

Town Hall Meeting - Discussion of ABx1 26 Dissolution of Redevelopment Agencies (RDA) March 19 and March 21, 2012

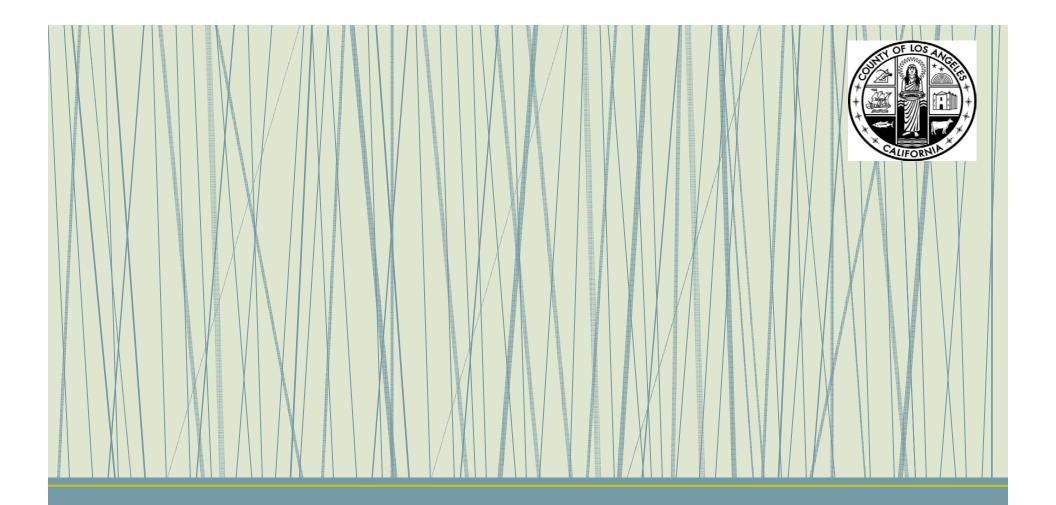
PANELISTS

- Mr. John Naimo, Assistant Auditor-Controller, Los Angeles County
- Ms. Arlene Barrera, Property Tax Division Chief, Los Angeles County
- Mr. Martin Zimmerman, Assistant CEO, Los Angeles County
- Ms. Angie Johnson, Chief, Commission Services, Los Angeles County
- Mr. Doug Lovejoy, Deputy County Counsel, Los Angeles County
- Mr. Steve Mar, Bureau Chief, Local Govern. Audits, State of California
- Mr. Chris Hill, Principal Program Budget Analyst, State of California





- Welcome/Introductions William T Fujioka,
 Wendy Watanabe
- RDA Dissolution Overview Arlene Barrera
- Audit Issues and Agreed-Upon Procedures John Naimo
- Oversight Board Overview Martin Zimmerman
- Oversight Board Staffing Support Angie Johnson
- Comments from State Controller's Office Steve Mar
- Comments from State Department of Finance Chris Hill
- Questions and Answers Panel



RDA Dissolution Overview

Arlene Barrera - Property Tax Division Chief, Los Angeles County

Overview Topics



- Auditor-Controller Roles
- Acronyms
- Timelines
- Distributions

Auditor-Controller Roles- Statutory

- 1. Property Tax: Provide Tax Administration Services
 - a. Create trust funds (RPTTF)
 - b. Allocate monies in the trust funds for each former RDA
 - c. Report of activities to State and local agencies
- 2. Agreed Upon Procedures (AUP) Engagement
 - a. Engage Independent Accounting Firms through competitive bidding process to review specified activities of former RDA's
- 3. Use of Independent Audit Firms Approach for AUP
 - a. Selection date
 - b. Start date
 - c. Deliver draft report for agency
 - d. Deliver final report for each agency

Acronyms

- A-C = Auditor-Controller
- ATE = Affected Taxing Entity
- AUP = Agreed Upon Procedures
- DOF = Department of Finance
- EO = Enforceable Obligations
- EOPS = Enforceable Obligations Payment Schedule
- LAO = Legislative Analyst Office
- OB = Oversight Boards
- PTP = Pass-thru Payments
- RDA = Former Redevelopment Agency
- RPTTF = Redevelopment Property Tax Trust Fund
- ROPS = Recognized Obligations Payment Schedule
- RORF = Redevelopment Obligation Retirement Fund
- SA = Successor Agencies
- SCO = State Controller's Office
- SOI = Statement of Indebtedness
- TI = Tax Increment

