

**OVERSIGHT BOARD OF THE
IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY**

A G E N D A

JANUARY 2, 2013

**City of Imperial Beach Council Chambers
825 Imperial Beach Boulevard
Imperial Beach, CA 91932**

SPECIAL MEETING – 10:30 a.m.

The Oversight Board of the Imperial Beach Redevelopment Agency Successor Agency is endeavoring to be in total compliance with the Americans with Disabilities Act (ADA). If you require assistance or auxiliary aids in order to participate at Oversight Board meetings, please contact the City Clerk's/Secretary's Office at (619) 423-8301, as far in advance of the meeting as possible.

1. CALL TO ORDER

2. ROLL CALL BY CITY CLERK/SECRETARY

3. PUBLIC COMMENT - Each person wishing to address the Oversight Board regarding items not on the posted agenda may do so at this time. In accordance with State law, the Oversight Board may not take action on an item not scheduled on the agenda. If appropriate, the item will be referred to the Successor Agency staff or placed on a future agenda.

4. REPORTS

A. APPROVAL OF MINUTES.

Recommendation: Approve the Oversight Board Special Meeting Minutes of December 12, 2012.

B. TAKING CERTAIN ACTIONS PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34179.6 AND ADOPTION OF RESOLUTION NO. OB-13-13 IN CONNECTION WITH THE DUE DILIGENCE REVIEW FOR ALL FUND AND ACCOUNT BALANCES OTHER THAN THE LOW AND MODERATE INCOME HOUSING FUND PREPARED PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34179.5.

Recommendation:

1. Hear continued public comment on the Due Diligence Review of Other Redevelopment Agency/Successor Agency Funds (the "Non-Housing DDR") and close the public comment session and
2. Adopt Resolution Number OB-13-13 (i) reviewing and approving the determination that the amount of cash and cash equivalents available for allocation to taxing entities according to the method provided in Health and Safety Code Section 34179.5 is zero, consistent with the results of the Non-Housing DDR prepared by Lance Soll & Lunghard, LLP, (ii) authorizing the Successor Agency's retention of land valued at \$17,048,281 identified in Attachment B-7 pursuant to Procedure 7 in accordance with Health and Safety Code Section 34179.5(c)(5)(C), and (iii) authorizing the Successor Agency's and City's retention of the 2010 Tax Allocation Bond Funds in the amount of \$16,704,301 identified in Attachment B-6 of the Non-Housing DDR, pursuant to Procedure 6 in accordance with Health and Safety Code Section 34179.5(c)(5)(B); and (iii) approving related actions.

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<p>Any writings or documents provided to a majority of the Oversight Board regarding any item on this agenda will be made available for public inspection in the office of the City Clerk located at 825 Imperial Beach Blvd., Imperial Beach, CA 91932 during normal business hours.</p>

4. **REPORTS (Continued)**
 - C. **REPORT ON THE DETERMINATIONS MADE BY THE STATE DEPARTMENT OF FINANCE ON THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD OF JANUARY 1, 2013 TO JUNE 30, 2013.**
Recommendation: Receive report.

5. **ADJOURNMENT**

/s/

Jacqueline M. Hald, MMC
City Clerk/Secretary

For your convenience, a copy of the agenda and meeting packet may be viewed in the office of the City Clerk at City Hall or on our website at www.cityofib.com. Go to the Imperial Beach Redevelopment Agency Successor Agency page located under the Government Section.

**OVERSIGHT BOARD OF THE
IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY
MINUTES**

**DECEMBER 12, 2012
City of Imperial Beach Council Chambers
825 Imperial Beach Boulevard
Imperial Beach, CA 91932**

SPECIAL MEETING – 10:30 a.m.

1. CALL TO ORDER

CHAIR PERSON WINTER called the meeting to order at 10:31 a.m.

2. ROLL CALL BY CITY CLERK/SECRETARY

Oversight Board Members present: West, Saadat, Goodwin-Colbert, Foltz

Oversight Board Members absent: Hentschke

Vice Chair present: Fernandez

Chair present: Winter

Staff present: Executive Director Brown, Deputy Executive Director Wade, City Attorney Lyon, Finance Director VonAchen, City Clerk/Secretary Hald

3. PUBLIC COMMENT

None.

4. REPORTS

A. APPROVAL OF MINUTES.

MOTION BY WINTER, SECOND BY WEST, TO APPROVE THE MINUTES OF THE AUGUST 22, 2012, SEPTEMBER 12, 2012, OCTOBER 2, 2012 AND OCTOBER 11, 2012. MOTION CARRIED BY THE FOLLOWING VOTE:

AYES: COUNCILMEMBERS: WEST, SAADAT, FERNANDEZ, WINTER, GOODWIN-COLBERT, FOLTZ

NOES: COUNCILMEMBERS: NONE

ABSENT: COUNCILMEMBERS: HENTSCHE

B. RECEIVE DUE DILIGENCE REVIEW (DDR) FOR ALL FUND AND ACCOUNT BALANCES OTHER THAN THE LOW AND MODERATE INCOME HOUSING FUND PREPARED PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34179.5 AND THE CONVENING OF A PUBLIC COMMENT SESSION PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34179.6(b).

DEPUTY EXECUTIVE DIRECTOR WADE reported on the item, gave an overview of the DDR review process and recommended that the public comment period be continued to January 2, 2013 at 10:30 a.m.

MOTION BY GOODWIN-COLBERT, SECOND BY SAADAT, TO RECEIVE THE DUE DILIGENCE REVIEW REPORT AND CONTINUE THE PUBLIC COMMENT PERIOD TO JANUARY 2, 2013 AT 10:30 A.M. MOTION CARRIED BY THE FOLLOWING VOTE:

AYES: COUNCILMEMBERS: WEST, SAADAT, FERNANDEZ, WINTER, GOODWIN-COLBERT, FOLTZ

NOES: COUNCILMEMBERS: NONE

ABSENT: COUNCILMEMBERS: HENTSCHE

5. ADJOURNMENT

The meeting was adjourned at 10:39 a.m.

MAYDA C. WINTER, CHAIR PERSON

**JACQUELINE M. HALD, MMC
CITY CLERK/SECRETARY**

STAFF REPORT
OVERSIGHT BOARD
TO THE
IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY

TO: CHAIR AND MEMBERS OF THE OVERSIGHT BOARD TO THE
IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR
AGENCY

FROM: GARY BROWN, EXECUTIVE DIRECTOR *GB*
GREG WADE, DEPUTY DIRECTOR *GW*

MEETING DATE: JANUARY 2, 2013

SUBJECT: TAKING CERTAIN ACTIONS PURSUANT TO CALIFORNIA
HEALTH AND SAFETY CODE SECTION 34179.6 AND
ADOPTION OF RESOLUTION NO. OB-13-13 IN CONNECTION
WITH THE DUE DILIGENCE REVIEW FOR ALL FUND AND
ACCOUNT BALANCES OTHER THAN THE LOW AND
MODERATE INCOME HOUSING FUND PREPARED
PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE
SECTION 34179.5

BACKGROUND:

On June 28, 2011, Assembly Bill No. X1 26 ("AB 26" or "Dissolution Act") was signed into law by the Governor of California which called for the dissolution of redevelopment agencies throughout the State and established the procedures by which this was to be accomplished. On December 29, 2011, the California State Supreme Court largely upheld the Dissolution Act as constitutional and reformed and extended certain dates, by which certain dissolution actions were to occur under the Dissolution Act, by an additional four months. As a result of the Supreme Court's decision, on February 1, 2012, all California redevelopment agencies were dissolved, including the Imperial Beach Redevelopment Agency, and successor agencies to the former redevelopment agencies were established and were tasked with paying, performing and enforcing the enforceable obligations of the former redevelopment agencies and expeditiously winding down the affairs of the former redevelopment agencies.

On June 27, 2012, the State Legislature passed and the Governor signed Assembly Bill No. 1484 ("AB 1484", Chapter 26, Statutes 2012) as a trailer bill for the Fiscal Year 2012-2013 State budget package. Although the primary purpose of AB 1484 was to make technical and substantive amendments to the Dissolution Act based on issues that have arisen in the implementation of the Dissolution Act, AB 1484 imposes additional statutory provisions relating to the activities and obligations of successor agencies and to the wind-down process of former redevelopment agencies (including the preparation of a due diligence review) (reference hereinafter to the Dissolution Act means AB 26 as amended by AB 1484).

In accordance with the Dissolution Act at Section 34179.5(a) of the California Health and Safety Code ("Health and Safety Code"), the Imperial Beach Redevelopment Agency Successor Agency ("Successor Agency") retained Lance Soll & Lunghard, LLP, a licensed accountant, approved by the San Diego County Auditor-Controller ("Auditor-Controller") and with experience and expertise in local government accounting, to conduct a due diligence review ("Due Diligence Review") to determine the unobligated balances of the Low and Moderate Income Housing Fund ("LMIHF") and all other funds and accounts available for transfer to taxing entities, in furtherance of the Successor Agency's obligations under Health and Safety Code Section 34177(d).

