

OVERSIGHT BOARD
FOR THE SUCCESSOR AGENCY TO THE
PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY

BOARD REPORT

MEETING DATE: ~~October 11, 2012~~ *Continued to October 15, 2012*

NEW BUSINESS

TITLE: APPROVING THE DUE DILIGENCE REVIEW OF THE LOW AND MODERATE INCOME HOUSING FUND, PURSUANT TO SECTION 34179.5 AND 34179.6 OF CALIFORNIA HEALTH AND SAFETY CODE

INITIATED: Department of Community & Economic Development

RECOMMENDATION:

Adopt Resolution No. _____, "A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY APPROVING THE DUE DILIGENCE REVIEW OF THE LOW AND MODERATE INCOME HOUSING FUND, PURSUANT TO SECTION 34179.5 AND 34179.6 OF CALIFORNIA HEALTH AND SAFETY CODE."

BACKGROUND AND ANALYSIS:

In June, 2012 the Governor signed Assembly Bill 1484, Chapter 26, Section 17 (AB 1484), a redevelopment reform act which created new reporting and audit requirements on Successor Agencies and Oversight Boards. Health and Safety Code Section 34179.5 provides new procedures for reviewing the available cash assets of the Dissolved RDA (the "Review"). This Review is to be conducted by each Successor Agency with the goal of distributing available cash assets to the taxing entities during FY 2012-13. At the conclusion of the Review, if the Successor Agency remits the cash assets to the County Auditor Controller (CAC), and if the Successor Agency has also made certain other payments, the DOF will issue a finding of completion for the Successor Agency (a "Finding of Completion").

The Successor Agency hired auditors to complete the review; they performed the procedures enumerated in the Review itself, the "List of Procedures for the Due Diligence Review," and only for the Low and Moderate Housing Fund. These procedures were agreed to by the State Controller's Office and the State Department of Finance (SCO and DOF) to assist local agencies in ensuring that the dissolved redevelopment agency is complying with this amendment to Section 34179.5.

Upon completion of the Review, it is to be submitted to the Oversight Board for review and approval. Additionally, the Successor Agency is to submit a copy of the ROPS to the County administrative officer, the CAC and the DOF at the same time the Successor Agency submits the Review to the Oversight Board.

ITEM NO. 3.A.

Upon receipt of the Review from the auditors, the Oversight Board is to convene a public comment session to take place at least five business days before the Oversight Board votes on approval of the Review. A special public comment session was conducted by Oversight Board staff on October 4, 2012. The Oversight Board is to review, approve and transmit the Review by October 15, 2012 for the LMIHF and by January 15, 2013 for all other funds.

There is a single item in the Review shown to be "disallowed" by the DOF. It was a Housing Fund loan approved by the former Agency on June 15, 2011, but which closed escrow on August 3, 2011, after the "deadline" of June 27, 2011.

Agency staff held a "Meet and Confer" call on the disallowed item on the Housing Assets Transfer Form (Form). Pursuant to Section 34176(a)(2), the City submitted such a Form to the California Department of Finance (Finance) on July 31, 2012 for the period February 1, 2012 through July 31, 2012.

On August 30, 2012, the City received a response letter from DOF. The reviewer completed his review and objected to one item identified as a loan "issued" on August 3, 2011 under an Owner Participation Agreement.

While the City understands that HSC Section 34163 (b) prohibited an agency from entering into agreements, obligations, or contracts with any entity for any purpose after June 27, 2011, it is the opinion of the City that the reviewer erred in disallowing the loan "issued" on August 3, 2011, as all of the approvals related to the Loan, including the Promissory Note, Deed of Trust, Regulatory Agreement, and Owner Participation Agreement itself, were made on June 15, 2011, prior to the effective date of June 27, 2011. Executing and recording the Note and Deed of Trust for the development project, as part of the escrow, did in fact occur in August to coincide with the close of escrow, but the *approval* of the item was made in June.