Timelines

- March 1st: Successor Agency prepares initial ROPS
 - County Auditor-Controllers must certify ROPS
 - Oversight Board must approve the ROPS
- May 1st: Deadline to name Oversight Board members; ROPS takes effect
- May 16th: First distribution from Property Tax Trust Funds
- July 1st: Deadline for AUP to be completed
- Uncertain Timing:
 - Distribution of unencumbered assets
 - Distribution of unencumbered housing funds (pending legislation)
 - Sale and transfer of assets
- SCO review of RDA asset transfers after Jan. 1, 2011
- RPTTF distributions every Jan. 16th and June 1st from FY 2012-13

Distribution Topics



- Flow of Funds
- Priorities of Distribution
- Distribution
- Information Needed
- Reporting
- Issues

Flow of Funds

- Property Tax Revenues (formerly known as Tax Increment)
 - Deposited into Redevelopment Property Tax Trust Fund (RPTTF)
 - One RPTTF for each Former RDA
- Other Revenues
- Unencumbered fund balances, proceeds from asset sales, etc.
 - Do not flow through RPTTF

Priorities of Distribution

- Distributions from Trust Fund (RPTTF)
 - Twice a year
 - January 16 & June 1
 - Except for this fiscal year
 - Distributions each cycle include in priority
 - Administrative fees to Auditor-Controller
 - Pass-through payments to Affected Taxing Entities
 - Recognized Obligation Payments to Successor Agency's RORF
 - Administrative Cost Allowance to Successor Agency
 - Costs to State Controller's Office
 - Any Residual balance in fund to all Affected Taxing Entities
- Other Moneys
 - Distributed to all Affected Taxing Entities as Received

Distribution

- Distributions dependent on:
 - Calculation of Pass-through Payments
 - Oversight Board Approved/Certified ROPS
 - Oversight Board Approved Administrative Cost Allowance Budget
 - NO ROPS or Admin Cost Allowance Budget NO RPTTF Distribution

Distribution: Periods

- ABx1 26 utilizes a two period year
 - Built around concept of two major revenue flows (former TI)
 - January 16th distribution includes December taxes collected
 - June 1st distribution includes April taxes collected
 - ROPS Payments are forward looking
 - RPTTF Payments to Successor Agency's RORF to fund next six month's ROPS payments
 - For example, January 16^{th} Cycle funds 1/1/-6/30 ROPS
 - Other RPTTF payments fund current period items
 - For example, January 16th Distribution Cycle funds Pass-through Payments for revenues deposited through the period ending the prior 12/31

Distribution: Periods – This Year

- NO Distribution on May 16, 2012
 - The first cycle is synchronized with the period RDAs were still in existence
 - No deposits in RPTTF through 1/31/2012 no distribution to Successor Agency for January 2012 to June 2012
- June 1, 2012 Distribution
 - Will be based on revenues deposited January 2012 through April 2012
 - Will fund ROPS for 7/1/12 12/31/12
 - May include Admin Cost Allowance
 - Up to 5%
 - Must be approved by Oversight Board

Information Needed: Pass-through Payments

- Schedule of all Pass-through Payments by Taxing Entity- ASAP
 - By type: Statutory/Negotiated/Inflation (2%)
 - Payments made by former RDA through 1/31/12 (July 2011- Jan 2012)
 - Payments made by Successor Agency from 2/1/12 (July 2011- Jan 2012)
- Negotiated Pass-through Payment Agreements
- Negotiated Pass-through Payment Calculations
- Any Pass-through Subordination Agreements

Information Needed: ROPS and Other Data

Need the following by 4/9/2012 – the sooner the better

- •ROPS covering 7/1/2012 12/31/2012
- Any Known Cash Flow Timing Issues
 - Any Cash Shortage needs to be reported by 5/1/2012
- Admin Cost Allowance Budget (Oversight Board Approved)
- Confirm Successor Agency Bank Account Information for ACH

