



By call of the Chair
SPECIAL MEETING
SUCCESSOR AGENCY OVERSIGHT BOARD
CITY OF CLAYTON, CA

THURSDAY, FEBRUARY 26, 2015

4:00 p.m.

*Third Floor Conference Room, Clayton City Hall
6000 Heritage Trail, Clayton, CA 94517*

OVERSIGHT BOARD MEMBERS

Howard Geller, Councilmember City of Clayton	Jonah Nicholas, Contra Costa Community
Vito Impastato, CCC Fire Protection District	College District
Charlie Mullen, former RDA staff	Dan Richardson, Clayton resident
Karen Mitchoff, Contra Costa County Supervisor	Ofelia Roxas, County Office of Education

- A complete packet of information containing staff reports and exhibits related to each public item is available for public review in City Hall located at 6000 Heritage Trail on Monday prior to the Board meeting.
- Agendas are posted at: 1) City Hall, 6000 Heritage Trail; 2) Library, 6125 Clayton Road; 3) Ohm's Bulletin Board, 1028 Diablo Street, Clayton; and 4) City Website at www.ci.clayton.ca.us
- Any writings or documents provided to a majority of the Oversight Board after distribution of the Agenda Packet and regarding any public item on this Agenda will be made available for public inspection in the City Clerk's office located at 6000 Heritage Trail during normal business hours.
- If you have a physical impairment that requires special accommodations to participate, please call the City Clerk's office at least 72 hours in advance of the meeting at (925) 673-7304.

MEETING AGENDA
OVERSIGHT BOARD
SUCCESSOR AGENCY, CITY OF CLAYTON

Thursday, February 26, 2015 4pm
3rd Floor Conference Room
City Hall 6000 Heritage Trail, Clayton CA

1. CALL TO ORDER AND ROLL CALL – Board Chairman Dan Richardson

2. CONSENT CALENDAR

Consent Calendar items are typically routine in nature and are considered for approval by the Board with one single motion. Members of the Board, Audience or Staff wishing an item removed from the Consent Calendar for the purpose of public comment, question, input or action different than recommended may request so through the Board Chairman.

(a) None

Informational Only –

(b) Updated Oversight Board Roster

(c) Overview of upcoming State Legislation changes related to Redevelopment Dissolution proposed by the California Department of Finance.

3. OVERSIGHT BOARD ACTION ITEMS

- (a) Consideration of Resolution No. 1-2015 approving a short term loan agreement in the amount of \$125,000 between the City of Clayton and the Successor Agency.
(Kevin Mizuno, Clayton Finance Manager)
- (b) Consideration of Resolution No. 02-2015 approving the 8th Recognized Obligation Payment Schedules (ROPS 15/16 A) for the Successor Agency of the City of Clayton for the time period of July 1, 2015 through December 31, 2015 required by the State Department of Finance.
(Kevin Mizuno, Clayton Finance Manager)

Staff Recommendation: Following presentation and Board discussion and public comment, the Board adopts the Resolution approving the 8th ROPS (ROPs 15/16 A)

- (c) Consideration of and receipt of public comments on the draft Clayton Successor Agency Low-Moderate Income Housing Funds Due Diligence Report to be submitted to the CA Department of Finance pursuant to AB 1484 and HSC Section 34179.5 and 34719.6.
- Take any comments from the Public.
 - Questions/Comments from the Oversight Board members
 - Direct staff to bring back the item for final Action by the Oversight Board at a future meeting date that is no sooner than March 6, 2015.

- (d) Consideration of and receipt of public comments on the draft Clayton Successor Agency Non-Housing Funds (All other Funds) Due Diligence Report to be submitted to the CA Department of Finance pursuant to AB 1484 and HSC Section 34179.5 and 34719.6.
- Take any comments from the Public.
 - Questions/Comments from the Oversight Board members
 - Direct staff to bring back the item for final Action by the Oversight Board at a future meeting date that is no sooner than March 6, 2015.

4. PUBLIC COMMENT ON NON-AGENDA ITEMS

Members of the public may address the Oversight Board on items within the Board's jurisdiction, (which are not on the agenda) at this time. To facilitate the recordation of comments, it is requested each speaker complete a speaker card available on the Meeting table and submit it in advance to the Clerk. To assure an orderly meeting and an equal opportunity for everyone, each speaker is limited to 3 minutes, enforced at the Chairperson's discretion. When one's name is called or you are recognized by the Chairperson as wishing to speak, the speaker shall approach the Board and adhere to the time limit. In accordance with State Law, no action may take place on any item not appearing on the posted agenda. The Board may respond to statements made or questions asked, or may at its discretion request Successor Agency Staff to report back at a future meeting concerning the matter.

Public comment and input on Public Hearing, Action Items and other Agenda Items will be allowed when each item is considered by the Oversight Board.

- 5. ADJOURNMENT** – the meeting is adjourned on call by the Chairperson.



Agenda Date: Feb. 26, 2015

Agenda Item: 2 (b)

OVERSIGHT BOARD
CLAYTON SUCCESSOR AGENCY
1/16/15

Board Members	
<p>Howard Geller Mayor, City of Clayton 6000 Heritage Trail Clayton, CA 9451 Office: 925-673-7300 hgeller@ci.clayton.ca.us</p>	<p>Charlie Mullen Former RDA Employee (Com. Dev. Dir.) 6000 Heritage Trail Clayton, CA 9451 Office: 925-673-7300 cmullen@ci.clayton.ca.us</p>
<p>Vito Impastato Contra Costa County Fire Protection District 1012 Pandero Way Clayton, CA 94517 925-595-1717 vimpastato@iafflocal1230.org</p>	<p>Jonah Nicholas, Board Member Contra Costa Community College District 500 Court Street Martinez, CA 945536 Office 925-229-6944 jnicholas@4cd.edu; or Christia Chellew (cchellew@4cd.edu)</p>
<p>Dan Richardson Public Member 5565 Morningside Drive Clayton, CA 94517 925-672-3712 bckpckdan@comcast.net</p>	<p>Karen Mitchoff County Supervisor, District IV Contra Costa County Board of Supervisors 2151 Salvio Street, Suite R Concord, CA 94520 925-521-7100 SupervisorMitchoff@bos.cccounty.us; or Laura Case (Laura.Case@bos.cccounty.us) Lisa Chow (Lisa.Chow@bos.cccounty.us)</p>
<p>Ofelia Roxas, Business Services Director Contra Costa County Office of Education 77 Santa Barbara Road Pleasant Hill, CAS 94523 925-942-3315 oroxas@cccoe.k12.ca.us</p>	
Successor Agency Staff	
<p>Gary Napper City Manager 6000 Heritage Trail Clayton, CA 94517 925-673-7300 gnapper@ci.clayton.ca.us</p>	<p>Karen Tiedemann Special Legal Counsel Goldfarb & Lipman 1300 Clay Street, 11th Floor Oakland, CA 94612 Phone: 510-836-6336 Karen M. Tiedemann KTiedemann@goldfarblipman.com</p>
<p>Laura Hoffmeister Assistant to the City Manager 6000 Heritage Trail Clayton, CA 94517 925-673-7300 LHoffmeister@ci.clayton.ca.us</p>	<p>Kevin Mizuno, Finance Manager 6000 Heritage Trail Clayton, CA 94517 925-673-7300 kmizuno@ci.clayton.ca.us</p>

