



# ABx1 26 Implementation (RDA Dissolution)

Town Hall Meeting - Discussion of ABx1 26

March 19<sup>th</sup> and 21<sup>st</sup> 2012

Chief Executive Officer and Auditor-Controller

Los Angeles County

**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**

# Agenda



- **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 1<sup>st</sup>: Successor Agency prepares initial ROPS
  - County Auditor-Controllers must certify ROPS
  - Oversight Board must approve the ROPS
- May 1<sup>st</sup>: Deadline to name Oversight Board members; ROPS takes effect
- May 16<sup>th</sup>: First distribution from Property Tax Trust Funds
- July 1<sup>st</sup>: 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. 16<sup>th</sup> and June 1<sup>st</sup> 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 16<sup>th</sup> distribution includes December taxes collected
  - June 1<sup>st</sup> 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<sup>th</sup> Cycle funds 1/1/- 6/30 ROPS
  - Other RPTTF payments fund current period items
    - For example, January 16<sup>th</sup> 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



# California State Controller's Office

Steve Mar, Bureau Chief, Local Government Audits, State of California



# California State Department of Finance

Chris Hill, Principal Program Budget Analyst, State of California



# Questions & Answers

Panel