As required by Health and Safety Code Section 34179.6(a), by October 1, 2012, the Successor Agency provided to the Oversight Board, the San Diego County Auditor-Controller, the State Controller, and the State Department of Finance (DOF) the results of the Due Diligence Review conducted pursuant to Health and Safety Code Section 34179.5 for the LMIHF (the "Housing DDR") which specifically identified the amount of cash and cash equivalents determined to be available for allocation to affected taxing entities. As indicated in the Housing DDR, this amount was determined to be zero. On October 2, 2012, a Public Comment Session for the Housing DDR was held by the Oversight Board as required by Health and Safety Code Section 34179.6(b). Subsequently, on October 11, 2012, pursuant to Health and Safety Code Section 34179.6(c), certain matters pertaining to the Housing DDR were approved by the Oversight Board, by Resolution No. OB-12-11. On November 7, 2012, Successor Agency staff received a letter from the DOF stating that the DOF made no adjustments to the Housing DDR as approved by the Oversight Board and, therefore, determined, "that there are no unencumbered LMIHF balances available for distribution."

Pursuant to Health and Safety Code Section 34179.6(a), by December 15, 2012, the Successor Agency shall provide to the Oversight Board, the San Diego County Auditor-Controller, the State Controller, and the DOF the results of the Due Diligence Review conducted pursuant to Health and Safety Code Section 34179.5 **for all of the other fund and account balances** (other than the LMIHF) and specifically the amount of cash and cash equivalents determined to be available for allocation to affected taxing entities. Similar to the Housing DDR, and pursuant to Health and Safety Code Section 34179.6(b) of the Dissolution Act, upon receipt of this Due Diligence Review (the "Non-Housing DDR"), the Oversight Board shall convene a public comment session to take place at least five business days before the Oversight Board holds the approval vote specified in Health and Safety Code Section 34179.6(c) of the Dissolution Act. The Oversight Board must also consider any opinions offered by the San Diego County Auditor-Controller on the Non-Housing DDR results submitted by the Successor Agency.

Pursuant to the Health and Safety Code Section 34179.6(c), by January 15, 2013, the Oversight Board shall review, approve, and transmit to the DOF and the San Diego County Auditor-Controller the determination of the Non-Housing DDR and, specifically, the amount of cash and cash equivalents that are available for disbursement to affected taxing entities. The review and approval by the Oversight Board must occur in public sessions. In connection with this determination, the Oversight Board may adjust any amount provided in the Non-Housing DDR to reflect additional information and analysis. In addition, the Oversight Board may request from the Successor Agency any materials it deems necessary to assist in its review and approval of the determination.

Further, Health and Safety Code Section 34179.6(c) allows the Oversight Board to authorize the Successor Agency to retain certain assets or funds identified in Procedures 6 through 9 of the Non-Housing DDR pursuant to Health and Safety Code Section 34179.5(c)(5)(B)-(E). With regard to this authorization, the Oversight Board shall identify to the DOF (i) the amount of funds authorized for retention, (ii) the source of those funds, and (iii) the purposes for which those

funds are being retained. Such Oversight Board authorization for the Successor Agency to retain certain funds and assets shall be subject to the review and approval of the DOF.

As required by Health and Safety Code Section 34179.6(a), on December 7, 2012 (before the December 15, 2012 statutory deadline), the Successor Agency submitted electronically to the Oversight Board, the San Diego County Auditor-Controller, the State Controller, and the DOF the results of the Non-Housing DDR conducted pursuant to Health and Safety Code Section 34179.5 and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities (see Attachment 1). As indicated on Attachment B10 on Page 18 of the Non-Housing DDR, this amount was determined to be zero.

In accordance with Health and Safety Code Section 34179.6(b), a Public Comment Session on the Non-Housing DDR was convened and conducted before the Oversight Board on December 12, 2012, to receive comments on the amount of cash and cash equivalents determined to be available for allocation to affected taxing entities. During this Public Comment Session, no comments were received by any party including the County Auditor-Controller or representatives of any other affected taxing entity. The Public Comment Session was held open and the meeting continued to January 2, 2013, the date on which the vote by the Oversight Board on the Non-Housing DDR is scheduled.

In light of the results of the Non-Housing DDR conducted pursuant to Health and Safety Code Section 34179.5 and the determination that the amount of cash and cash equivalents available for allocation to taxing entities was zero, the Successor Agency did not have any specific comments or recommendations to the Oversight Board at the Public Comment Session in connection with the Oversight Board's exercise of its authority pursuant to Health and Safety Code Section 34179.6(c) to adjust an amount identified in the Non-Housing DDR.

DISCUSSION:

Pursuant to Health and Safety Code Section 34179.6(c), this second meeting of the Oversight Board on the Non-Housing DDR, has been scheduled no less than five business days after December 12, 2012. At this meeting, the Oversight Board will be requested to review, approve, and transmit to the DOF and the San Diego County Auditor-Controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities as determined according to the method provided in Section 34179.5 in connection with the results of the Non-Housing DDR. As discussed above, this amount has been determined to be zero. Additionally, the Oversight Board may adjust any amount provided in the Non-Housing DDR to reflect additional information and analysis. The Oversight Board may also request from the Successor Agency any materials it deems necessary to assist in its review and approval of their determination. Further, the Oversight Board shall be empowered to authorize the Successor Agency to retain certain assets or funds identified in the Non-Housing DDR (identified by Section 34179.5(c)(5)(B)-(E)). With regard to this authorization, the Oversight Board shall identify to the DOF the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained. Any Oversight Board determination and authorization to retain funds and assets shall be subject to the review and approval of the DOF.

Although the Non-Housing DDR determined that the amount of assets available for distribution to taxing entities was zero, under Procedures 2 and 6 of the Non-Housing DDR, "restricted assets" totaling \$16,704,301 and consisting of the 2010 Tax Allocation Bond Funds (including bond proceeds of \$11,400,000 and bond reserves, capitalized interest and other funds totaling \$5,304,301) that are currently being held by the City (see Attachments B-2 and B-6 of the Non-Housing DDR). Additionally, under Procedure 7, assets that are not liquid or otherwise available for distribution in the amount of \$17,048,281 were identified (see Attachment B-7 of

the Non-Housing DDR). This total amount consists of real property (land) held by the City and currently being transferred to the Successor Agency and includes the Seacoast Inn property (\$5,760,000) and the property at 9th and Palm Avenue (\$11,288,281). Because these assets are not available for distribution to other taxing entities these assets can be retained by the Successor Agency and used and/or disposed of for their intended purposes, in accordance with Health and Safety Code Section 34179.6(c) and other provisions of the Dissolution Act.

Pursuant to Health and Safety Code Section 34179.6(c), the Successor Agency is recommending that the Oversight Board review, approve, and transmit to the DOF and the San Diego County Auditor-Controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities as determined according to the method provided in Section 34179.5 in connection with the results of the Non-Housing DDR. As indicated on Attachment B10 on Page 18 of the Non-Housing DDR, this amount was determined to be zero. Additionally, the Oversight Board may adjust any amount provided in the Non-Housing DDR to reflect additional information and analysis. The Oversight Board may also request from the Successor Agency any materials it deems necessary to assist in its review and approval of their determination. Further, the Oversight Board shall be empowered to authorize the Successor Agency to retain certain assets or funds identified in the Non-Housing DDR (identified by Section 34179.5(c)(5)(B)-(E)). With regard to this authorization, the Oversight Board shall identify to the DOF the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained. Any Oversight Board determination and authorization to retain funds and assets shall be subject to the review and approval of the DOF.

With respect to the above, therefore, Successor Agency staff is recommending that certain authorizations be taken by the Oversight Board pursuant to Health and Safety Code Section 34179.6(c) in connection with (i) the \$16,704,301 of bond proceeds identified in Procedure 6 pursuant to Section 34179.5(c)(5)(B) and (ii) the land valued at \$17,048,281 pursuant to Health and Safety Code Section 34179.5(c)(5)(C). Specifically, Health and Safety Code Section 34179.6(c) (described below) authorizes the Oversight Board to allow the Successor Agency to retain the assets identified in Procedures 6-8 of the Non-Housing DDR pursuant to Health and Safety Code Section 34179.5(c)(5)(B) through (E) and described as follows:

- Health and Safety Code Section 34179.6(c) provides in pertinent part that: *“The oversight board shall be empowered to authorize a successor agency to retain assets or funds identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision (c) of Section 34179.5. An oversight board that makes that authorization also shall identify to the department the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained. The determination and authorization to retain funds and assets shall be subject to the review and approval of the department pursuant to subdivision (d).”*
- The assets or funds identified in Health and Safety Code Section 34179.5(c)(5)(B) are *“amounts that are legally restricted as to purpose and cannot be provided to taxing entities.”*
- The assets or funds identified in Health and Safety Code Section 34179.5(c)(5)(C) are *“assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment.”*
- The assets or funds identified in Health and Safety Code Section 34179.5(c)(5)(D) are *“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.”