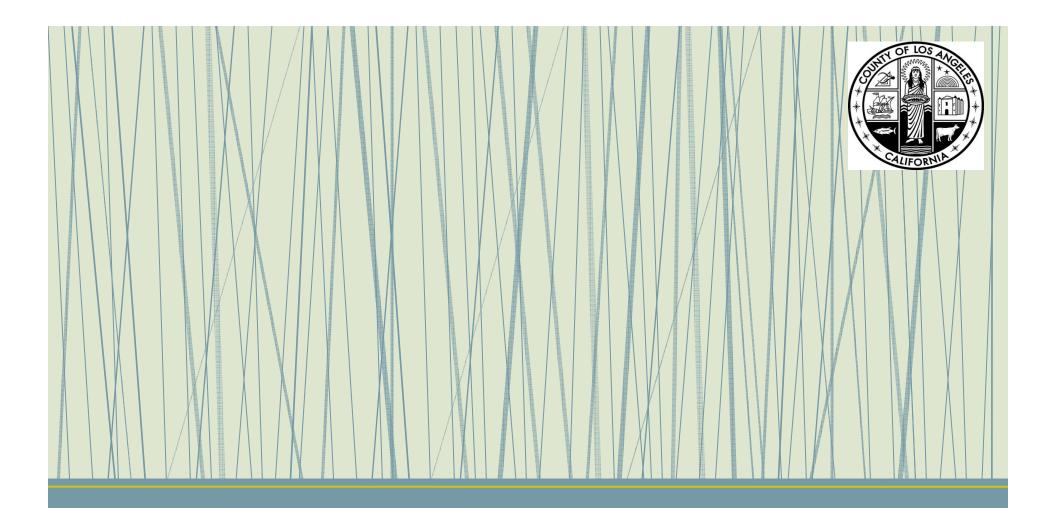
Reporting (Ongoing)

From Property Tax:

- Estimates 2 times a year
- Actuals once a year
- Will be posted on our Property Tax Reporting website

Due from Successor Agency:

- Approved ROPS
- Approved Admin Cost Allowance Budget
- Cycles
 - Due 10/1/YY for 1/16/Y2 Distributions
 - Due 4/1/Y2 for 6/1/Y2 Distributions



Audit Issues and Agreed-Upon Procedures

John Naimo, Assistant Auditor-Controller, Los Angeles County

AUP Topics



- ABx1 26 Requirements For "Audit"
- Overview of Agreed-upon Procedures
- County Internal Audit Role
- Information Needed
- Audit Planning and Timeline

AB X1 26 Agreed-Upon Procedures

- Conduct or cause to be conducted an "Agreed-Upon Procedures" audit of each RDA
 - To document and determine both the amount and the terms of any indebtedness incurred by the RDA
 - Review the initial ROPS
 - Establish each RDA's assets and liabilities
 - To document and determine each RDA's pass-through payment obligations to other taxing agencies
 - Complete by July 1, 2012

By July 15, 2012, the County Auditor-Controller shall provide the State Controller's Office a copy of all audits. The county auditor-controller shall maintain a copy of all documentation and working papers for use by the State Controller.

Agreed-Upon Procedures Overview

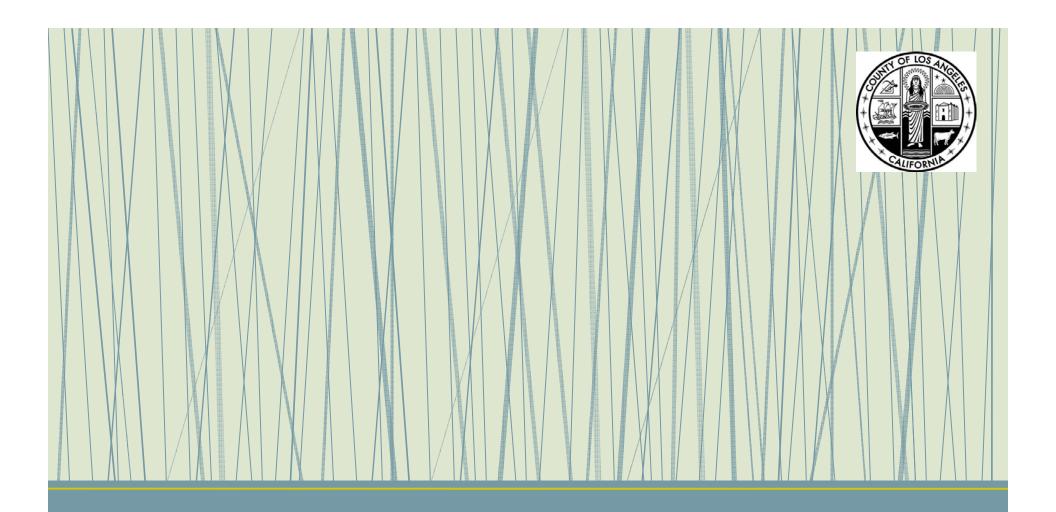
- Agreed-Upon Procedures: Report of findings issued based on specific procedures performed on the subject matter
- Different from an audit:
 - No opinion, certification, or assurance provided
 - All findings should be reported
- Procedures agreed to by the State Controller's Office (SCO) & Department of Finance (DOF)
- Includes the following:
 - Inspection and comparison of documents (legal documents to EOPS/ROPS)
 - Inspect how certain transfers were accomplished

