

**CITY OF SAND CITY SUCCESSOR AGENCY
Oversight Board Meeting
Agenda for October 5, 2012**

**4:00 p.m., Friday, October 5, 2012,
City Hall, Council Chambers, 1 Sylvan Park, Sand City, CA 93955**

AGENDA ITEMS:

1. CALL TO ORDER

2. ROLL CALL & ESTABLISHMENT OF QUOROM

John McPherson, Monterey County Office of Education
Jane Parker, Monterey County Board of Supervisors
Jerry Lomax, Monterey County Board of Supervisors (Public Member)
Stephen Ma, Monterey Peninsula College
Linda Scholink, City of Sand City Successor Agency
Steve Matarazzo, City of Sand City Successor Agency
Jayanti Addleman, Monterey County Libraries

3. PLEDGE OF ALLEGIANCE

4. COMMUNICATIONS FROM THE FLOOR: At this time, any person may comment on any item which is not on the agenda. Please state your name and address for the record. Action will not be taken on an item that is not on the agenda. If it requires action, it will be referred to staff and/or placed on the next agenda. In order that all interested parties have an opportunity to speak, please limit comments to a maximum of three (3) minutes. Any member of the public may comment on any matter listed on this agenda at the time the matter is being considered by the Board.

BOARD MEMBER COMMENTS: Board Members may ask a question for clarification; make a brief report or announcement on his/her activities. Board members may provide a referral to Staff or other resources for factual information, or direct Staff to place a request to agendize a matter of business on a future agenda. Any item not listed on the Agenda after the posting of the Agenda and that must be acted upon (2/3rds vote required to place on agenda) prior to the next Board meeting may be addressed at this time. (G.C. 54954.2)

5. ACTION/ DISCUSSION ITEMS

- A. Approval of Oversight Board RESOLUTION Approving the Oversight Board Minutes of September 28, 2012
- B. Accept Public Comment regarding Due Diligence Review and Consideration to take action on the Due Diligence Review Low and Moderate Income Housing Fund (LMIHF) of the Successor Agency on October 15, 2012



**CITY OF SAND CITY SUCCESSOR AGENCY
Oversight Board Meeting Agenda for October 5, 2012**

6. ADJOURNMENT:

Next Scheduled Oversight Board Meeting:
Monday, October 15, 2012
3:00 P.M.
Sand City Council Chambers
1 Sylvan Park, Sand City

ALL MEETINGS ARE OPEN TO THE PUBLIC. The City of Sand City does not discriminate against persons with disabilities. City Hall and the Council Chambers are accessible facilities. Any person with a disability who requires a modification or accommodation to be able to participate in this meeting is asked to contact the office of the City Clerk at (831) 394-3054 no fewer than two business days prior to the meeting to allow for reasonable arrangements.

SAND CITY SUCCESSOR AGENCY OVERSIGHT BOARD

RESOLUTION OB ___, 2012

**RESOLUTION OF THE OVERSIGHT BOARD FOR THE SAND CITY SUCCESSOR
AGENCY APPROVING THE OVERSIGHT BOARD MINUTES OF
SEPTEMBER 28, 2012**

WHEREAS, the Oversight Board at its regular meeting of October 5, 2012 reviewed the Oversight Board draft minutes of September 28, 2012; and

WHEREAS, based on its review of said minutes, the Oversight Board finds the draft minutes to be an accurate summary of the major points and actions taken during the meeting of September 28, 2012.

NOW, THEREFORE, THE OVERSIGHT BOARD hereby finds the subject minutes to be adequate and they are hereby approved as the approved minutes of September 28, 2012.