- The assets or funds identified in Health and Safety Code Section 34179.5(c)(5)(E) are *“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.”*

With respect to the above, Successor Agency staff is recommending that certain authorizations be taken by the Oversight Board pursuant to Health and Safety Code Section 34179.6(c) in connection with (i) the \$16,704,301 of bond proceeds identified in Procedure 6 pursuant to Section 34179.5(c)(5)(B) (referenced above) and (ii) the land valued at \$17,048,281 pursuant to Health and Safety Code Section 34179.5(c)(5)(C) (referenced above). With regard to this authorization, the Oversight Board shall identify to the DOF the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained. This information for both the bond proceeds and the land is set forth in Resolution OB-13-13 (see Attachment 2).

In addition to the above, for any reason, including without limitation the extent to which there are any modifications made by the DOF or other party to the amounts provided in the Non-Housing DDR and/or the amount of cash or cash equivalents determined available for allocation to taxing entities, the Successor Agency does not waive any legal or equitable rights that it may have to make any comments or recommendations to the Oversight Board and/or other entity in connection with such modifications to the Non-Housing DDR, and to take any other actions it deems appropriate and expressly reserves any and all rights, privileges, and defenses available under law and equity.

ENVIRONMENTAL DETERMINATION:

The activity of continuing the Public Comment Session from December 12, 2012, conducting the vote on the Non-Housing DDR matters, and providing certain authorizations regarding the retention of certain assets is not a “project” for purposes of the California Environmental Quality Act (“CEQA”), as that term is defined by CEQA Guidelines Section 15378, because the activity is an organizational or administrative activity that will not result in a direct or indirect physical change in the environment, per Section 15378(b)(5) of the CEQA Guidelines.

FISCAL IMPACT:

The review and approval of the determination set forth in the Non-Housing DDR and providing certain authorizations regarding the retention and use of certain assets identified in the Non-Housing DDR result in the retention of approximately \$16,704,301 of 2010 Tax Allocation Bond Funds and the retention of approximately \$17,048,281 of real property according to specified agreements and provisions.

EXECUTIVE DIRECTOR’S RECOMMENDATION:

Successor Agency staff recommends that the Oversight Board of the Imperial Beach Redevelopment Agency Successor Agency:

1. Hear continued public comment on the Due Diligence Review of Other Redevelopment Agency/Successor Agency Funds (the “Non-Housing DDR”) and close the public comment session.

2. Adopt Resolution Number OB-13-13 (i) reviewing and approving the determination that the amount of cash and cash equivalents available for allocation to taxing entities according to the method provided in Health and Safety Code Section 34179.5 is zero, consistent with the results of the Non-Housing DDR prepared by Lance Soll & Lunghard, LLP, (ii) authorizing the Successor Agency's retention of land valued at \$17,048,281 identified in Attachment B-7 pursuant to Procedure 7 in accordance with Health and Safety Code Section 34179.5(c)(5)(C), and (iii) authorizing the Successor Agency's and City's retention of the 2010 Tax Allocation Bond Funds in the amount of \$16,704,301 identified in Attachment B-6 of the Non-Housing DDR, pursuant to Procedure 6 in accordance with Health and Safety Code Section 34179.5(c)(5)(B); and (iii) approving related actions.

Attachments:

1. Non-Housing DDR
2. Oversight Board Resolution No. OB-13-13



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

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

Lance Soil & Lunghard, LLP

Orange County
Silicon Valley
Temecula Valley

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Successor Agency of the Former
Imperial Beach Redevelopment Agency

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



- 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 Imperial Beach Redevelopment Agency
City of Imperial Beach, California

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

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

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

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

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

Lance, Soll & Lunghard, LLP

Brea, California
December 3, 2012

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

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

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

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

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

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

ATTACHMENT A (Continued)

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

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

ATTACHMENT A (Continued)

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

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

Procedure 1

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

ATTACHMENT B1

<u>Asset</u>	<u>Balance at 2/1/2012</u>
Cash and Investments	\$ 807,749
Cash with Fiscal Agent	5,830,405
Account Receivables	6,845
Land Held for Resale	5,760,000
Total Assets transferred:	\$ 12,404,999

Procedure 2

ATTACHMENT B2

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

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
<u>From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012</u>			
2010 Tax-exempt bond proceeds	LR	\$ 11,400,000	N a
	Sub-total:	<u>11,400,000</u>	
<u>From Successor Agency to City for February 1, 2012 through June 30, 2012</u>			
No transfers were made to the City during this time period or they were diminimus.			
Total Transfers to City for 1/1/2011 through 6/30/2012:		<u>\$ 11,400,000</u>	

[∞] a) The State Controller's RDA Asset Transfer Review identified these as unallowable assets . See Attachment C.

Procedure 3

ATTACHMENT B3

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

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>			
2003 Tax Allocation Bond, Series A - Interest Payment to Trustee	EO	\$ 551,164	Y
2003 Tax Allocation Bond, Series A - Principal Payment to Trustee	EO	450,000	Y
2010 Tax Allocation Bond - Interest Payment to Trustee	EO	563,939	Y
2003 Tax Allocation Bond, Series A - Interest Payment to Trustee	EO	541,602	Y
2010 Tax Allocation Bond - Interest Payment to Trustee	EO	525,953	Y
	Sub-total:	<u>2,632,658</u>	
<u>From Successor Agency to other public agencies or private parties for February 1, 2012 through June 30, 2012</u>			
2003 Tax Allocation Bond, Series A - Principal Payment to Trustee	EO	470,000	Y
2003 Tax Allocation Bond, Series A - Interest Payment to Trustee	EO	541,602	Y
2010 Tax Allocation Bond - Interest Payment to Trustee	EO	525,953	Y
	Sub-total:	<u>1,537,555</u>	
Total Transfers to other public agencies or private parties for 1/1/2011 through 6/30/2012:		\$ <u>4,170,213</u>	

Procedure 4

Summary of the Financial Transactions of Redevelopment Agency and Successor Agency

All Funds

Per schedule attached to List of Procedures for Due Diligence Review

ATTACHMENT B4

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
Assets (modified accrual basis)				
Cash and Investments	\$ 11,531,550	\$ 2,692,229	\$ 1,679,912	\$ 1,824,975
Cash and Investments with Trustee	1,555,617	6,355,946	5,830,406	5,304,483
Tax Increment Receivable	138,563	107,314	-	-
Accounts Receivable	4,227	3,095	6,845	4,345
Loans Receivable	3,261,625	3,353,203	3,420,629	-
Land Held for Resale	11,618,972	5,760,000	5,760,000	17,048,282
Other Assets	2,945	-	-	-
Total Assets	\$ 28,113,499	\$ 18,271,787	\$ 16,697,792	\$ 24,182,085
Liabilities (modified accrual basis)				
Accounts Payable	\$ 1,226,506	\$ 1,563,656	\$ 1,368,685	\$ 398,130
Due to City	-	2,076,339	-	1,463,779
Deferred revenue	214,694	305,998	359,566	-
Total Liabilities	1,441,200	3,945,993	1,728,251	1,861,909
Equity	26,672,299	14,325,794	14,969,541	22,320,176
Total Liabilities + Equity	\$ 28,113,499	\$ 18,271,787	\$ 16,697,792	\$ 24,182,085
Total Revenues:	\$ 7,728,033	\$ 28,675,159	\$ 7,697,932	\$ 10,408,909
Total Expenditures:	(10,051,261)	(41,021,664)	(7,054,185)	(10,179,904)
Total Transfers:	-	-	-	22,091,171
Net change in equity	(2,323,228)	(12,346,505)	643,747	22,320,176
Beginning Equity:	28,995,527	26,672,299	14,325,794	-
Ending Equity:	\$ 26,672,299	\$ 14,325,794	\$ 14,969,541	\$ 22,320,176
Other Information (show year end balances for all four periods presented):				
Capital assets as of end of year	\$ -	\$ -	\$ -	\$ -
Long-term debt as of end of year	\$ 23,236,997	\$ 44,401,405	\$ 44,309,530	\$ 43,788,100