County Internal Audit Role

- Enter into a contract with CPA firm
- The County will assist the external CPA firm in:
 - Collecting and organizing information required
 - Initially perform the procedures
- External CPA firms will not "certify" the ROPS
 - Responsibility of the Auditor-Controller
 - Anticipate certification will take place after AUPs
 - DOF to provide further guidance on certification

Information Requested

- Goal is completion of AUPs by 7/1/12
- Information requested includes:
- EOPS
- ROPS
- Supporting documents for all obligations (EOPS & ROPS)
- Reconciliation of EOPS (all) to 3/1 ROPS
- Information pertaining to assets and liabilities (as of January 31, 2012)
- General ledger detail
- Copy of completed audits, 2010, 2011
 - 1/31/2012 close out audit (July 1, 2011 January 31, 2012)
- Evidence of appointment of Successor Agency
- Evidence (email) of Oversight Board names submitted to the State Department of Finance
- Copies of Pass-through Agreements
- Supporting documentation for payments

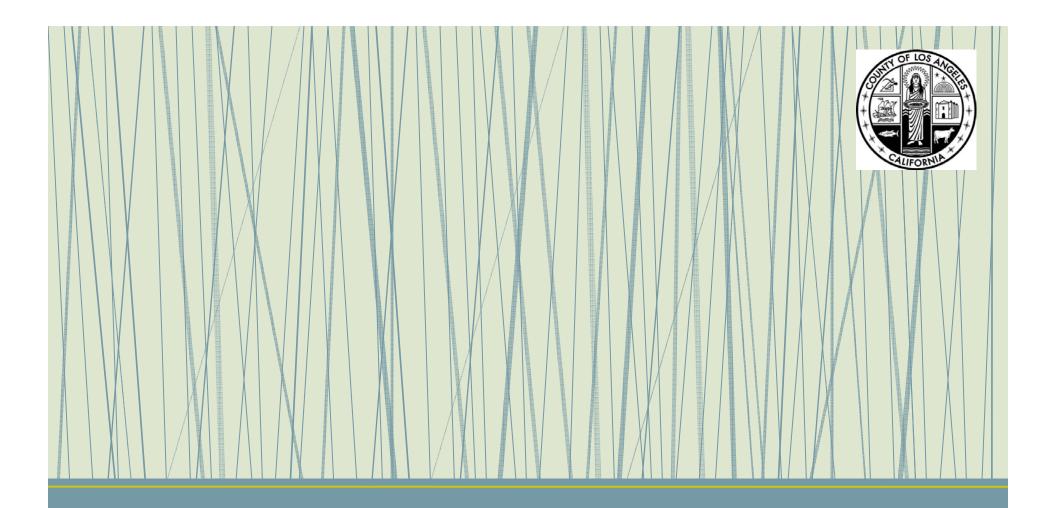


Oversight Boards

Martin Zimmerman, Assistant CEO, Los Angeles County

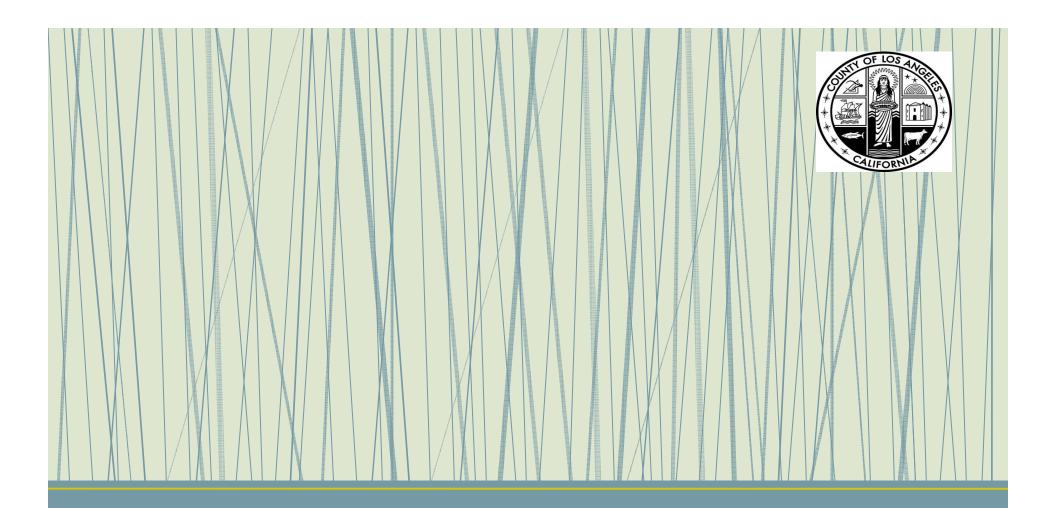
RDA Successor Agency Oversight Board Appointments