PASSED AND ADOPTED by the Sand City Successor Agency Oversight Board on this 5th day of October, 2012 by the following vote:

AYES:

NOES:

ABSENT:

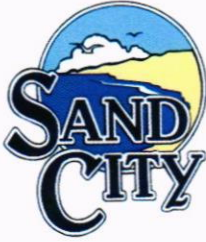
ABSTAIN:

APPROVED:

Stephen Ma, Board Chair

ATTEST:

Connie Horca, Board Secretary



**CITY OF SAND CITY SUCCESSOR AGENCY
Oversight Board Meeting Minutes
September 28, 2012**

The Meeting was called to order by Chair Ma at 3:02 P.M.

AGENDA ITEM 2, MEMBERS PRESENT

John McPherson, Monterey County Office of Education {arrived at 3:03 p.m.}
Jane Parker, Monterey County Board of Supervisors
Jerry Lomax, Monterey County Board of Supervisors {absent}
Stephen Ma, Monterey Peninsula College
Linda Scholink, City of Sand City Successor Agency
Steve Matarazzo, City of Sand City Successor Agency
Jayanti Addleman, Monterey County Libraries

AGENDA ITEM 3, PLEDGE OF ALLEGIANCE

The pledge of allegiance was led by Board Member Addleman.

AGENDA ITEM 4, COMMUNICATIONS FROM THE FLOOR

3:04 P.M. Floor opened for Public Comment.

There was no comment from the Public.

3: 04 P.M. Floor closed to Public Comment.

Board Member Addleman distributed an invitation to the Board for a fundraising event.

Chair Ma requested that Staff provide a report to the Board regarding an audit conducted by HdL on property taxes.

AGENDA ITEM 5, ACTION/DISCUSSION ITEMS

- A. Chair Ma thanked Staff for providing detailed minutes of the last Board meeting. Board Member Parker received clarification regarding the language added to ROPS III, and the notation that was approved by the Board.

Motion to approve the Oversight Board Resolution approving the Oversight Board Minutes of August 27, 2012, was made by Board Member Matarazzo, seconded by Board Member McPherson. AYES: Board Members McPherson, Parker, Ma, Scholink, Matarazzo, Addleman. NOES; None. ABSENT: Board Member Lomax. ABSTAIN: None. Motion Carried.

- B. Board Member Matarazzo reported that a letter was sent to the County Auditor (CA) regarding pass-through payments and followed up with an

email. There has been no response regarding the request. He will contact the CA again. Chair Ma added that he is appreciative of the letter. There has been some confusion on amounts disbursed to taxing agencies and if there were underpayments, where the overages may be held. The letter suggested that these funds were still held at the County. The Board had received a different interpretation so this letter would give an opportunity to clarify the issue.

In response to Board Member McPherson's question regarding when ROPS IV needs to be submitted, Board Member Matarazzo answered that it should be due sometime next spring.

- C. Successor Agency Member Steve Matarazzo reported that the auditor is present should the Board have any questions regarding the due diligence report. This report, required by AB 1484, needs to be submitted to the Department of Finance (DOF) by October 15, regarding Sand City's Low and Moderate Income Housing Fund (LMIHF). Any unencumbered funds will be reallocated to the taxing agencies once this process has been completed.

Chair Ma requested an explanation regarding the two items in the letter that DOF sent. Board Member Matarazzo commented that the \$200,000+ that would have gone into the low and moderate income housing fund had redevelopment not ceased prior to that date. It was placed into a general pool of monies after the end of June 2011, and was no longer required to be set aside as redevelopment agencies no longer had the ability to place monies in the LMIHF. In regard to the second item, the City of Sand City decided to become the Successor Agency primarily to have control over funds owed to the low and moderate income housing fund for housing purposes so that it would not be relinquished to the Housing Authority. AB 1484 allows the Housing Successor Agency to retain those funds, and to use them specifically for low and moderate income housing purposes. Those funds \$685,000 are still owed based on previous years when the supplemental educational revenue augmentation fund (SERAF) was required. Cities and Redevelopment Agencies were allowed to borrow money from the low and moderate income housing funds to pay the State the SERAF amounts.