Memo:

To: Clayton Successor Agency Oversight Board Members
From: Kevin Mizuno, Finance Manager
Date: February 26, 2015

Staff participated in two recent webinars, one from the Dept. of Finance and the other from the League of California Cities. These webinars covered proposed changes in the current process and funding that the DOF proposed to the California Senate Budget Sub-Committee. I have outlined some of the changes below:

- (1) The DOF proposes to impose a cap on administrative fees to the Successor Agency administering City based on 50% of the RPTTF awarded. This would be effective 7/1/2016 (FY 2017) and assuming we continue to be awarded 100% of obligations we request, we would likely see a decline in our administrative fee revenues. Below are my projections on what our administrative fee will be through the maturity of the 2014 bonds (FY 2025) based on annual debt service alone and assuming 100% of our ROPS is awarded with RPTTF from FY 2017 through FY 2025:
 - a. \$203,000 in FY 2017
 - b. \$231,000 in FY 2018
 - c. \$229,000 in FY 2019
 - d. \$232,000 in FY 2020
 - e. \$230,000 in FY 2021
 - f. \$195,000 in FY 2022
 - g. \$199,000 in FY 2023
 - h. \$197,000 in FY 2024
 - i. \$197,000 in FY 2025

Our average reduction over the 9 years remaining of the successor agency is \$37.4k a year from the current \$250,000 allowance. When I specifically asked what happens when 100% of the ROPS obligations are approved by the DOF but no funding is awarded, the consensus appears to be that zero administrative allowance would be awarded to the City.

- (2) The new Trailer Bill includes a proposal that Litigation costs must be paid with administrative allowances. In addition, the proposal includes language that the DOF is EXEMPT from the "Administrative Procedures Act". This would substantially limit the Successor's Agency ability to even bring a case to court to challenge a DOF decision.
- (3) The DOF is proposing to un-do "Re-entered" agreements, making them void and unenforceable. Thus far I believe this is not applicable to the Clayton Successor Agency, because in order to create "re-entered" agreements, a Notice of Completion (NOC) is required. The NOC is a requirement for Oversight Boards to re-enter into old agreements (such as the Fire station and 2% loans). However, it is uncertain if this new bill would now mean that we would not be able to re-enter into new agreements

at all. We had planned to do the re-entered agreements for both the Fire station and 2% loans.

- (4) In addition, the proposal would prohibit "reimbursement agreements" that reimburse the City for costs of services or public improvements provided by third parties for obligations incurred under contract between City and Third parties. This would mean our plan to enter into a reimbursement agreement between the City and S/A to utilize bond proceeds may be disallowed by the new laws. However, as with much of their proposal, it is unclear if all reimbursement agreements would be disallowed, or if only those that are secured by RPTTF (and not bond proceeds for instance) are prohibited.
- (5) The proposal includes language that would limit interest rates on DOF APPROVED City/Successor Agency loans to the LAIF rate in effect at the time of OB approval of the loan (after the NOC is obtained). This favors the DOF of course because current LAIF rates are TERRIBLE and are a poor reflection of the interest lost in prior years as a result of these loans.
- (6) Finally, the DOF is proposing to make the ROPS an annual rather than semi-annual ordeal and to change the composition of the OB to a County staffed board. The bill clarifies that the "county staff" would be staffers of the County Auditor Controller's Office. The County will also be able to recover "associated costs" of staffing the board through the ROPS process. It is vague on what the formula for this County charge is or what qualifies as associated costs.

All of the matters listed above have some implication on our current operations, or impact how we previously planned to address certain matters such as the reimbursement agreement and re-entering into the 2% and fire station loans. It also impacts our ability to fight the DOF should they make negligent decisions.

The chair of the webinar and lobbyist for the League suggested that Cities take the following action if they disagree with the DOF's proposals:

- (1) Call our legislators asap and inform them about our concerns
- (2) Send a rep to the March 3rd State Senate Budget Sub-Committee meeting
- (3) Contract our League regional manager to join various upcoming in-district legislative meetings that they may be coordinating.

His point appeared to be that this is not the law yet, and if we send enough people to fight this, that our legislators may vote down the Brown administrations proposed legislation being proposed via the DOF.



Agenda Date: Feb 26, 2015

Agenda Item: 3(a)

STAFF REPORT

TO: HONORABLE CHAIRMAN AND BOARD MEMBERS

FROM: KEVIN MIZUNO, FINANCE MANAGER, CPA

DATE: February 26, 2015

SUBJECT: RESOLUTION AUTHORIZING SHORT-TERM CASH FLOW LOAN AGREEMENT FROM THE CITY OF CLAYTON TO THE SUCCESSOR AGENCY IN THE AMOUNT OF \$125,000 FOR ADMINISTRATIVE EXPENSES

RECOMMENDATION

It is recommended that the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Clayton adopt the attached resolution authorizing a short-term cash flow loan agreement for administrative costs totaling \$125,000 to become effective only upon approval by the California Department of Finance.

BACKGROUND

AB 1484, adopted in June 2012 as clean-up legislation to ABX1-26, allowed cities to loan funds to their successor agencies for enforceable obligations, administrative costs and project related expenses. Collectively, this legislation specified that litigation expenses are not administrative expenses and, as such, are thereby considered project related expenses (HSC34173(h)).

DISCUSSION

The State Department of Finance (DOF) Determination Letter pertaining to the Successor Agency's ROPS 2014-15B dated November 10, 2014 approved all obligations requested on the 2014-15B ROPS Detail Form. However, the DOF further directed the Successor Agency use remaining bond proceeds to pay for the approved obligations. By changing the funding source from RPTTF to bond proceeds, the DOF effectively eliminated all funding to the Successor Agency for the ROPS 2014-15B period.