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

ATTACHMENT B5

<u>Assets</u>		<u>Amount</u>
Cash		
301-101.00-00	Equity in Pooled Cash	\$ 11,186
302-101.00-01	Equity in Pooled Cash	433,903
405-101.00-01	Equity in Pooled Cash	(783,729)
406-101.00-01	Equity in Pooled Cash	7
408-101.00-01	Equity in Pooled Cash	(8,575)
409-101.00-01	Equity in Pooled Cash	(121,893)
301-103.10-01	Investments - T Bill/Note GASB 31 Adjustment	(852)
302-103.10-01	Investments - T Bill/Note GASB 31 Adjustment	(1,064)
405-103.10-01	Investments - T Bill/Note GASB 31 Adjustment	(1,850)
408-103.10-01	Investments - T Bill/Note GASB 31 Adjustment	(21)
409-103.10-01	Investments - T Bill/Note GASB 31 Adjustment	(292)
	TOTAL CASH:	<u>\$ (473,180)</u>
Cash with fiscal agent		
11 301-106.03-00	Other Checking Account Reserve Account	1,555,575
301-106.04-00	Other Checking Account Reserve - 2010 Bonds	1,917,974
301-108.02-00	Cash with FA Wells FB Interest Account	1
301-108.03-00	Cash with FA Wells FB Principal Account	2
301-108.05-00	Cash with FA Wells FB Cap. Interest - 2010 Bonds	556,427
301-108.06-00	Cash with FA Wells FB Debt Service Fund	179
409-106.06-00	Other Checking Account Project Fund	1,274,325
	TOTAL CASH WITH FISCAL AGENT:	<u>5,304,483</u>
Accounts Receivable		
405-121.00-00	Account Receivables	4,345
	TOTAL ACCOUNTS RECEIVABLE:	<u>4,345</u>
Land Held for Resale		
405-171.00-00	Land Held for Resale - Palm Ave	7,957,699
408-171.00-00	Land Held for Resale - Palm Ave	3,330,582
408-171.00-01	Land Held for Resale - Seacoast Inn	3,000,000
409-171.00-00	Land Held for Resale - Seacoast Inn	2,760,000
	TOTAL LAND HELD FOR RESALE:	<u>17,048,281</u>
	TOTAL ASSETS AT 6/30/2012:	<u><u>\$ 21,883,929</u></u>

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

ATTACHMENT B6

Item #	Description	Documentation Referenced	Amount	Purpose	Legal Documentation Obtained? (Y/N)
1	Cash with fiscal Agent				
	a) 301-106.03-00 Reserve Account for 2003 TARB Series A	Trustee Statement	\$ 1,555,575	Held in trust by fiduciary per bond restrictions	Y
	b) 301-106.04-00 Reserve for 2010 TAB	Trustee Statement	1,917,974	Held in trust by fiduciary per bond restrictions	Y
	e) 301-108.05-00 Capital Interest for 2010 TAB	Trustee Statement	556,427	Held in trust by fiduciary per bond restrictions	Y
	g) 409-106.06-00 Project Fund for 2010 TAB	Trustee Statement	1,274,325	Held in trust by fiduciary per bond restrictions	Y
2	Unspent bond proceeds				
	a) 2010 TAB unspent bond proceeds	Client's Reconciliation	11,400,000	Various projects in the Project Area	Y a
			TOTAL: \$ 16,704,301		

Footnote:

12

a) Tax exempt bonds are expected to be expended within 3 years of issuance. Proceeds were moved to the Capital Projects Fund to meet the bond certificate schedule. Specific projects were named in the bond documents to assure investors that these projects would turnaround the falling assessed value in the 3 previous years. Imperial Beach staff placed the bond proceed projects on the amended EOPS and the first ROPS for approval by the Successor Agency, Oversight Board, County Auditor, State Controller, and the State Department of Finance. The bond documents were sent to the State Department of Finance for its review and approval in March 2012. The State Department of Finance (DOF) did not object to any of the obligations listed on the first ROPS (or second ROPS) as specifically acknowledged in the DOF's letter dated May 29, 2012 to the SA and the DOF, under oath, declared that all ROPS items in connection with both ROPS 1 and ROPS 2 were approved for Imperial Beach. The projects for which the bond proceeds are spent are listed in the documents relating to the bond issuance as projects funded by the bond proceeds and as approved on the first ROPS, and such documents constitute enforceable obligations of the former RDA and now Successor Agency. In addition, the approval of DOF confirms the expenditure of the bond proceeds as enforceable obligations included on ROPS 1.

Procedure 7

ATTACHMENT B7

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

<u>Item #</u>	<u>Description</u>	<u>Reference</u>	<u>Amount</u>	<u>Value Method</u>	<u>Variance Noted? (Y/N)</u>
1	Land Held for Resale				
	a) 741-849 Palm Avenue	Final Settlement Statement Commercial Property Purchase Agreement &	\$ 9,679,454	Cost	N
	b) 735 Palm Avenue	Escrow Closing Statement	1,608,827	Cost	N
	c) Seacoast Inn	Seacoast Inn DDA	<u>5,760,000</u>	Cost	N
TOTAL RESTRICTIONS OF NON-CASH ITEMS			<u>\$ 17,048,281</u>		

Procedure 8a

Listing of Assets (resources) that are dedicated or restricted for the funding of enforceable obligations
Other Redevelopment Agency Funds

As of June 30, 2012

ATTACHMENT B8a

THERE ARE NO REMAINING ASSET BALANCES TO BE ANALYZED UNDER PROCEDURE 8

Procedure 8b

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

Other Redevelopment Agency Funds

As of June 30, 2012

ATTACHMENT B8b

THERE ARE NO REMAINING ASSET BALANCES TO BE ANALYZED UNDER PROCEDURE 8

Procedure 8c

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

Other Redevelopment Agency Funds

As of June 30, 2012

ATTACHMENT B8c

THERE ARE NO REMAINING ASSET BALANCES TO BE ANALYZED UNDER PROCEDURE 8

Procedure 9

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

ATTACHMENT B9

THERE ARE NO REMAINING ASSET BALANCES TO BE ANALYZED UNDER PROCEDURE 9

Procedure 10

ATTACHMENT B10

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

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$	21,883,929
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	11,400,000
	To other parties	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)		(16,704,301)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		(17,048,281)
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)		-
18 Less the amount of payments made on July 12, 2012 to the County Auditor–Controller as directed by the California Department of Finance		<u>(372,115)</u>
Amount to be remitted to county for disbursement to taxing entities	\$	<u><u>(840,768)</u></u> a

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



City of Imperial Beach, California

OFFICE OF THE CITY MANAGER

825 Imperial Beach Blvd., Imperial Beach, CA 91932 Tel: (619) 423-8303 Fax: (619) 628-1395

December 3, 2012

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

We are providing this letter in connection with your performance of the Due Diligence Review of the Other Redevelopment Agency Funds in accordance with Assembly Bill 1484 for the Successor Agency of the former Imperial Beach Redevelopment Agency. We confirm that we are responsible for the complete and fair presentation of the previously mentioned review in conformity with the listed procedures of 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 Imperial Beach Redevelopment Agency 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 AB 1X 26 and AB 1484.

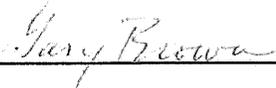
11. There are no known violations of:

- a. Laws and regulations,
- b. Provisions of contracts and grant agreements,
- c. Provisions related to the dissolution of the Redevelopment Agency in AB 1X 26 and AB 1484 whose effects should be considered for disclosure in this Due Diligence Review.

12. All bank accounts and investments associated with this review have been properly reflected in the general ledger accounting records.

13. No events, including instances of noncompliance, have occurred subsequent to the performance of this Due Diligence Review and through the date of this letter that would require adjustment to or disclosure in the aforementioned Due Diligence Review.

Signed: 

Signed: 

Title: Special Projects Manager

Title: City Manager

AGENCY: IMPERIAL BEACH
 RDA ASSET TRANSFER REVIEW
 EXIT CONFERENCE
 JANUARY 1, 2011 THROUGH JANUARY 31, 2012
 S12-RDA-914

W/P NO.
 PREPARED BY:
 DATE:

OBJECTIVE: The objective of the review is to determine the community's legislative body and the dissolved redevelopment agency's compliance with Assembly Bill X1 26 regarding the disposition of the former redevelopment agency's assets.

Health and Safety Code section 34167.5 states, in part:

Commencing on the effective date of the act adding this part, the Controller shall review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency or any other public agency, and the redevelopment agency. If such an asset transfer did occur during that period and the government agency that received the assets is not contractually committed to a third party for the expenditure or encumbrance of those assets, to the extent not prohibited by state and federal law, the Controller shall order the available assets to be returned to the redevelopment agency or, on or after October 1, 2011, to the successor agency, if a successor agency is established pursuant to Part 1.85 (commencing with Section 34170). Upon receiving such an order from the Controller, an affected local agency shall, as soon as practicable, reverse the transfer and return the applicable assets to the redevelopment agency or, on or after October 1, 2011, to the successor agency, if a successor agency is established pursuant to Part 1.85 (commencing with Section 34170).

SCOPE: The scope of the review generally covered the period January 1, 2011, through January 31, 2012. We reviewed plans, minutes, agreements, loans, and other documents, etc. outside this time period, when necessary, to help us ascertain the validity of any asset transfers.

FINDINGS:

- The Imperial Beach RDA transferred \$22,688,281 in unallowable assets to the City of Imperial Beach.
 The assets consisted of \$11,288,281 in real property located at 9th and Palm and \$11,400,000 in tax-except bond proceeds.

(Criteria: AB 1484 Section: 34163 (f) ...an agency shall not have the authority to, and shall not, do any of the following: ... Transfer, assign, vest, or delegate any of its assets, funds, rights, powers, ownership interests, or obligations for any purpose to an entity, including, but not limited to, the community, the legislative body, another member of a joint powers authority, a trustee, a receiver, a partner entity, another agency, a nonprofit corporation, a contractual counterparty, a public body, the state...)