The Board discussed the future amounts to be disbursed to the taxing agencies per their property tax rate, and to set dates for future Oversight Board Meetings. There was Board consensus to hold the Public Meeting Comment period of the Due Diligence Review on Friday, October 5, 2012 at 4:00 P.M, and to hold the next regular meeting of the Oversight Board on October 15, 2012 at 3:00 P.M.

Motion to approve the Oversight Board **Resolution** setting a time and date for a Public Comment Meeting of the Due Diligence Review Low and Moderate Income Housing Fund (LMIHF) as required by State Law was made by Board Member McPherson, seconded by Board Member Matarazzo. AYES: Board Members McPherson, Parker, Ma, Scholink, Matarazzo, Addleman. NOES:

None. ABSENT: Board Member Lomax. ABSTAIN: None. Motion Carried.

Board Member McPherson requested an update on the submission of the last ROPS. Board Member Matarazzo commented that a representative from another department of the State made a request from Staff to provide information on the disposition and development agreement. This information was emailed to her on the day of request.

AGENDA ITEM 6, ADJOURNMENT

Motion to adjourn the Oversight Board Meeting was made by Board Member McPherson, seconded by Board Member Addleman to the next scheduled Oversight Board Meeting on Friday, October 5, 2012 at 4:00 P.M. There was unanimous consensus of the Board to adjourn the meeting at 3:23 P.M.

Connie Horca, Board Clerk

SAND CITY SUCCESSOR AGENCY OVERSIGHT BOARD

RESOLUTION OB _____, 2012

**RESOLUTION OF THE OVERSIGHT BOARD FOR THE SAND CITY SUCCESSOR
AGENCY SETTING THE TIME AND PLACE FOR FINAL REVIEW AND
APPROVAL OF THE LOW TO MODERATE INCOME HOUSING FUND
(LMIHF) DUE DILIGENCE REVIEW**

WHEREAS, in accordance with Sections 34179.5 et seq. of the California Health and Safety Code (H&S Code), a due diligence review has been prepared to determine the unobligated balances of the former Sand City Redevelopment Agency low to moderate income housing fund (LMIHF) available for transfer to taxing entities; and

WHEREAS, a public comment session, as required by Section 34179.6(b) of the H&S Code was held on October 5, 2012 to accept public comment on said due diligence review, and to deliberate on any comments received, prior to approval by the Oversight Board.

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board hereby establishes the following time and date for final consideration of the LMIHF due diligence review prior to approval and transmittal to the Department of Finance (DOF)

DATE: October 15, 2012
TIME: 3:00 p.m.
PLACE: City Council Chambers
City of Sand City, City Hall
1 Sylvan Park
Sand City, California 93955

PASSED AND ADOPTED by the Sand City Successor Agency Oversight Board on this 5th day of October, 2012 by the following vote:

AYES:
NOES:
ABSTAIN:

ATTEST:

APPROVED:

Connie Horca, Board Secretary

Stephen Ma, Board Chair

**Sand City Successor Agency
Due Diligence Review
Low and Moderate Income Housing Fund**

Citation:

34179.5(c)(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.

Suggested Procedure(s):

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.

Result:

Obtained listing and agreed the amounts to the amounts posted in the Successor Agency General Ledger detail. The total amount of assets transferred was \$3,190,651.61.

Citation:

34179.5(c)(2) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

Suggested Procedure(s):

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.

Result:

There were no transfers after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city.

Citation:

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. The review shall provide documentation of any enforceable obligation that required the transfer.

Suggested Procedure(s):

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.

Results:

There were no transfers after January 1, 2011 through June 30, 2012 by the redevelopment agency or the successor agency to any other public or private party.

Citation:

34179.5(c)(4) The review shall provide expenditure and revenue accounting information and identify 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.

N/A – not required for the Low and Moderate Income Housing Funds

Citation:

34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:

(A) A statement of the total value of each fund as of June 30, 2012.

Suggested Procedure(s):

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 listings should be attached as an exhibit to the appropriate AUP report.

