Section 34177(m)(2)

⁹ Section 34177(m)

¹⁰ Section 34182.5

¹¹ Section 34179.6(a)

- October 1: CAC completes agreed-upon procedures audit of each former redevelopment agency.¹² CAC provides estimate of property tax payments to Successor Agency for upcoming six-month period.¹³
- October 5 CAC to provide to SCO and the DOF results of agreed-upon procedures audit of each Dissolved RDA.¹⁴
- October 15: Oversight Board must review, approve, and transmit housing due diligence review report to CAC and DOF subject to five business days public comment period and comments from County.¹⁵
- November 9: DOF completes review of housing due diligence review report and issues its determinations and decision to overturn Oversight Board actions that allowed retention of Successor Agency and Housing Successor assets.¹⁶
- November 16: Successor Agency or Sponsoring Community may request meet and confer to resolve disputes with DOF re findings on housing report.¹⁷ DOF must confirm or modify its determination and decisions within 30 days.
- November 28: Successor Agency to transfer housing funds/assets to CAC. City sales tax/property tax may be offset for unfunded amounts.
- December 15: Successor Agency submits to Oversight Board, CAC, SCO, and DOF results of the non-housing due diligence review by licensed accountant.¹⁸

2013

- January 15: Oversight Board must review, approve, and transmit non-housing due diligence review report to CAC and DOF subject to five business days public comment period and comments from County.¹⁹
- March 3 Successor Agency submits ROPS for period July 1, 2013 through December 31, 2013 to DOF after Oversight Board approval.²⁰
- April 1: DOF completes review of other non-housing due diligence report and issues its determinations and decision to overturn Oversight Board decision to allow retention of Successor Agency assets.²¹
- April 1: CAC provides estimate of property tax payments to Successor Agency for upcoming six-month period.²²
- April 6: Successor Agency or Sponsoring Community may request to meet and confer with DOF no later than 5 days after receiving DOF determination. DOF must confirm or modify its determination and decisions within 30 days.

¹² Section 34182(a)(1)

¹³ Section 34182(c)(3)

¹⁴ Section 34182(b)

¹⁵ Section 34179.6(c)

¹⁶ Section 34179.6(d)

¹⁷ Section 34179.6(e)

¹⁸ Section 34179.6(a)

¹⁹ Section 34179.6(a)

²⁰ Section 34177(m)

²¹ Section 34179.6(a)

²² Section 34179.6(a)

- April 10: Successor agency to transfer other “cash and assets” based on due diligence review to CAC if meet and confer process complete.²³ City sales tax/property tax may be offset for unfunded amounts.
- April 20 CAC provides DOF report with amounts remitted by Successor Agencies from 34179.6 due diligence reviews/reports.²⁴
- May 1 Successor Agency reports to CAC if total amount of available revenues (including RPTTF, other revenues, proceeds from sale of assets) will be insufficient to fund enforceable obligations.²⁵
- June 1 CAC makes distributions from RPTTF for ROPS period July1, 2013 to December 31, 2013.²⁶
- Mid-2013 Successor Agency that has received “finding of completion” from DOF as to housing assets and non-housing assets can qualify for certain, limited loan repayments (including city/former agency loans), repayment of SERAF/ERAF borrowings, authority to expend bond proceeds to be placed on ROPS²⁷, and implementation of long range property management plan.

²³ Section 34179.6(f)

²⁴ Section 341796(g)

²⁵ Section 34183(b)

²⁶ Section 34284(c)

²⁷ DOF has complete and final authority to approve or disapprove items on each ROPS.