Successor Agency management disputed the legality of the DOF's November 10, 2014 letter and re-examined the original and supplemental bond indentures pertaining to the 2014 refunding Tax Allocation Bonds, as well as consulted with bond counsel (Jones Hall) and special redevelopment legal counsel (Godfarb & Lipman). After internal reviews and external consultation, it was concluded that using existing bond proceeds to pay for administrative costs and bond principal would be in violation of the bond agreement. The Successor Agency also received an opinion letter from Bond Counsel supporting these claims.

The DOF administrative procedures governing "post redevelopment" administration allow for a Meet and Confer to communicate any disagreements with DOF Determination Letters. On November 24, 2014 Successor Agency management along with our legal advisor at Goldfarb & Lipman (Karen Tiedemann) held a Meet and Confer phone conference with the DOF. As part of this process, the City of Clayton provided the DOF relevant portions of the bond indentures, bond official statements, as well as the Bond Counsel letter dated December 1, 2014.

Despite the due diligence procedures described previously, the DOF issued a Final Determination Letter dated December 17, 2014 re-affirming their previous conclusions in the November 10, 2014 Determination Letter. Management of the Successor Agency and its legal advisors disagreed with this Determination Letter, concluding the use of bond proceeds in any manner that is inconsistent with the legally binding bond agreements would likely expose the Successor Agency to IRS penalties and/or litigation for which the DOF will not provide indemnification.

At the direction of the City Council, the City's Legal Counsel (BB&K) prepared a letter to the DOF offering to settle this dispute along the following lines: (1) the Successor Agency pays the fiscal agent trustee fees from bond proceeds, (2) RPTTF monies be used to pay the administrative cost allowance, and (3) the Successor Agency use bond proceeds to pay the February 1, 2015, interest only debt service payment and in future ROPS allocate principal and interest between the RPTTF and bond proceeds (to the extent any remain), respectively. This settlement offer was communicated to the DOF in a letter dated January 20, 2015.

On February 10, 2015 Ms. Shelly Renner, Senior Staff Counsel to the DOF, contacted BB&K and agreed to settle the dispute as suggested in the letter dated January 20, 2015. It was agreed the City would make a loan to the Successor Agency for the \$125,000 administrative cost allowance in the 2015-16A ROPS. A new enforceable obligation line item for this loan would then be added to the 2015-16A ROPS Detail Form, which would permit the City to be paid back before the end of the fiscal year ending June 30, 2015. The DOF has provided a formal signed letter to the City and Successor Agency to memorialize this agreement which is included with the ROPS 2015-16A staff report.

At a public meeting on February 17, 2015, the Successor Agency approved a loan agreement with the City of Clayton to cover administrative costs owed to the City of Clayton by the Successor Agency for the ROPS period ending June 30, 2015. It is expected that the monies to repay this loan will be approved and awarded by the DOF in June 2015 for the ROPS 2015-16A period.

FISCAL IMPACT

Oversight Board approval of the Loan Agreement in an amount not to exceed \$125,000 provides the City the ability to get reimbursed for administrative costs currently funded from future allocations of RPTTF received by the Successor Agency from the County Auditor-Controller. Reimbursement is contingent upon final approval of the DOF. If this loan is approved by DOF, the total amount of funds will be drawn down from the RPTTF expected to be awarded in June 2015. Adoption of the Loan Agreement would allow the Successor Agency to list the Loan on the ROPS 2015-16A as a new enforceable obligation. If it is approved by DOF on the ROPS 2015-16A, the Successor Agency will owe the City the balance of the Loan.

Subject: Resolution Authorizing Short-Term Cash Flow Loan Agreement from the City of Clayton to the Successor Agency in the Amount of \$125,000 for Administrative Expenses

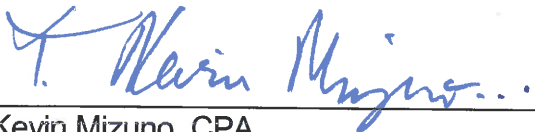
Date: February 26, 2015

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CONCLUSION

Staff recommends the Oversight Board adopt the attached Resolution authorizing a short-term cash flow loan agreement from the City of Clayton to the Successor Agency in the amount of \$125,000 for administrative expenses. Upon the Board's approval, this obligation can be added as an enforceable obligation line item on the current ROPS (2015-16A).

Respectively submitted,



Kevin Mizuno, CPA
Finance Manager

Attachment A: Resolution Approving a Loan Agreement with the City of Clayton

RESOLUTION NO. 1 -2015

**A RESOLUTION APPROVING A SUCCESSOR AGENCY
LOAN AGREEMENT WITH THE CITY OF CLAYTON**

**The Oversight Board to the
Successor Agency of the
Redevelopment Agency of the City of Clayton**

Whereas, in its Recognized Obligation Payment Schedule (“ROPS”) 14-15B, covering the period January 1, 2015 to June 30, 2015, the Successor Agency to the Redevelopment Agency of the City of Clayton (“Successor Agency”) requested an allocation from the Redevelopment Property Tax Trust Fund (“RPTTF”) for its administrative cost allowance in the amount of \$125,000; and

Whereas, that request was subsequently disallowed by the State Department of Finance (“DOF”) in a letter dated December 17, 2014, which determined that unspent bond proceeds held by the Successor Agency should be used to pay the Successor Agency’s administrative cost allowance before RPTTF may be used for this purpose; and

Whereas, the Successor Agency has disputed DOF’s determination on the ground that income tax regulations governing the use of tax exempt bond proceeds prohibit the use of bond proceeds for this purpose; and

Whereas, the Successor Agency and DOF are negotiating a settlement of this dispute which will authorize the use of RPTTF to pay the Successor Agency’s administrative cost allowance without recourse to the unspent bond proceeds; and

Whereas, the County Auditor-Controller distributed all funds from the RPTTF on January 2, 2015 and no funds currently remain in the RPTTF to pay the Successor Agency’s administrative cost allowance for the ROPS 2014-15 B period. For this reason, any settlement of this dispute must proceed on a going-forward basis; and

Whereas, the City of Clayton (“City”) desired to loan the Successor Agency the sum of ONE HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$125,000) to cover the Successor Agency’s administrative cost allowance for the ROPS 2014-15 B period and be repaid prior to June 30, 2015, from the next allocation of property taxes from the RPTTF and a written loan agreement has been prepared in the form attached hereto as Exhibit A.

Now, therefore, be it resolved by the Oversight Board as follows:

1. The Loan Agreement between the City and the Successor Agency effective February 17, 2015 is hereby approved in the form attached hereto as Exhibit A, subject to such non-substantive changes as may be approved by the Executive Director and Successor Agency Attorney.

2. The Executive Director is hereby authorized to execute the Loan Agreement on behalf of the Successor Agency and take all actions necessary or appropriate to implement its provisions.