- Nominations
- Training
- Staff Support
- Website
- Legislation



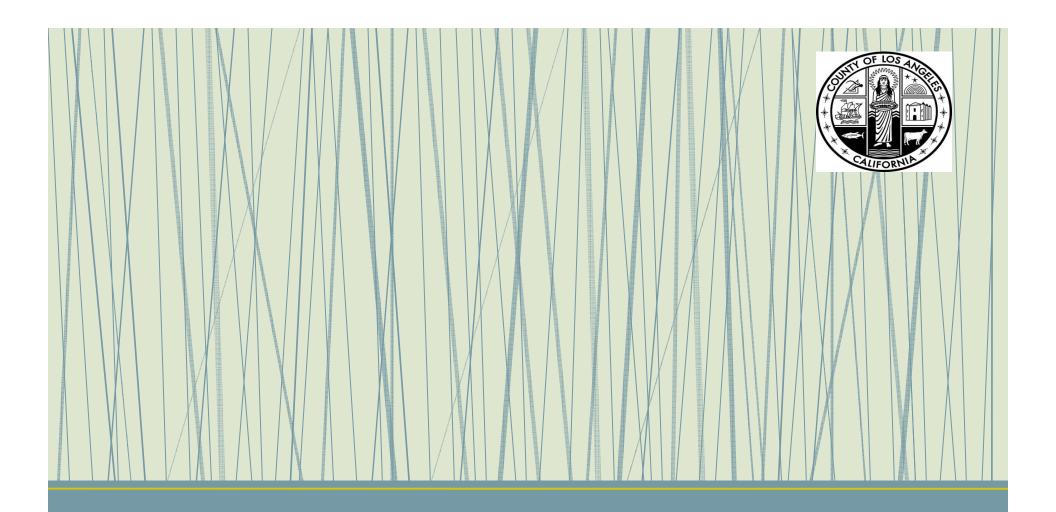
Oversight Boards

Angie Johnson, Chief, Commission Services, Los Angeles County



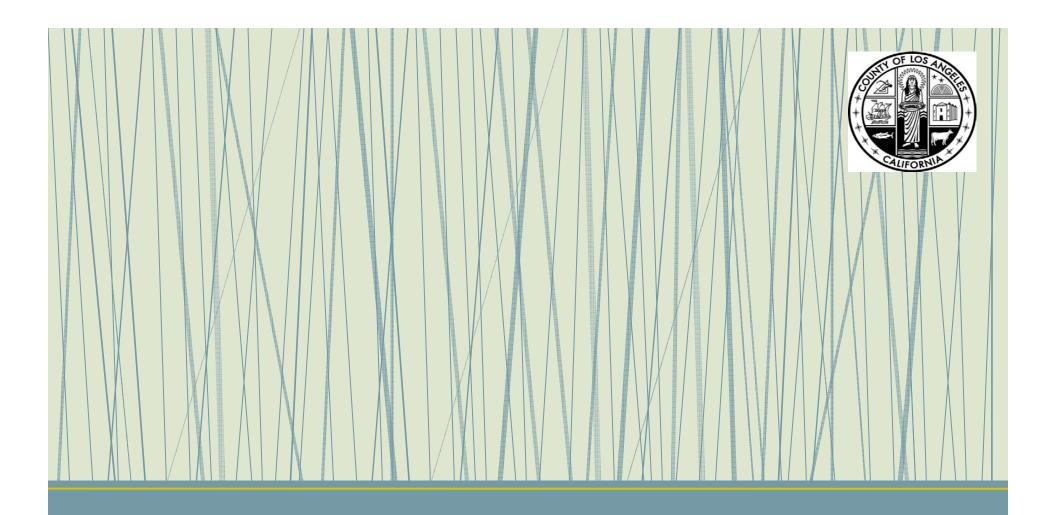
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Questions & Answers

Panel