AGENCY: IMPERIAL BEACH
RDA ASSET TRANSFER REVIEW
EXIT CONFERENCE
JANUARY 1, 2011 THROUGH JANUARY 31, 2012
S12-RDA-914

W/P NO.
PREPARED BY:
DATE:

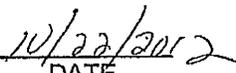
QUESTIONS/DISCUSSION (SEE ATTACHMENT A if applicable)

ACKNOWLEDGEMENT OF DISCUSSION

The above items were discussed and are understood. Signing does not indicate concurrence.



AGENCY REPRESENTATIVE



DATE

RESOLUTION NO. OB-13-13

RESOLUTION OF THE OVERSIGHT BOARD OF THE IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY TAKING CERTAIN ACTIONS PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34179.6 IN CONNECTION WITH THE DUE DILIGENCE REVIEW FOR ALL FUND AND ACCOUNT BALANCES OTHER THAN THE LOW AND MODERATE INCOME HOUSING FUND PREPARED PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34179.5.

WHEREAS, the Imperial Beach Redevelopment Agency (“Redevelopment Agency”) was a redevelopment agency in the City of Imperial Beach (“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, the City Council of the City has adopted redevelopment plans for Imperial Beach’s redevelopment project areas, and from time to time, the City Council has amended such redevelopment plans; and

WHEREAS, the Redevelopment Agency was responsible for the administration of redevelopment activities within the City; and

WHEREAS, Assembly Bill No. X1 26 (2011-2012 1st Ex. Sess.) (“AB 26” or “Dissolution Act”) was signed by the Governor of California on June 28, 2011, making certain changes to the Redevelopment Law and the California Health and Safety Code (“Health and Safety Code”), including adding Part 1.8 (commencing with Section 34161) (“Part 1.8”) and Part 1.85 (commencing with Section 34170) (“Part 1.85”) to Division 24 of the Health and Safety Code; and

WHEREAS, pursuant to the Dissolution Act, as modified by the California Supreme Court on December 29, 2011 by its decision in *California Redevelopment Association v. Matosantos*, all California redevelopment agencies, including the Redevelopment Agency, were dissolved on February 1, 2012, and successor agencies were designated and vested with the responsibility of paying, performing and enforcing the enforceable obligations of the former redevelopment agencies and expeditiously winding down the business and fiscal affairs of the former redevelopment agencies; and

WHEREAS, the City Council of the City adopted Resolution No. 2012-7136 on January 5, 2012, pursuant to Part 1.85 of the Dissolution Act, electing for the City to serve as the successor agency to the Redevelopment Agency upon the dissolution of the Redevelopment Agency under the Dissolution Act (“Successor Agency”); and

WHEREAS, as part of the FY 2012-2013 State budget package, on June 27, 2012, the Legislature passed and the Governor signed Assembly Bill No. 1484 (“AB 1484”, Chapter 26, Statutes 2012). Although the primary purpose of AB 1484 is to make technical and substantive amendments to the Dissolution Act based on issues that have arisen in the implementation of the Dissolution Act, AB 1484 imposes additional statutory provisions relating to the activities and obligations of successor agencies and to the wind down process of former redevelopment agencies (including the required preparation of a due diligence review) (reference hereinafter to the Dissolution Act means AB 26 as amended by AB 1484); and

WHEREAS, the Dissolution Act at Health and Safety Code Section 34179 establishes a seven (7) member local entity with respect to each successor agency and such entity is titled the “oversight board.” The oversight board has been established for the Successor Agency

(hereinafter referred to as the "Oversight Board") and all seven (7) members have been appointed to the Oversight Board pursuant to Health and Safety Code Section 34179. The duties and responsibilities of the Oversight Board are primarily set forth in Health and Safety Code Sections 34179 through 34181 of the Dissolution Act; and

WHEREAS, pursuant to the Dissolution Act at Health and Safety Code Section 34179.5, the Successor Agency retained Lance Soll & Lunghard, LLP, a licensed accountant approved by the San Diego County Auditor-Controller ("Auditor-Controller") and with experience and expertise in local government accounting, to conduct a due diligence review ("Due Diligence Review") to determine the unobligated balances of the Low and Moderate Income Housing Fund ("LMIHF") and all other funds and accounts available for transfer to taxing entities, in furtherance of the Successor Agency's obligations under Health and Safety Code Section 34177(d); and

WHEREAS, in accordance with the Dissolution Act at Health and Safety Code Section 34179.6(a), by October 1, 2012, the Successor Agency provided to the Oversight Board, the Auditor-Controller, the State Controller, and the State Department of Finance ("DOF") the results of the Due Diligence Review for the LMIHF conducted pursuant to Health and Safety Code Section 34179.5 and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities; and

WHEREAS, in accordance with the Dissolution Act at Health and Safety Code Section 34179.6(b), upon its receipt of the Due Diligence Review for the LMIHF, the Oversight Board convened a public comment session on October 2, 2012. The Oversight Board agreed to continue this public comment session to its meeting scheduled for October 11, 2012 in order to receive any public comment on the Due Diligence Review for the LMIHF before taking certain actions pursuant to Health and Safety Code Section 34179.6(c); and

WHEREAS, in accordance with the Dissolution Act at Health and Safety Code Section 34179.6(c), on October 11, 2012 (before the October 15, 2012 deadline), the Oversight Board reviewed, approved, and transmitted to the DOF and the Auditor-Controller the determination of the amount of cash and cash equivalents available for disbursement to taxing entities as determined according to the method provided in Health and Safety Code Section 34179.5 for the LMIHF. In this regard, the Oversight Board approved the determination that the amount of cash and cash equivalents available for allocation to taxing entities according to the method provided in Health and Safety Code Section 34179.5 for the LMIHF was zero, consistent with the results of the Due Diligence Review for the LMIHF prepared by Lance Soll & Lunghard, LLP. Further, the Oversight Board authorized the Successor Agency to retain certain assets or funds identified in Procedure 6 of the Due Diligence Review for the LMIHF pursuant to Health and Safety Code Section 34179.5(c)(5)(B); and

WHEREAS, in accordance with the Dissolution Act at Health and Safety Code Section 34179.6(a), on December 7, 2012 (before the December 15, 2012 statutory deadline), the Successor Agency provided to the Oversight Board, the Auditor-Controller, the State Controller, and the DOF the results of the Due Diligence Review for all fund and account balances other than the LMIHF (the "Non-Housing Due Diligence Review") conducted pursuant to Health and Safety Code Section 34179.5 and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities; and

WHEREAS, in accordance with the Dissolution Act at Health and Safety Code Section 34179.6(b), upon its receipt of the Non-Housing Due Diligence Review, the Oversight Board convened a public comment session on December 12, 2012. The Oversight Board agreed to continue this public comment session to its meeting scheduled for January 2, 2013 in order to receive any public comment on the Non-Housing Due Diligence Review before taking certain

actions pursuant to Health and Safety Code Section 34179.6(c); and

WHEREAS, pursuant to the Dissolution Act at Health and Safety Code Section 34179.6(c), by January 15, 2013, the Oversight Board shall review, approve, and transmit to the DOF and the Auditor-Controller the determination of the amount of cash and cash equivalents available for disbursement to taxing entities as determined according to the method provided in Health and Safety Code Section 34179.5 for all fund and account balances other than the LMIHF. In connection with this determination, the Oversight Board may adjust any amount provided in the Non-Housing Due Diligence Review to reflect additional information and analysis. In addition, the Oversight Board shall consider any opinions offered by the Auditor-Controller on the Non-Housing Due Diligence Review results submitted to the Successor Agency. The Oversight Board may request from the Successor Agency any materials it deems necessary to assist in its review and approval of the determination; and

WHEREAS, pursuant to the Dissolution Act at Health and Safety Code Section 34179.6(c), the Oversight Board may authorize the Successor Agency to retain certain assets or funds identified in Procedures 6 through 9 of the Non-Housing Due Diligence Review pursuant to Health and Safety Code Section 34179.5(c)(5)(B)-(E), provided that the Oversight Board identifies to the DOF (i) the amount of funds authorized for retention, (ii) the source of those funds, and (iii) the purposes for which those funds are being retained. Such Oversight Board authorization for the Successor Agency's retention of certain funds and assets shall be subject to the review and approval of the DOF; and

WHEREAS, Attachment B10 on Page 18 of the Non-Housing Due Diligence Review identifies, pursuant to Procedure 10 in accordance with Health and Safety Code Section 34179.5, that the amount of cash and cash equivalents determined available for allocation to taxing entities in connection with all fund and account balances other than the LMIHF is zero; and