PASSED, APPROVED AND ADOPTED the 26th day of February, 2015, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

**OVERSIGHT BOARD FOR THE
SUCCESSOR AGENCY FOR THE
CITY OF CLAYTON, CA**

Dan Richardson, Chairman

ATTEST:

Laura Hoffmeister, Clerk of the Board

LOAN AGREEMENT

This Loan Agreement ("Agreement") is entered into this 17th day of February, 2015, by and between the City of Clayton, a municipal corporation ("City"), and the Successor Agency to the Redevelopment Agency of the City of Clayton, a public body ("Successor Agency"), with respect to the following facts and assumptions:

A. In its Recognized Obligation Payment Schedule ("ROPS") 14-15B, covering the period January 1, 2015 to June 30, 2015, the Successor Agency requested its statutory allocation from the Redevelopment Property Tax Trust Fund ("RPTTF") for its administrative cost allowance in the amount of \$125,000.00.

B. That request was subsequently disallowed by the State Department of Finance ("DOF") in a letter dated December 17, 2014, which determined that unspent bond proceeds held by the Successor Agency must be used to pay the Successor Agency's administrative cost allowance before RPTTF may be used for this purpose. The Successor Agency disputed DOF's determination on the ground that income tax regulations governing the use of tax exempt bond proceeds prohibit the use of bond proceeds for this purpose.

C. The Successor Agency and DOF have negotiated a settlement of this dispute which will authorize the use of RPTTF to pay the Successor Agency's administrative cost allowance without recourse to the unspent bond proceeds.

D. The County Auditor-Controller previously distributed all funds from the RPTTF on January 2, 2015 and no funds currently remain in the RPTTF to now pay the Successor Agency its statutory administrative cost allowance for the ROPS 2014-15 B period. For this reason, the mutually-agreeable settlement of this dispute must proceed on a going-forward basis.

E. To resolve this one-time funding issue, the City desires to loan the Successor Agency the sum of ONE HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$125,000.00) to cover the Successor Agency's administrative cost allowance for the ROPS 2014-15 B period and be repaid prior to June 30, 2015, from the next allocation of property taxes from the RPTTF.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the City and the Successor Agency hereby agree as follows:

1. Immediately upon execution of this Agreement, the City shall loan the Successor Agency the total sum of ONE HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$125,000.00) (the "Loan") to cover the Successor Agency's administrative cost allowance for the ROPS 2014-15 B period.

2. The Loan shall be repaid without interest in one lump sum on or prior to June 30, 2015, from property taxes allocated to the Successor Agency from the RPTTF claimed in the Successor Agency's ROPS 2015-16A period.

3. The Successor Agency covenants to include this Agreement on its next ROPS submission in order to qualify for an allocation from the RPTTF.

In Witness Whereof, this Agreement has been executed by the parties hereto by their respective representatives thereunto duly authorized on the date first written above.

CITY OF CLAYTON, a municipal
corporation

By: _____
David T. Shuey, Mayor

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY OF CLAYTON**, a public body

By: _____
Gary A. Napper, Executive Director



Agenda Date: Feb. 26, 2015

Agenda Item: 3 (b)

STAFF REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS
FROM: KEVIN MIZUNO, FINANCE MANAGER, CPA
DATE: February 26, 2015
SUBJECT: CONSIDER A RESOLUTION TO APPROVE AND ADOPT AN 8TH RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS 2015-16A), PURSUANT TO THE DISSOLUTION ACT AND AB 1484

RECOMMENDATION

It is recommended the Oversight Board adopt the attached Resolution approving an 8th Recognized Obligation Payment Schedule (ROPS 2015-16A) covering timeframe July 1, 2015 through December 31, 2015, pursuant to Section 31471(h) and 34177(l)(1) of the California Redevelopment Law – the Dissolution Act, [ABx1 26 and AB 1484].

BACKGROUND

Under the Dissolution Act, “enforceable obligations” of the former redevelopment agency (e.g. Clayton Redevelopment Agency) include the following financial arrangements (the ROPS of a city or county):

- Bonds
- Loans
- Payments required by state or federal government
- Obligations to employees
- Judgments or settlements
- Binding and legally enforceable agreements entered into before AB1x26
- Contracts for RDA administration, Successor Agency administration, and Oversight Board administration

The monies to fund the requested ROPS funding are issued by the County Auditor-Controller to our City’s “Redevelopment Obligation Retirement Fund”. As its name implies, this fund replaces the former Redevelopment Agency’s three Funds and functions as the repository for sufficient tax increment revenues in the amounts identified and approved in

subsequent ROPS to effectively “retire” all former Clayton Redevelopment Agency debts and contractual obligations over a multi-year period. Once all identified and certified debts and obligations have been satisfied, the Successor Agency is then dissolved.

DISCUSSION

Recognized Obligation Payment Schedule (ROPS)

Included herein, as Attachment 1 to this staff report, is the 8th Recognized Obligation Payment Schedule (ROPS 2015-16A) requesting \$597,750 in redevelopment property tax trust fund (RPTTF) monies. This period (July 1, 2015 through December 31, 2015) is \$418,468 greater than in the prior ROPS 2014-15B (January 1, 2015 to June 30, 2015). This increase is primarily attributable to two circumstances: (1) the current ROPS period includes both principal and interest payments on the 2014 Refunding Tax Allocation Bonds whereas the prior ROPS period requested funding for the February 1st interest only debt service payment; and (2) the Successor Agency is re-submitting its unpaid administrative fees pursuant to Health & Safety Code Section 34171(b) for the previous ROPS period (2014-15B).

The State Department of Finance (DOF) Determination Letter pertaining to the Successor Agency's ROPS 2014-15B dated November 10, 2014 approved all obligations requested on the 2014-15B ROPS Detail Form. However, the DOF further directed the Successor Agency use remaining bond proceeds to pay for the approved obligations. By changing the funding source from RPTTF to bond proceeds, the DOF effectively eliminated all RPTTF funding to the Successor Agency for the ROPS 2014-15B period.

Successor Agency management disputed the legality of the DOF's November 10, 2014 letter and re-examined the original and supplemental bond indentures pertaining to the 2014 refunding Tax Allocation Bonds, as well as consulted with bond counsel (Jones Hall) and special redevelopment legal counsel (Godfarb & Lipman). After internal reviews and external consultation, it was concluded that using existing bond proceeds to pay for administrative costs and bond principal would be in violation of the bond agreement (IRS regulations). The Successor Agency also received an opinion letter from Bond Counsel supporting these claims.