The loan, then, was executed to effectuate the Agency's performance under an enforceable housing obligation, not as a separate approval entered into after the effective date. Prior to the Meet and Confer the City provided copies of the full OPA, deemed approved at the time of the original approval. After the Meet and Confer held on September 27, 2012, staff provided additional evidence of the approval on June 15, 2011. As of the date of this report DOF has not made its final determination, but except for the single disallowed item as noted above, Finance has not objected to any of the remaining items listed on the Form. This is reflected in the Review as well.

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.

RESOLUTION NO. 010

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY APPROVING THE DUE DILIGENCE REVIEW OF THE LOW AND MODERATE INCOME HOUSING FUND, PURSUANT TO SECTION 34179.5 AND 34179.6 OF CALIFORNIA HEALTH AND SAFETY CODE

WHEREAS, The Community Redevelopment Agency of the City of Palm Springs ("Redevelopment Agency") was a redevelopment agency in the City of Palm Springs ("City"), duly created pursuant to the California Community Redevelopment Law [Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code] ("Redevelopment Law"); and

WHEREAS, in June, 2012 the Governor signed Assembly Bill 1484, Chapter 26, Section 17 (AB 1484), a redevelopment reform act which created new reporting and audit requirements on Successor Agencies and Oversight Boards. Health and Safety Code Section 34179.5 provides new procedures for reviewing the available cash assets of the Dissolved RDA (the "Review"); and

WHEREAS, and this Review was to be conducted by each Successor Agency with the goal of distributing available cash assets to the taxing entities during FY 2012-13. At the conclusion of the Review, if the Successor Agency remits the cash assets to the County Auditor Controller (CAC), and if the Successor Agency has also made certain other payments, the DOF will issue a finding of completion for the Successor Agency (a "Finding of Completion"); and

WHEREAS, the Successor Agency's auditors complete the reviewed by performing the procedures enumerated in the Review itself, the "List of Procedures for the Due Diligence Review," only for the Low and Moderate Housing Fund; and

WHEREAS, such procedures were agreed to by the State Controller's Office and the State Department of Finance (SCO and DOF) to assist local agencies in ensuring that the dissolved redevelopment agency is complying with this amendment to Section 34179.5; and

WHEREAS, upon completion of the Review, it is to be submitted to the Oversight Board for review and approval. Additionally, the Successor Agency is to submit a copy of the ROPS to the County administrative officer, the CAC and the DOF at the same time the Successor Agency submits the Review to the Oversight Board; and

WHEREAS, a copy of the Review and the ROPS were submitted to the County administrative officer, the CAC and the DOF on October 2, 2012; and

WHEREAS, upon receipt of the Review from the auditors, the Oversight Board is to convene a public comment session to take place at least five business days before the Oversight Board votes on approval of the Review. Such special public comment session was conducted by Oversight Board staff on October 4, 2012; and

WHEREAS, The Oversight Board is to review, approve and transmit the Review by October 15, 2012 for the LMIHF and by January 15, 2013 for all other funds.

WHEREAS, there is a single item in the Review shown to be "disallowed" by the DOF, a Housing Fund loan approved by the former Agency on June 15, 2011, but which closed escrow on August 3, 2011, after the "deadline" of June 27, 2011.

WHEREAS, Agency staff held a "Meet and Confer" call on the disallowed item on the Housing Assets Transfer Form (Form), which was submitted to the California Department of Finance (Finance) on July 31, 2012 for the period February 1, 2012 through July 31, 2012, pursuant to Section 34176(a)(2); and

WHEREAS, as of the date of this Resolution DOF has not made its final determination, but except for the single disallowed item as noted above, DOF has not objected to any of the remaining items listed on the Form; and

WHEREAS, DOF is to complete its review by November 9, 2012 for the LMIHF and by April 1, 2013 for the remaining funds, and 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.