WHEREAS, based on the information and results set forth in the Non-Housing Due Diligence Review, the Agenda Report for the proposed Oversight Board's actions, any additional information provided by Successor Agency staff, and any comments and other information received by the Oversight Board during the public meetings on this matter, the Successor Agency staff proposes that the Oversight Board review, approve, and transmit to the DOF and the Auditor-Controller the determination that the amount of cash and cash equivalents available for allocation to taxing entities according to the method provided in Health and Safety Code Section 34179.5 for all fund and account balances other than the LMIHF is zero, consistent with the results of the Non-Housing Due Diligence Review; and

WHEREAS, Attachment B6 of the Non-Housing Due Diligence Review identifies, pursuant to Procedure 6 in accordance with Health and Safety Code Section 34179.5(c)(5)(B), legally restricted assets that cannot be provided to taxing entities in the total amount of \$16,704,301, which consist of funds relating to a 2010 tax-exempt tax allocation bond issuance and includes bond proceeds totaling \$11,400,000 and bond reserves, capitalized interest and other related funds held by the bond trustee totaling \$5,304,301 (the "2010 Tax Allocation Bond Funds"); and

WHEREAS, Attachment B7 of the Non-Housing Due Diligence Review identifies, pursuant to Procedure 7 in accordance with Health and Safety Code Section 34179.5(c)(5)(C), assets that are not cash or cash equivalents and not otherwise available for distribution to taxing entities valued at the total amount of \$17,048,281, which consist of real property (land) and includes the real property commonly known as the Seacoast Inn property (\$5,760,000) and the real property located at 9th Street and Palm Avenue (\$9,679,454 and \$1,608,827) (the "Real Property Assets"); and

WHEREAS, in accordance with Health and Safety Code Section 34179.6(c), the Successor Agency staff proposes that the Oversight Board authorize the Successor Agency's retention of (i) the 2010 Tax Allocation Bond Funds in the total amount of \$16,704,301, identified in Attachment B6 of the Non-Housing Due Diligence Review, and (ii) the Real Property Assets valued at the total amount of \$17,048,281, identified in Attachment B7 of the Non-Housing Due Diligence Review; and

WHEREAS, in connection with the 2010 Tax Allocation Bond Funds, Successor Agency staff has advised the Oversight Board that, as required by Health and Safety Code Section 34179.6(c):

(i) the amount of the 2010 Tax Allocation Bond Funds to be authorized for retention totals \$16,704,301, which includes bond proceeds totaling \$11,400,000 and bond reserves, capitalized interest and other related funds held by the bond trustee totaling \$5,304,301;

(ii) the source of the 2010 Tax Allocation Bond Funds is the 2010 Tax Allocation Bonds (Palm Avenue/Commercial Redevelopment Project) issued pursuant to an Indenture Trust, dated as of November 1, 2010, between the Redevelopment Agency and Wells Fargo Bank, National Association, as trustee, backed by tax increment revenues, and bond reserves, capitalized interest and other related funds held by the bond trustee; and

(iii) the purposes for which the 2010 Tax Allocation Bond Funds are to be retained by the Successor Agency are for said funds to be used and expended by the Successor Agency and the City, as applicable, for and consistent with the purposes set forth in the Indenture Trust and related bond documents including the "Certificate Regarding Use of Proceeds" and consistent with the first Recognized Obligation Payment Schedule for the period January 1, 2012 through June 30, 2012 approved by the Oversight Board and the DOF, and including the following projects: (a) Streets Phase 3 Improvements in the approximate amount of \$2 Million; (b) Street Improvements in the approximate amount of \$4 Million; (c) Highway 75 Improvements in the approximate amount of \$2 Million; (d) Property Acquisition (Airfield Property Improvements/Bikeway Village Project) in the approximate amount of \$1.8 Million; (e) Storm Drain Intercept Improvements in the approximate amount of \$200,000; (f) Elm Avenue Undergrounding Improvements in the approximate amount of \$200,000; (g) Sand Replenishment Improvements in the approximate amount of \$200,000; (h) Bikeway Village Project Improvements in the approximate amount of \$300,000; (i) Bayshore Bikeway Access Improvements in the approximate amount of \$300,000; (j) Skatepark Fence Improvements in the approximate amount of \$100,000; (k) Commercial Zoning Improvements in the approximate amount of \$300,000; and (l) potential other projects involving street, alley, signage, and planning improvements in the approximate of \$4.5 Million to the extent any such funds remain; and

WHEREAS, in connection with the Real Property Assets, Successor Agency staff has advised the Oversight Board that, as required by Health and Safety Code Section 34179.6(c):

(i) the amount of the value of the Real Property Assets to be authorized for retention totals \$17,048,281, which includes the real property commonly known as the Seacoast Inn property (\$5,760,000) and the real property located at 9th Street and Palm Avenue (\$9,679,454 and \$1,608,827);

(ii) the source of acquisition of the Real Property Assets is the Redevelopment Agency and funds, including tax increment funds, of the Redevelopment Agency; and

(iii) the purposes for which the Real Property Assets are to be retained by the Successor Agency are: (a) the real property commonly known as the Seacoast Inn property (\$5,760,000) is currently ground leased to Seacoast Inn, L.P., a California limited partnership, pursuant to a Ground Lease dated March 15, 2011, and entered into by and between the Redevelopment Agency and Seacoast Inn, L.P., for the development and operation of the Seacoast Inn, a full-service hotel and related parking facilities, pursuant to a Disposition and Development Agreement dated December 16, 2010, and entered into by and between the Redevelopment Agency and Imperial Coast, L.P., a California limited partnership, and said real property will be managed and disposed of in accordance with the terms of the Disposition and Development Agreement and authority of the Successor Agency; and (b) the real property located at 9th Street and Palm Avenue (\$9,679,454 and \$1,608,827) is currently held for the anticipated sale and disposition to Sudberry-Palm Avenue LLC, a California limited liability company, pursuant to a Disposition and Development Agreement dated December 14, 2011 and entered into by and between Sudberry-Palm Avenue LLC and the City of Imperial Beach to be assigned to and assumed by the Successor Agency, for the development of a "town center" of new construction combining retail with commercial space, and related parking and off-site public improvements, as approved by the Oversight Board and not objected to by the DOF; and

WHEREAS, the activity proposed of the Oversight Board in connection with the Non-Housing Due Diligence Review has been reviewed with respect to applicability of the California Environmental Quality Act ("CEQA"), the State CEQA Guidelines (California Code of Regulations, Title 14, Sections 15000 *et seq.*, hereafter the "Guidelines"), and the City's environmental guidelines. Such activity is not a "project" for purposes of CEQA, as that term is defined by Guidelines Section 15378, because the activity is an organizational or administrative activity that will not result in a direct or indirect physical change in the environment, per Section 15378(b)(5) of the CEQA Guidelines.

WHEREAS, all of the prerequisites with respect to the approval of this Resolution have been met.

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board of the Imperial Beach Redevelopment Agency Successor Agency, as follows:

- Section 1.** The foregoing recitals are true and correct and are a substantive part of this Resolution.
- Section 2.** The Oversight Board's approvals, authorizations and determinations as set forth in this Resolution are based upon the foregoing recitals, the Non-Housing Due Diligence Review prepared by Lance Soll & Lunghard, LLP, information and documents provided by the Successor Agency staff, and any comments and other information received by the Oversight Board during the public meetings on this matter held on December 12, 2012 and January 2, 2013.
- Section 3.** The Oversight Board has reviewed and hereby approves the determination that the amount of cash and cash equivalents available for allocation to taxing entities according to the method provided in Health and Safety Code Section 34179.5 for all fund and account balances other than the LMIHF is zero, consistent with the results of the Non-Housing Due Diligence Review prepared by Lance Soll & Lunghard, LLP.
- Section 4.** The Oversight Board hereby authorizes the Successor Agency's retention of the 2010 Tax Allocation Bond Funds in the total amount of \$16,704,301, identified in Attachment B6 of the Non-Housing Due

Diligence Review, pursuant to Procedure 6 in accordance with Health and Safety Code Section 34179.5(c)(5)(B).

Based on information provided by Successor Agency staff, and as required by Health and Safety Code Section 34179.6(c), the Oversight Board hereby directs the Executive Director, or designee, of the Successor Agency to provide to the DOF the following information:

- (i) the amount of the 2010 Tax Allocation Bond Funds authorized for retention by the Successor Agency totals \$16,704,301, which includes bond proceeds totaling \$11,400,000 and bond reserves, capitalized interest and other related funds held by the bond trustee totaling \$5,304,301;
- (ii) the source of the 2010 Tax Allocation Bond Funds is the 2010 Tax Allocation Bonds (Palm Avenue/Commercial Redevelopment Project) issued pursuant to an Indenture Trust, dated as of November 1, 2010, between the Redevelopment Agency and Wells Fargo Bank, National Association, as trustee, backed by tax increment revenues, and bond reserves, capitalized interest and other related funds held by the bond trustee; and
- (iii) the purposes for which the 2010 Tax Allocation Bond Funds are to be retained by the Successor Agency are for said funds to be used and expended by the Successor Agency and the City, as applicable, for and consistent with the purposes set forth in the Indenture Trust and related bond documents including the "Certificate Regarding Use of Proceeds" and consistent with the first Recognized Obligation Payment Schedule for the period January 1, 2012 through June 30, 2012 approved by the Oversight Board and the DOF, and including the following projects: (a) Streets Phase 3 Improvements in the approximate amount of \$2 Million; (b) Street Improvements in the approximate amount of \$4 Million; (c) Highway 75 Improvements in the approximate amount of \$2 Million; (d) Property Acquisition (Airfield Property Improvements/Bikeway Village Project) in the approximate amount of \$1.8 Million; (e) Storm Drain Intercept Improvements in the approximate amount of \$200,000; (f) Elm Avenue Undergrounding Improvements in the approximate amount of \$200,000; (g) Sand Replenishment Project in the approximate amount of \$200,000; (h) Bikeway Village Project Improvements in the approximate amount of \$300,000; (i) Bayshore Bikeway Access Improvements in the approximate amount of \$300,000; (j) Skatepark Fence Improvements in the approximate amount of \$100,000; (k) Commercial Zoning Review project in the approximate amount of \$300,000; and (l) potential other projects involving street, alley, signage, and planning projects and improvements in the approximate of \$4.5 Million to the extent any such funds remain.