The DOF administrative procedures governing “post redevelopment” administration allow for a Meet and Confer to communicate any disagreements with DOF Determination Letters. On November 24, 2014 Successor Agency management along with our legal advisor at Godfarb & Lipman (Karen Tiedemann) held a Meet and Confer phone conference with the DOF. As part of this process, the City provided the DOF relevant portions of the bond indentures, bond official statements, as well as the Bond Counsel letter dated December 1, 2014.

Despite the due diligence procedures described previously, the DOF issued a Final Determination Letter dated December 17, 2014 re-affirming their previous conclusions in the November 10, 2014 Determination Letter. Management of the Successor Agency and its

legal advisors disagreed with this Determination Letter, concluding the use of bond proceeds in any manner that is inconsistent with the legally binding bond agreements would likely expose the Successor Agency to IRS penalties and/or litigation for which the DOF will not provide indemnification.

At the direction of the City Council, the City's Legal Counsel (BB&K) prepared a letter to the DOF offering to settle this dispute along the following lines: (1) the Successor Agency pays the fiscal agent trustee fees from bond proceeds; (2) RPTTF monies be used to pay the administrative cost allowance; and (3) the Successor Agency use bond proceeds to pay the February 1, 2015, interest only debt service payment and in future ROPS allocate principal and interest between the RPTTF and bond proceeds (to the extent any remain), respectively. This settlement offer was communicated to the DOF in a letter dated January 20, 2015.

On February 10, 2015 Ms. Shelly Renner, Senior Staff Counsel to the DOF, contacted BB&K and agreed to settle the dispute as suggested in the letter dated January 20, 2015. It was agreed the City would make a loan to the Successor Agency for the unpaid \$125,000 administrative cost allowance in the 2015-16A ROPS. A new enforceable obligation line item for this loan would then be added to the 2015-16A ROPS Detail Form, which would permit the City to be paid back before the end of the fiscal year ending June 30, 2015. The DOF has provided a formal signed letter to the City and Successor Agency to memorialize this agreement (Attachment 3).

Successor Agency Loans

SERAF loans became eligible for repayment starting in the six month period ending December 31, 2014, provided that the following three circumstances are met: (1) The Successor Agency has completed its Due Diligence Reviews (DDR's), (2) the results of the DDR's are reviewed by the Oversight Board, and (3) the Successor Agency has received a Notice of Completion. The Successor Agency DDR's have now been completed following the final issuance of the SCO Asset Transfer Review Report on December 23, 2014. However, at this point in time the final DDR's must still be approved by the Oversight Board. As such the SERAF internal loan balance (due from the Other Funds Successor to the Low-Moderate Housing Successor) information is included in the current ROP's in order to track the amount for anticipated future payments although payments are not yet eligible to be received. With the final DDR's management anticipates the Notice of Completion to be issued in the next six months.

Although previously denied in ROPS 1-7 by the DOF, AB 1484 did contain language that an agency's prior inter-agency payments (e.g. the City's 2% Election monies and the Fire Station No. 11 construction assistance payment) may be deemed eligible by DOF commencing on or after FY 2013-14. Therefore these former RDA obligations due the City of Clayton have been included in this ROPS for eligibility tracking (Items No. 13 and 14 on the ROPS 2015-16A Detail page) and future repayment after receiving a Notice of Completion estimated to occur in FY 2015-16.

FISCAL IMPACT

Once approved by the DOF, ROPS 2015-16A will be in place for the Successor Agency to make payments on agreements and other obligations of the former Redevelopment Agency for the period of time July 1, 2015 through December 31, 2015. Absence this approval the Successor Agency is not allowed to make such payments.

Respectively submitted,



Kevin Mizuno, CPA
Finance Manager

Attachments:

- 8th ROPS 15-16A Resolution (3 pp.)
1. 8th Recognized Obligation Payment Schedule (ROPS15-16A)
 2. Bond Counsel Opinion Letter – December 1, 2014
 3. California Department of Finance Letter dated February 20, 2015

RESOLUTION NO. 2- 2015

**A RESOLUTION APPROVING AND ADOPTING THE
8th RECOGNIZED OBLIGATION PAYMENT SCHEDULE
(ROPS 2015-16A) FOR THE TIME PERIOD OF
01 JULY 2015 THROUGH 31 DECEMBER 2015,
PURSUANT TO SECTION 31471(h) AND 34177(i)(1)
OF THE CALIFORNIA REDEVELOPMENT LAW**

**THE OVERSIGHT BOARD
Successor Agency for the City of Clayton, California**

WHEREAS, pursuant to the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*; the "Redevelopment Law"), the City Council (the "City Council") of the City of Clayton (the "City") adopted in accordance with the California Community Redevelopment Law, City Ordinance No. 243 on 20 July 1987 adopting the Redevelopment Plan for the Clayton Redevelopment Project Area (the "Redevelopment Plan"), as amended from time to time; and

WHEREAS, the Redevelopment Agency of the City of Clayton (the "Agency") is responsible for implementing the Redevelopment Plan pursuant to said Redevelopment Law; and

WHEREAS, Assembly Bill X1 26 (the "Dissolution Act") and Assembly Bill X1 27 (the "Alternative Redevelopment Program Act") were enacted by the State of California on 28 June 2011, to significantly modify the Community Redevelopment Law and to end the existence of or modify continued operation of redevelopment agencies throughout the state (Health & Safety Code §33000, *et seq.*; the "Redevelopment Law"); and

WHEREAS, on 11 August 2011, the California Supreme Court agreed to review the California Redevelopment Association and League of California Cities' petition challenging the constitutionality of these Redevelopment Restructuring Acts; and

WHEREAS, on 29 December 2011, the California Supreme Court ruled that the Dissolution Act is largely constitutional and the Alternative Redevelopment Program Act is unconstitutional; and

WHEREAS, the Court's decision means that all California redevelopment agencies, including the Clayton Redevelopment Agency, are now terminated and have been automatically dissolved on 1 February 2012 pursuant to the Dissolution Act; and

WHEREAS, on 17 January 2012 by Resolution No. 03-2012, the Clayton City Council did exercise its priority right and took action to become the Successor Agency and the Successor Housing Agency of the former Clayton Redevelopment Agency; and

WHEREAS, 07 January 2015 the Department of Finance (DOF) posted instructions for completing the 8th Recognized Obligation Payment Schedule (ROPS 2015-16A) covering the time period of 01 July 2015 through 31 December 2015, including the requirement that the ROPS 2015-16A must be adopted by the Successor Agency, approved by its Oversight Board and submitted electronically to the DOF by 03 March 2015; and

WHEREAS, under Title 14 of the California Code of Regulations, Section 15378(b)(4), the approval of the ROPS is exempt from the requirements of the California Environmental Quality Act ("CEQA") in that it is not a project, but instead consists of the continuation of an existing governmental funding mechanism for potential future projects and programs, and does not commit funds to any specific project or program because it merely lists enforceable obligations previously entered into and approved by the former Clayton Redevelopment Agency; and

WHEREAS, the Oversight Board to the City of Clayton Successor Agency has reviewed and duly considered the Staff Report, the proposed 8th Recognized Obligation Payment Schedule (ROPS 2015-16A), plus documents and other written evidence presented at the meeting.