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALM SPRINGS AS FOLLOWS:

SECTION 1. The Oversight Board hereby finds and determines that the foregoing recitals are true and correct.

SECTION 2. The Due Diligence Review in the form of attached as Attachment "A" to this Resolution for the period February 1, 2012 through July 31, 2012, prepared pursuant to Section 34176(a)(2), which is attached hereto and incorporated by reference, is hereby approved and adopted.

SECTION 3. The Successor Agency has disputed one item contained in the Housing Asset Transfer Form that was disallowed by DOF, and held a "Meet and Confer" call on the disallowed item with DOF. The Oversight Board agrees with the Successor Agency's position on the item and disagrees with the State's determination with respect to the disallowed item, and approves amending the Due Diligence Review to reclassify the disallowed item if DOF reverses its determination.

SECTION 4. The Oversight Board may direct staff of the Successor Agency to perform work in furtherance of the Oversight Board's duties and responsibilities under AB X1 26.

SECTION 5. This Resolution shall take effect three (3) business days after its adoption.

PASSED, APPROVED AND ADOPTED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY THIS 11TH DAY OF OCTOBER, 2012.

CHAIRPERSON

ATTEST:

CLERK/SECRETARY

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, Clerk/Secretary, to the Oversight Board for the Successor Agency to the Palm Springs Community Redevelopment Agency, hereby certify that Resolution No. 010 is a full, true and correct copy, and was duly adopted at a special meeting of the Oversight Board on October 11, 2012, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

JAMES THOMPSON, CITY CLERK
Oversight Board Clerk/Secretary
City of Palm Springs, California



**Successor Agency of the
Former Community Redevelopment Agency of the
City of Palm Springs**

**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**

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Successor Agency of the
Former Community Redevelopment Agency of the
City of Palm Springs

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



CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Successor Agency of the Former
Community Redevelopment Agency of the City of Palm Springs
City of Palm Springs, 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 21, 2012

List of Procedures for Due Diligence Review for 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

Asset	Balance at 2/1/2012
Cash	\$ 7,831,190
Cash w/ Fiscal Agent	957,781
Unrealized Investment	20,093
Total Assets transferred:	\$ 8,809,064

Procedure 2
 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>			
None.		\$ -	
	Sub-total:	\$ -	
<u>From Successor Agency to City for February 1, 2012 through June 30, 2012</u>			
Notes Receivable - Merged Area #1	LR	93,225	Y
Notes Rec - Hacienda Sunset	LR	1,350,000	Y
Notes Rec - Sunrise Village	LR	342,144	Y
Notes Rec - Self Help	LR	153,901	Y
Notes Rec - Vista Sunrise Apt.	LR	1,622,943	Y
Notes Rec - Saraha Mobile	LR	709,546	Y
Notes Rec - Desert Highland	LR	49,950	Y
Notes Rec - Desert Highland	LR	1,199,999	Y
Notes Rec - SERAF	LR	4,230,425	Y
Deposits - Downpayment Assist	LR	33,768	Y
Advances to Central Bus Dist	LR	1,532,669	Y
Land Held for Resale	LR	672,479	Y
	Sub-total:	11,991,049	
		\$	
Total Transfers to City for 1/1/2011 through 6/30/2012:		\$	11,991,049

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

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
<u>From former Redevelopment Agency to other public agencies or private parties for January 1, 2011 through January 31, 2012:</u>			
OPA with PS Housing Partners, LP for a financial commitment for 23 unit low income acquisition and rehab senior housing project	EO	\$ 1,500,000	N
	Sub-total:	<u>1,500,000</u>	a
<u>From Successor Agency to other public agencies or private parties for February 1, 2012 through June 30, 2012</u>			
None		-	
	Sub-total:	<u>-</u>	
	Total Transfers to other public agencies or private parties for 1/1/2011 through 6/30/2012:	<u>\$ 1,500,000</u>	

a) The Department of Finance, in their letter dated August 30, 2012, objected to the item, stating, "the loan was issued on August 3, 2011 under an Owner Participation Agreement. HSC section 34163 (b) prohibits an agency from entering into agreements, obligations, or contracts with any entity for any purpose after June 27, 2011". The City disagrees with the finding and requested a meet and confer with the Department of Finance. The item is pending as of the date of this report.