Section 5. The Oversight Board hereby authorizes the Successor Agency's retention of the Real Property Assets valued at the total amount of \$17,048,281, identified in Attachment B7 of the Non-Housing Due Diligence Review, pursuant to Procedure 7 in accordance with Health and Safety Code

Section 34179.5(c)(5)(C).

Based on information provided by Successor Agency staff, and as required by Health and Safety Code Section 34179.6(c), the Oversight Board hereby directs the Executive Director, or designee, of the Successor Agency to provide to the DOF the following information:

- (i) the amount of the value of the Real Property Assets authorized for retention by the Successor Agency totals \$17,048,281, which includes the real property commonly known as the Seacoast Inn property (\$5,760,000) and the real property located at 9th Street and Palm Avenue (\$9,679,454 and \$1,608,827);
- (ii) the source of acquisition of the Real Property Assets is the Redevelopment Agency and funds, including tax increment funds, of the Redevelopment Agency; and
- (iii) the purposes for which the Real Property Assets are to be retained by the Successor Agency are: (a) the real property commonly known as the Seacoast Inn property (\$5,760,000) is currently ground leased to Seacoast Inn, L.P., a California limited partnership, pursuant to a Ground Lease dated March 15, 2011, and entered into by and between the Redevelopment Agency and Seacoast Inn, L.P., for the development and operation of the Seacoast Inn, a full-service hotel and related parking facilities, pursuant to a Disposition and Development Agreement dated December 16, 2010, and entered into by and between the Redevelopment Agency and Imperial Coast, L.P., a California limited partnership, and said real property will be managed and disposed of in accordance with the terms of the Disposition and Development Agreement and authority of the Successor Agency; and (b) the real property located at 9th Street and Palm Avenue (\$9,679,454 and \$1,608,827) is currently held for the anticipated sale and disposition to Sudberry-Palm Avenue LLC, a California limited liability company, pursuant to a Disposition and Development Agreement dated December 14, 2011 and entered into by and between Sudberry-Palm Avenue LLC and the City of Imperial Beach to be assigned to and assumed by the Successor Agency, for the development of a "town center" of new construction combining retail with commercial space, and related parking and off-site public improvements, as approved by the Oversight Board and not objected to by the DOF.

Section 6. The Oversight Board hereby authorizes and directs the Executive Director, or designee, of the Successor Agency to (i) submit copies of this Resolution and actions taken herein, as approved and fully executed by the Oversight Board, to the DOF (electronically) and the Auditor-Controller no later than January 15, 2013; (ii) post a copy of this Resolution and actions taken herein, as approved and fully executed by the Oversight Board, on the Successor Agency's internet website; and (iii) take all other actions necessary pursuant to the Dissolution Act to file, post, mail, or otherwise deliver by electronic mail, internet posting, and/or hardcopy all notices and transmittals necessary or convenient in connection with the actions taken by this Resolution and related to the

Non-Housing Due Diligence Review.

Section 7. The Oversight Board hereby authorizes the Executive Director, or designee, of the Successor Agency to take such other actions and execute such other documents on behalf of the Successor Agency as are necessary to effectuate the intent of this Resolution, including, without limitation, submitting a meet and confer request with the DOF pursuant to Health and Safety Code Section 34179.6(e) to resolve any disputes regarding the amounts or sources of funds determined by the DOF in connection with the Non-Housing Due Diligence Review.

Section 8. The Oversight Board determines that the activity proposed of the Oversight Board in connection with the Non-Housing Due Diligence Review is not a "project" for purposes of CEQA, as that term is defined by Guidelines Section 15378, because the activity is an organizational or administrative activity that will not result in a direct or indirect physical change in the environment, per Section 15378(b)(5) of the CEQA Guidelines.

Section 9. This Resolution shall take effect upon the date of its adoption, subject to the DOF's review pursuant to Health and Safety Code Sections 34179.6(d) and 34179(h).

PASSED, APPROVED, AND ADOPTED by the Oversight Board of the Imperial Beach Redevelopment Agency Successor Agency at its meeting held on the 2nd day of January 2013, by the following vote:

AYES: BOARDMEMBERS:
NOES: BOARDMEMBERS:
ABSENT: BOARDMEMBERS:

CHAIRPERSON

ATTEST:

JACQUELINE M. HALD, MMC
SUCCESSORY AGENCY SECRETARY

**STAFF REPORT
OVERSIGHT BOARD
TO THE
IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY**

TO: CHAIR AND MEMBERS OF THE OVERSIGHT BOARD TO THE
IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR
AGENCY

FROM: GARY BROWN, EXECUTIVE DIRECTOR
GREG WADE, DEPUTY DIRECTOR *GW*

MEETING DATE: JANUARY 2, 2013

SUBJECT: REPORT ON THE DETERMINATIONS MADE BY THE STATE
DEPARTMENT OF FINANCE ON THE RECOGNIZED
OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD OF
JANUARY 1, 2013 TO JUNE 30, 2013

BACKGROUND:

As part of the wind-down process of the Former Redevelopment Agency, the Successor Agency is required to prepare a Recognized Obligation Payment Schedule (ROPS) for each six-month period identifying enforceable obligations along with their proposed funding sources and which funding from the Redevelopment Property Tax Trust Fund (RPTTF) will be required. The Successor Agency prepared the most recent ROPS for the period of January to June 2013 (the Third ROPS) and, after Oversight Board approval, submitted it to the State Department of Finance (the DOF) on August 22, 2012.

Pursuant to AB 1484, the Third ROPS included a "reconciliation" of the First ROPS (for the period of January to June 2012) which was required to identify all obligations listed and the actual versus requested amounts expended on those items for review by the San Diego County Auditor-Controller. Based upon this review, on October 1, 2012, the Successor Agency received a copy of a letter from the County Auditor-Controller to the DOF advising them of "adjustments" recommended for the January 2, 2013 distribution of RPTTF that would be used to fund enforceable obligations on the Third ROPS. On October 6, 2012, the Successor Agency received a letter from the DOF disputing items contained in our Third ROPS. Successor Agency staff took necessary steps provided for under AB 26/AB 1484 to dispute the proposed "adjustments" recommended by the County Auditor-Controller and immediately requested a Meet and Confer with the DOF regarding the Third ROPS as also provided for under AB 1484.

DISCUSSION:

On November 16, 2012, Successor Agency staff met with the DOF in Sacramento for the requested Meet and Confer. Successor Agency staff discussed all the issues raised by both the DOF and the County Auditor-Controller and requested that the DOF alter both its previous

findings as well as those of the County Auditor-Controller. Generally speaking, had the determinations made by the DOF and County Auditor-Controller been upheld, the Successor Agency would have had insufficient funds with which to pay its enforceable obligations, including our bond debt service payments. Indeed, on November 26, 2012, prior to the DOF making its determinations based upon our Meet and Confer, the Successor Agency received notification from the County Auditor-Controller advising us of the anticipated January 2, 2013 RPTTF distribution to be used for Third ROPS obligations. Based upon the "adjustments" recommended by the County Auditor-Controller, of the expected \$2.3 million to be available for distribution, the Successor Agency would receive only \$244,780.

On December 18, 2012, however, the Successor Agency received a letter from the DOF advising us of its determinations based upon our Meet and Confer. Generally speaking, it was quite favorable and, although not all items requested were approved, the DOF determined that the Successor Agency should receive \$3.5 million of the \$5.7 million requested for the Third ROPS period. On December 17, 2012 (and in a revised letter dated December 19, 2012), the DOF also sent a letter to the County Auditor-Controller directing them not to make any adjustments on the January 2, 2013 RPTTF distribution for Imperial Beach. Therefore, the Successor Agency should receive all RPTTF available for distribution on January 2, 2013, with which to pay its enforceable obligations.

Staff will provide a more detailed report on the Third ROPS review and RPTTF distribution at the meeting on January 2, 2013.