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board for the Successor Agency does hereby find the above Recitals are true and correct and have served, together with the supporting documents, as the basis for the findings and approvals set forth below.

BE IT FURTHER RESOLVED that the Oversight Board does hereby approve and adopt the 8th Recognized Obligation Payment Schedule (ROPS 2015-16A), attached hereto as "Attachment 1" and incorporated herein as if fully set forth in this Resolution.

BE IT FURTHER RESOLVED that the Oversight Board authorizes and directs its City Manager or the City Manager's designee to: (1) post the 8th Recognized Obligation Payments Schedule (Attachment 1) on the City's website; (2) designate a City representative to whom all questions related to the 8th Recognized Obligation Payment Schedule can be directed; (3) notify, by mail or electronic means, the County Auditor-Controller, the State Department of Finance, and the State Controller of the Oversight Board's action to adopt the 8th Recognized Obligation Payment Schedule (ROPS 2015-16A), and to provide those persons with the internet website location of the posted schedule and the contact information for the City's designated contact; and (4) to take such other actions and execute such other documents as are appropriate to effectuate the intent of this Resolution and to implement the Recognized Obligation Payment Schedule on behalf of the Oversight Board, Successor Agency, and City.

BE IT FURTHER RESOLVED that if any section, subsection, subdivision, paragraph, sentence, clause or phrase of this Resolution or of Attachment 1, or any part thereof is for any reason held to be unconstitutional, invalid or ineffective, such decision shall not

affect the validity or effectiveness of the remaining portions of this Resolution, Attachment 1 or any part thereof. The Oversight Board, acting for the Successor Agency, hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause or phrase of this Resolution or of Attachment 1 irrespective of the fact that one or more sections, subsections, subdivision, paragraphs, sentences, clauses or phrases be declared unconstitutional, invalid or ineffective. To this end the provisions of this Resolution and of Attachment 1 are declared to be severable.

AND BE IT FURTHER RESOLVED that this Resolution shall and does take immediate effect upon its adoption.

PASSED, APPROVED AND ADOPTED by the Oversight Board for the Successor Agency of the City of Clayton, California at a regular public meeting thereof held on the 26th day of February 2015 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

THE OVERSIGHT BOARD FOR THE
SUCCESSOR AGENCY FOR THE
CITY OF CLAYTON, CA

Dan Richardson, Chair

ATTEST:

Laura Hoffmeister, Clerk of the Board

Recognized Obligation Payment Schedule (ROPS 15-16A) - Summary
 Filed for the July 1, 2015 through December 31, 2015 Period

Name of Successor Agency: Clayton
 Name of County: Contra Costa

Current Period Requested Funding for Outstanding Debt or Obligation		Six-Month Total
Enforceable Obligations Funded with Non-Redevelopment Property Tax Trust Fund (RPTTF) Funding Sources (B+C+D):		
A	Bond Proceeds Funding (ROPS Detail)	\$ 43,585
B	Reserve Balance Funding (ROPS Detail)	43,585
C	Other Funding (ROPS Detail)	-
D		-
E Enforceable Obligations Funded with RPTTF Funding (F+G):		\$ 597,750
F	Non-Administrative Costs (ROPS Detail)	472,750
G	Administrative Costs (ROPS Detail)	125,000
H Current Period Enforceable Obligations (A+E):		\$ 641,335

Successor Agency Self-Reported Prior Period Adjustment to Current Period RPTTF Requested Funding		
I	Enforceable Obligations funded with RPTTF (E):	597,750
J	Less Prior Period Adjustment (Report of Prior Period Adjustments Column S)	(8,921)
K Adjusted Current Period RPTTF Requested Funding (I-J)		\$ 588,829

County Auditor Controller Reported Prior Period Adjustment to Current Period RPTTF Requested Funding		
L	Enforceable Obligations funded with RPTTF (E):	597,750
M	Less Prior Period Adjustment (Report of Prior Period Adjustments Column AA)	-
N Adjusted Current Period RPTTF Requested Funding (L-M)		597,750

Certification of Oversight Board Chairman:
 Pursuant to Section 34177 (m) of the Health and Safety code, I
 hereby certify that the above is a true and accurate Recognized
 Obligation Payment Schedule for the above named agency.

 Name Title
 /s/ _____
 Signature Date

Recognized Obligation Payment Schedule (ROPS 15-16A) - Report of Cash Balances
(Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. For tips on how to complete the Report of Cash Balances Form, see https://rad.dof.ca.gov/rad-sa/pdf/Cash_Balance_Agency_Tips_Sheet.pdf.