Result:

Obtained listing of Low and Moderate Income Housing Fund assets as of June 30, 2012 and agreed to the balances recorded in the General Ledger. The listing is attached as an exhibit. See note on listing regarding assets held by the entity that assumed the housing function.

Citation:

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.

Suggested Procedure(s):

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).
 - 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.

Results:

There are no restricted assets.

Citation:

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. The statement shall list separately housing-related assets.

Suggested Procedure(s):

7. Perform the following procedures:
 - 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.

Results:

- A. The June 30, 2012 listing of assets includes a long-term receivable for the SERAF payback, the value is listed based on book value reflected in the accounting records of the Successor Agency.
- B. Traced the amount to the June 30, 2011 audited financial statements without exception.
- C. N/A
- D. N/A

Citation:

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, the successor agency shall provide 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. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose

revenues to be received by the successor agency, together with both the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.

Suggested Procedure(s):

8. Perform the following procedures:

- 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.
 - 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.
- 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.

Results:

There are no enforceable obligations associated with the Low and Moderate Income Housing Fund.

Citation:

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.

Suggested Procedure(s):

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.

Results:

There are no enforceable obligations associated with the Low and Moderate Income Housing Fund.

Citation:

34179.5(c)(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the successor agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.

Suggested Procedure(s):

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).

Results:

See attached schedule of Balance Available for Allocation to Affected Taxing Entities.

Suggested Procedure(s):

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.

Results:

Obtained representation letter.

**SAND CITY SUCCESSOR AGENCY
 JUNE 30, 2012 BALANCES
 LOW AND MODERATE INCOME HOUSING FUND**

<u>ASSET</u>	<u>AMOUNT</u>
Housing Fund Successor Agency Housing	2,264,203.53
Housing Fund Loan Receivable - Debt Service	685,052.00 1
Housing Fund Due to/from Other Funds	241,850.13 1
 Total	 <u><u>3,191,105.66</u></u>

1) The City of Sand City elected to assume the housing function after June 30, 2012 and these assets were transferred to the City after that date. Per a letter dated August 29, 2012 from the Department of Finance, the \$685,052 was approved but the \$241,850.13 was disallowed as it relates to previously underfunded low and moderate housing set-aside requirements that were suspended under HSC Section (c) (4).

**SAND CITY SUCCESSOR AGENCY
SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES
LOW AND MODERATE INCOME HOUSING FUND**

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$	2,264,204
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)		-
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	\$	<u>2,264,204</u>

Note that separate computations are required for the Low and Moderate Income Housing Fund held by the Successor Agency and for all other funds held by the Successor Agency.

NOTES: For each line shown above, an exhibit should be attached showing the composition of the summarized amount.

If the review finds that there are insufficient funds available to provide the full amount due, the cause of the insufficiency should be demonstrated in a separate schedule.



August 29, 2012

Mr. Steve Matarazzo, City Administrator
Sand City Successor Agency
1 Sylvan Park
Sand City, CA 93955

Dear Mr. Matarazzo:

Subject: Housing Assets Transfer Form

Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of Sand City Housing Agency submitted Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on July 30, 2012 for the period February 1, 2012 through July 30, 2012.

HSC section 34176 (e) defines a housing asset. Assets transferred deemed not to be a housing asset shall be returned to the successor agency.

Finance has completed its review of your Form, which may have included obtaining clarification for various items. Based on a sample of line items reviewed and the application of law, Finance is objecting to the following transfer identified on your Form: Exhibit D, Items 3 and 4. These items relate to previously underfunded low and moderate housing set-aside requirements. HSC section (c) (4) suspended the set-aside requirement.

Except for items disallowed as noted above, Finance is not objecting to the remaining items, if any, listed on your form. If you disagree with our determination with respect to any items on the Form, you may request a Meet and Confer within five business days of receiving this letter.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Linda Scholink, Director of Administrative Services, City Clerk
Ms. Julie Aguero, Auditor-Controller Analyst II
California State Controller's Office