ENVIRONMENTAL DETERMINATION:

This report is not considered a "project" for purposes of the California Environmental Quality Act ("CEQA"), as that term is defined by CEQA Guidelines Section 15378, because the activity is an organizational or administrative activity that will not result in a direct or indirect physical change in the environment, per Section 15378(b)(5) of the CEQA Guidelines.

FISCAL IMPACT:

The determinations made by the DOF should help to allow the Successor Agency to make payments on several enforceable obligations and to replenish Low and Moderate Income Housing Funds used to make a bond payment in November 2012.

EXECUTIVE DIRECTOR'S RECOMMENDATION:

Successor Agency staff recommends that the Oversight Board of the Imperial Beach Redevelopment Agency Successor Agency receive this report.

Attachments:

1. Letter from DOF to Successor Agency dated December 18, 2012
2. Letter from DOF to County Auditor-Controller dated December 19, 2012



DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

December 18, 2012

Mr. Gregory Wade, Deputy Director
City of Imperial Beach
825 Imperial Beach Boulevard
Imperial Beach, CA 91932

Dear Mr. Wade:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 6, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Imperial Beach Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 22, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 6, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 16, 2012.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific item being disputed.

- Item 3 and 4 – Tax Allocation Bond reserves in the amount of \$1.04 million. Finance no longer object to the items. The Agency is requesting enough Redevelopment Property Tax Trust Fund (RPTTF) funding to ensure they have sufficient resources to pay their debt service obligations. The Agency incurs semi-annual debt service payments made 5 days before June 1 and 5 days before December 1 of each year. The December payment is interest only and the June payment is principal and interest. This request would fully fund the debt service payment for the entire calendar year utilizing the January distribution period. To the extent, the Agency does not receive a sufficient RPTTF distribution in January they may list the difference on the subsequent ROPS. However, the Agency will have to fully demonstrate any actual shortage.
- Item 5 through 7 – “Housing Loan/Advance...” in the amount of \$2.1 million. Finance continues to deny the items. The Agency could not provide documents to support these items as enforceable obligations. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding. Furthermore, obligations associated with the former RDA's previous statutory housing obligations are not enforceable obligations. Upon the transfer of the former RDA's housing functions to the new housing entity, HSC section 34176 requires that “all rights, powers, duties, obligations and housing assets...shall be transferred” to the new housing entity. This transfer of “duties and obligations” necessarily includes the transfer of statutory obligations; to the extent any continue to be

applicable. To conclude that such costs should be on-going enforceable obligations of the successor agency could require a transfer of tax increment for life – directly contrary to the wind down directive in ABx1-26/AB1484.

- Item 8 – “Housing Agreement” in the amount of \$90,000. Finance continues to deny this item. This agreement is a contract with Imperial Beach Housing Authority and the City of Imperial Beach. Since the Agency is not a party to this agreement, the item is not an enforceable obligation eligible for RPTTF funding. Additionally, maintenance and/or administrative costs associated with the former RDA's previous housing functions are not enforceable obligations. Upon the transfer of the former RDA's housing functions to the new housing entity, Health & Safety Code section 34176 requires that, “all rights, powers, duties, obligations and housing assets,shall be transferred” to the new housing entity. This transfer of “duties and obligations” necessarily includes the transfer of any on-going maintenance and administrative costs. To conclude that such costs should be on-going enforceable obligations of the successor agency would require a transfer of tax increment for life – directly contrary to the wind down directive in ABx1-26/AB1484.
- Item 9 and 10 – “Clean & Green Program” and “Habitat Project” in the amount of \$913,000 requested to be funded with bond proceeds. The Agency contends that they have followed the requirements outlined in HSC 34176 (g) (1) (A), which allows the housing successor to the former RDA to designate the use and commitment of excess housing bond proceeds that remain after the satisfaction of enforceable obligations that have been approved in a ROPS and that are consistent with the bond covenants. HSC section 34176 (g) (1) (A) also requires that the proceeds requested for use shall be derived from indebtedness obligations that were issued for the purposes of affordable housing prior to January 1, 2011, and were backed by the Low and Moderate Income Housing Fund. On July 24, 2012, the successor housing entity notified the Agency of designations and commitments of 2003 housing bond proceeds and requested the item be listed on the ROPS III. The following required conditions are met; therefore, this item is considered an enforceable obligation:
 - The housing entity's bond counsel provided written confirmations that the use of the bond proceeds is consistent with the bond covenants. Based on review of the confirmations and other documents provided by the housing entity, it appears that the use of bond proceeds is consistent with the bond covenants.
 - The Agency's financial records indicate that there are sufficient funds available.
- Item 12 – “City Service Agreement” in the amount of \$240,000 is a loan between the Agency and its creator. Finance continues to deny the item. HSC section 34171 (d) (2) states that agreements between the city that created the redevelopment agency (RDA) and the Agency are not enforceable. This item is not an enforceable obligation and not eligible for RPTTF funding. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.
- Item 17 – Insufficient RPTTF totaling \$533,092. It is our understanding that this amount represents the amount of funding that the Agency used from their restricted bond proceeds in order to make required debt service payments. This is a request to replenish those bond proceeds. The need to dip into bond proceeds resulted from an insufficient RPTTF distribution. We note that during the ROPS I and II period all items

reported by the Agency were approved for expenditure. According to information provided by the County Auditor-Controller for the ROPS II period, the Agency received a RPTTF distribution totaling \$1,388,689. The Agency had approved ROPS II expenditures totaling \$2,015,215. The Agency may list the difference between the approved expenditures amounts, which must first be reconciled for estimated payments versus actual bills received/payment needs as compared to the authorized expenditure level, and the distributed RPTTF amount on their subsequent ROPS. Therefore, this item is approved. Additionally, Finance is revising this item upward to \$626,526 to reflect the full shortfall in RPTTF from the ROPS II period. This will allow the Agency to pay the approved obligations that went unfunded during the ROPS II period, including replenishing their previous use of restricted bond proceeds.

- Administrative costs funded by RPTTF exceeded the allowance by \$201,458. HSC section 34171(b) limits administrative costs to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater for the fiscal year. As a result, the Agency's administrative cost allowance is capped at \$250,000 for the fiscal year. In the period July through December of 2012, \$100,948 of administrative allowance was used, leaving \$149,052 available for the January through June 2012 period. Therefore, \$201,458 of the claimed \$350,510 is denied. Item 13 continues to be reclassified as an administrative cost and used to arrive at the denied allowance. This item does not fit into one of the areas specifically carved out from the administrative cost cap. Therefore it continues to be reclassified.

HSC section 34171 (b) allows litigation expenses related to assets or obligations to be funded with property tax outside the administrative cap. However since Item 13 relates to general legal representation and not specifically to bringing or contesting a legal action in court, it is considered an administrative expense.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$3,541,913 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 5,774,108
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 5	369,607
Item 6	872,273
Item 7	822,801
Item 8	90,000
Item 12	240,000
Item 13*	80,000
Item 17	(93,434)
Total approved RPTTF for enforceable obligations	\$ 3,392,861
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	149,052
Total RPTTF approved:	\$ 3,541,913

*Reclassified as an Administrative Cost.

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 1,388,690
Total RPTTF for the period January through June 2013	1,723,454
Total RPTTF for fiscal year 2012-13:	\$ 3,112,144
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	250,000
Administrative allowance for the period of July through December 2012	100,948
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 149,052

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Gary Brown, Executive Director, City of Imperial Beach
Mr. Juan Perez, Senior Auditor and Controller Manager, County of San Diego
Ms. Nenita DeJesus, Senior Auditor and Controller Accountant, County of San Diego
California State Controller's Office



DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 19, 2012

REVISED

Juan R. Perez
San Diego County Auditor-Controller's Office
County Administration Center
1600 Pacific Highway, Room 166
San Diego, CA 92101

Dear Mr. Perez:

The California Department of Finance (Finance) has reviewed the adjustments proposed by the San Diego County Auditor-Controller's Office pursuant to Health and Safety Code section 34186 (a). As part of our review, Finance considered all supporting documentation provided by those Successor Agencies that disputed the adjustments calculated by your Office.

Pursuant to our review, Finance is authorizing the following reductions to the Redevelopment Property Tax Trust Fund monies provided to the identified Successor Agencies for the payment of Finance-approved Enforceable Obligations for the January 2013 through June 2013 Recognized Obligation Payment Schedule (ROPS III):

Successor Agency	Proposed Adjustment	Approved Adjustment
Chula Vista	247,560	247,560
Coronado	5,765,472	-
Imperial Beach	1,627,817	-
Lemon Grove	1,379	1,379
National City	453,349	453,349
Poway	7,608,262	7,608,262
San Diego City	1,653,084	1,653,084
Solana Beach	332,544	332,544
Vista	78,233	78,233

Thank you for your attention to this matter. Please contact Chris Hill, Principal Program Budget Analyst, at (916) 445-1546 if you should have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Szalay" with a stylized flourish at the end.

STEVE SZALAY
Local Government Consultant