A	B	C	D	E	F	G	H	I					
									Fund Sources				
									Bond Proceeds		Reserve Balance		Other
Bonds Issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS period balances and DDR RPTTF balances retained	Prior ROPS RPTTF distributed as reserve for future period(s)	Rent, Grants, Interest, Etc.	Non-Admin and Admin								
Cash Balance Information by ROPS Period													
ROPS 14-15A Actuals (07/01/14 - 12/31/14)													
1	Beginning Available Cash Balance (Actual 07/01/14)												
2	Revenue/Income (Actual 12/31/14) RPTTF amounts should tie to the ROPS 14-15A distribution from the County Auditor-Controller during June 2014	310,367	20,653	1,325,017	-	74,823	36,833						
3	Expenditures for ROPS 14-15A Enforceable Obligations (Actual 12/31/14) RPTTF amounts, H3 plus H4 should equal total reported actual expenditures in the Report of PPA, Columns L and Q	127	-	-	-	6,804	524,820	H2 RPTTF receipt is a reconciling item for cell E1 as this was being received by the SA and posted in June 2014. Cell D3 includes cost of issuance expenditures included in the bond transcript approved by the DOF. Rollover into July 2014 was unknown at time of ROPS 2014-15A preparation. Items include the following: (1) \$3,120 Godfarb & Lipman, (2) \$5,480 trustee and escrow agent, and (3) \$568.50 CDIAAC state bond filing fee. Cell H3 consists of the following: (1) RPTTF from ROPS 2014-15A (\$417,774) paid into escrow on 6/25/15 to call old bonds and used by trustee to pay scheduled 8/1/15 debt service 1998 bonds, (2) \$2,400 in NBS charges for arbitrage reports on the 1998 and 1999 bonds, (3) H&S code section 34171(b) administration for ROPS 2014-15A period, and (4) \$150 in approved other professional services.					
4	Retention of Available Cash Balance (Actual 12/31/14) RPTTF amount retained should only include the amounts distributed as reserve for future period(s)	-	8,189	-	-	-	545,324						
5	ROPS 14-15A RPTTF Prior Period Adjustment RPTTF amount should tie to the self-reported ROPS 14-15A PPA in the Report of PPA, Column S	-	-	-	-	-	-	No entry required					
6	Ending Actual Available Cash Balance C to G = (1 + 2 - 3 - 4), H = (1 + 2 - 3 - 4 - 5)	\$ 310,494	\$ 11,464	\$ 1,325,017	\$ -	\$ 81,627	\$ 7,408						
ROPS 14-15B Estimate (01/01/15 - 06/30/15)													
7	Beginning Available Cash Balance (Actual 01/01/15) (C, D, E, G = 4 + 6, F = H4 + F4 + F6, and H = 5 + 6)	\$ 310,494	\$ 11,464	\$ 1,325,017	\$ -	\$ 81,627	\$ 16,329						
8	Revenue/Income (Estimate 06/30/15) RPTTF amounts should tie to the ROPS 14-15B distribution from the County Auditor-Controller during January 2015	-	-	-	-	-	-	No RPTTF awarded for ROPS 14-15B period.					
9	Expenditures for ROPS 14-15B Enforceable Obligations (Estimate 06/30/15)	-	-	-	-	-	-	Per the DOF Determination Letter dated 12/17/14, the SA was instructed to apply bond proceeds to pay ROPS 2014-15B items 4, 7, and 16 totaling \$171,874. Cell C9 and D9 include the use of bond proceeds to pay 2/1/15 interest payment on 2014 refunding TABs following DOF instruction. Cell C9 also includes use of bond proceeds totaling \$1,980 to pay fiscal agent costs (item no. 4). Cell H9 applies RPTTF to net balance due on 2/1/15 interest payment pursuant to the 12/17/14 DOF letter.					
10	Retention of Available Cash Balance (Estimate 06/30/15) RPTTF amount retained should only include the amounts distributed as reserve for future period(s)	35,390	11,464	-	-	-	7,408						
11	Ending Estimated Available Cash Balance (7 + 8 - 9 - 10)	\$ 275,104	\$ -	\$ 1,325,017	\$ -	\$ 81,627	\$ 8,921						

December 1, 2014

475 Sansome Street
17th Floor
San Francisco, CA 94111
t. 415.391.5780
f. 415.276.2088

Gary Napper
City Manager
City of Clayton
6000 Heritage Trail
Clayton, CA 94517

**Re: Successor Agency to the Redevelopment Agency of the City of Clayton
Recognized Obligation Payment Schedule 2014-15B**

Dear Laura:

You have informed us that the Department of Finance ("DOF") has directed the Successor Agency to the Redevelopment Agency of the City of Clayton (the "Agency") to deposit certain moneys totaling approximately \$310,000 in the Redevelopment Property Tax Trust Fund (the "RPTTF") held by the Contra Costa Auditor Controller for the benefit of the Agency. You have indicated that these funds represent original bond proceeds remaining from the former Redevelopment Agency of the City of Clayton (the "Former Agency") City of Clayton Redevelopment Project Area Tax Allocation Bonds, Series 1990 (the "1990 Bonds"). You have requested our thoughts relating to the DOF's direction that these bond proceeds should be deposited in the RPTTF and applied as set forth in Section 34183(a) of the California Health and Safety Code.

The 1990 Bonds were issued pursuant to an Indenture and Fiscal Agent Agreement dated as of December 1, 1990 (the "Original Agreement"), between the Former Agency and Bankers Trust Company of California, National Association, as fiscal agent (as succeeded by U.S. Bank National Association, the "Fiscal Agent"). The 1990 Bonds were refunded by the Former Agency through the issuance of its City of Clayton Redevelopment Project Area Refunding Tax Allocation Bonds, Series 1996A (the "1996A Bonds"), pursuant to the Original Agreement, as supplemented and amended by a Second Supplemental Indenture and Fiscal Agent Agreement dated as of November 1, 1996 (the "Second Supplement") between the Former Agency and the Fiscal Agent. At the time of the refunding, amounts on deposit in the reserve account for the 1990 Bonds were deposited in the reserve account established for the 1996A Bonds, thereby becoming, for federal tax purposes, transferred proceeds of the 1996A Bonds subject to the federal tax covenants set forth in the Original Agreement, as supplemented and amended by the Second Supplement. In June of this year, the Agency refunded the 1996A Bonds through the issuance by the Agency of its City of Clayton Redevelopment Project Area Refunding Tax Allocation Bonds, Series 2014 (the "2014 Bonds"). The 2014 Bonds were issued pursuant to the Original Agreement, as heretofore supplement and amended and as



supplement and amended by a Fourth Supplemental Indenture and Fiscal Agent Agreement dated as of June 1, 2014 (together with the Original Agreement, as heretofore supplemented and amended, including by the Second Supplement, the "Fiscal Agent Agreement"). At the time of issuance of the 2014 Bonds, the approximately \$310,000 of amounts formerly deposited in the reserve account for the 1996A Bonds became transferred proceeds of the 2014 Bonds, and, therefore, continue to be subject to the federal tax covenants set forth in the Fiscal Agent Agreement.

As mentioned above, under federal tax law, notwithstanding the refunding and redemption of the 1990 Bonds and the 1996A Bonds, the unspent proceeds of the 1990 Bonds are now considered proceeds of the 2014 Bonds. Accordingly, the unspent proceeds of 1990 Bonds remain subject to the tax covenants set forth in the Fiscal Agent Agreement. Any use of the unspent proceeds that does not comply with these covenants and the requirements of federal tax law could adversely affect the tax-exempt status of both the 1996 Bonds and the 2014 Bonds. It is our opinion that depositing these unspent proceeds in the RPTTF would cause a violation of federal tax law. As we have discussed, unspent proceeds can only be expended in accordance with the Fiscal Agent Agreement. Therefore, the DOF ROPS determination letter dated November 10, 2014 directing the change of funding source for all 2014-15B ROPS enforceable obligations from RPTTF to bond proceeds legally cannot be allowed under the bond requirements.

I hope this letter addresses your questions. Please contact us if you have any further questions.

Very truly yours

A handwritten signature in cursive script that reads "Stephen Melikian".