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

ATTACHMENT B4

NOT APPLICABLE TO THE LOW AND MODERATE HOUSING FUND DUE DILIGENCE REVIEW

ATTACHMENT B5

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	
875-11010 Cash	\$ 7,682,484
879-11010 Cash	2,500
875-11110 Unrealized Investments	(6,675)
TOTAL CASH:	7,678,309
Cash with fiscal agent	
879-11090 Cash Fiscal Agent	874,764
TOTAL CASH WITH FISCAL AGENT:	874,764
Interest receivable	
875-12215 Accrued Interest Receivable	7,036
879-12215 Accrued Interest Receivable	1
TOTAL INTEREST RECEIVABLE:	7,037
TOTAL ASSETS AT 6/30/2012:	\$ 8,560,110

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

Item #	Description	Documentation Referenced	Amount	Purpose	Legal Documentation Obtained? (Y/N)
1	Cash with fiscal Agent				
	a) Reserve Account	879-11090	\$ 501,979	Held in trust by fiduciary per bond restrictions	Y
	b) Debt Service Payment	879-11090	372,785	Held in trust by fiduciary per bond restrictions	Y
2	Cash				
	a) Cash	879-11010	2,500	Bond trustee fees	Y
TOTAL:			\$ 877,264		

Procedure 7
 Listing of Assets That Are Not Liquid or Otherwise Available for Distribution
 Low and Moderate Housing Fund
 As of June 30, 2012

Item #	Description	Reference	Amount	Value Method	Variance Noted? (Y/N)
1	Unrealized Investment				
	a) Unrealized Investment	875-11110	\$ (6,675)	Fair Value	N
TOTAL RESTRICTIONS OF NON-CASH ITEMS			<u>\$ (6,675)</u>		

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	Legal Documentation Obtained? (Y/N)
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None.

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

Item #	Project Name	Reference	Approved Obligation Amount	Designated Amount Plus Estimated Future Revenues	Revenue Source	Amount Needed to be Retained From		Legal Documentation Obtained? (Y/N)
						June 30, 2012	Balance	

None.

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

Item #	Project Name	Reference	Approved Obligation Amount	Estimated Future Revenues	Revenue Source	Amount Needed To Be Rretained From June 30, 2012 Balance	Legal Documentation Obtained? (Y/N)
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None.

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

Item #	Project Name	Reference	Approved Obligation Amount	Estimated Future Revenues	Revenue Source	Amount Needed To Be Retained From June 30, 2012 Balance	Legal Documentation Obtained? (Y/N)
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None.

Procedure 10

ATTACHMENT B10

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)	\$	8,560,110
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)		-
	To City	-
	To other parties	1,500,000
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)		(877,264)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		6,675
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>9,189,521</u>



City of Palm Springs

Department of Finance and Treasury

3200 E. Tahquitz Canyon Way • Palm Springs, California 92262
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September 21, 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 Community Redevelopment Agency of the City of Palm Springs. We confirm that we are responsible for the complete and fair presentation of the previously mentioned review in conformity with the listed procedures of the Assembly Bill 1484 Due Diligence Review as published by the State Department of Finance on August 27, 2012. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

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 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.

- 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.
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 Community Redevelopment Agency of the City of Palm Springs has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.

10. We are responsible for compliance with the laws, regulations, provisions of contracts and grant agreements applicable to us, and all provisions related to the dissolution of the Redevelopment Agency in accordance with ABx1 26 and AB 1484.
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: *Dwight R. Kuhl*

Signed: _____

Title: DIRECTOR OF FINANCE
AND TREASURER

Title: _____