Stephen Melikian
President and Shareholder



February 20, 2015

Mr. Brent Hawkins, Counsel to the City of Clayton Successor Agency
Best Best & Krieger, LLP
500 Capitol Mall, Suite 1700
Sacramento, CA 95814

Dear Mr. Hawkins:

Subject: Clayton Successor Agency Reclassification of Unspent Bond Proceeds

This is in response to your letter dated January 20, 2015 related to the California Department of Finance's (Finance) reclassification of certain unspent bond proceeds for use on three Recognized Obligation Payment Schedule (ROPS) items for the Clayton Successor Agency (Agency).

Specifically, the Agency has \$310,000 unspent proceeds from a prior bond issuance. During the 14-15B ROPS process, Finance adjusted three line items on the ROPS to be payable from the bond proceeds in lieu of receiving funds from the Redevelopment Property Tax Trust Fund (RPTTF). The three line items relate to a fiscal agent contract, debt service for the 2014 Refunding Bonds, and the Agency's administrative costs. However, as discussed, it is your opinion that the bond proceeds have restricted uses and, in particular, cannot be used for the Agency's administrative costs or for the principal component of debt service payments.

In reliance on your opinion, Finance agrees to the following:

On all future ROPS until the remaining bond proceeds have been spent, the Agency shall request, and Finance shall accept:

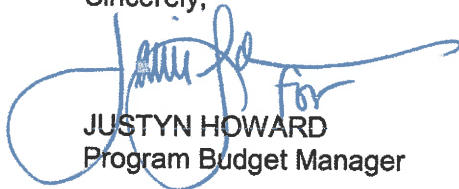
1. The use of the remaining bond proceeds for the payment of Item No. 4 – Fiscal Agent Contract, to the extent any amount remains outstanding.
2. The use of the remaining bond proceeds for the payment of Item No. 16 – Refunding Tax Allocation Bonds 2014 (interest amount coming due for the 2014 Refunding Bonds).
3. RPTTF funds for the payment of Item No. 16 – Refunding Tax Allocation Bonds 2014 (principal amount coming due for the 2014 Refunding Bonds).
4. RPTTF funds for the payment of the Agency's administrative costs consistent with statutory limitations.

Further, the Agency requests RPTTF funds for the current administrative costs. Since all RPTTF funds were distributed on January 2, 2015, there are no longer any funds to send to the

Agency for these costs. Instead, consistent with HSC section 34173 (h), the City of Clayton may loan funds to the Agency for the payment of Item No. 7 – Administrative Costs. The Agency should place such loan on the next ROPS as a new enforceable obligation for payment from RPTTF.

Please let me know if the above terms are not acceptable. You may contact me at (916) 445-3274 should you have additional questions or concerns.

Sincerely,

A handwritten signature in blue ink, appearing to read "Justyn Howard for". The signature is stylized and includes a large loop on the left side.

JUSTYN HOWARD
Program Budget Manager


cc: Mr. Kevin Mizuno, Finance Manager, City of Clayton
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office



Agenda Date: Feb 26, 2015

Agenda Item: 3(c)

STAFF REPORT

TO: HONORABLE CHAIRMAN AND BOARD MEMBERS
FROM: Kevin Mizuno, Finance Manager 
MEETING DATE: February 26, 2015
SUBJECT: Receipt of public comment on and Review of Draft Low – Moderate Income Housing Funds Due Diligence Review Report pursuant to AB 1484 (HSC 34179.5)

RECOMMENDATION

It is recommended the Oversight Board:

- Take any comments from the Public.
- Questions/Comments from the Oversight Board members
- Direct staff to bring back the item for final Action by the Oversight Board at its next meeting no sooner than February 26, 2015.

BACKGROUND

On January 17, 2012, the Clayton City Council selected through adoption of Resolution 03-2012 to retain the affordable housing assets and functions performed by the former Redevelopment Agency in accordance with Section with Section 34176 of the Health and Safety Code (Redevelopment Law). The duties and functions transferred by operation of State law on February 1, 2012.

The City, acting in its general municipal capacity and separately from the City as Successor Agency, has also elected to retain and accept specified affordable housing assets, obligations, and housing functions (collectively, the "Housing Functions") of the Redevelopment Agency pursuant to Section 34176, commencing on the Dissolution Date (February 1, 2012). In this capacity, the City is referred to as the "Successor Housing Agency".

All monies in the Redevelopment Agency's Low and Moderate Income (LMI) Housing Fund were transferred on the Dissolution Date to the City as Successor Housing Agency. The Redevelopment Agency understands that the City as Successor Housing Agency will establish a comparable fund, separate and distinct from all other funds and accounts of the City, to hold, administer and spend the monies in the transferred Housing Fund to perform Housing Functions consistent with the Dissolution Act.

On June 27, 2012, the Governor signed into law AB 1484 which modified the dissolution law affecting the winding down of redevelopment agencies throughout the State. As part of this new law, Due Diligence Reviews (DDR) of the LMI Housing Fund were required to be

submitted to the Oversight Board, the county auditor-controller, the State Controller's Office and the Department of Finance by October 1, 2012. The Oversight Board had until October 15, 2012 to review, approve, and transmit to the Department of Finance and County Auditor-Controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities.

The DOF reviews of the determinations provided by the Oversight Boards and any decision to overturn determinations made by the Oversight Board to authorize a Successor Agency to retain assets or funds will be conveyed to the Oversight Board and Successor Agency via a letter. Successor Agencies have five (5) days from receipt of the decisions to request a "meet and confer" meeting.

Due to staff health matters resulting in delays in preparation for and completing the City and Successor Agency's audited financial statements for fiscal years 2011-12 and 2012-13, the DDR was unable to be completed in a timely manner, and drafts have been delayed until this meeting. Fortunately, submittal of the DDRs after the October 15, 2012 deadline does not carry any penalties or other sanctions by the State DOF only that the Successor Agency/Oversight Board cannot issue new debt. The City has not and does not have any new debt that it would issue, and the 2014 refunding Tax Allocation Bonds issued by the Successor Agency on June 25, 2014 is not an issuance of new debt but rather a refunding (i.e. refinancing) of old debt to take advantage of more favorable interest rates.

At the February 13, 2013 Oversight Board meeting a draft of the LMI Funds DDR was presented. Subsequently however, the independent auditors determined additional work was necessary in light of the City's delayed financial statement audits.

A draft of the LMI DDR was presented to the Oversight Board on October 9, 2014 and approved for submittal to the DOF. However shortly following this action, the Successor Agency received the State Controller's Office (SCO) Asset Transfer Review report. As the LMI DDR report had not yet been submitted to the DOF, the report was forwarded to our independent accountants who updated to the DDRs to reflect consistency with the SCO's report. Management is recommending the Oversight Board review and authorize the revised LMI DDR for submittal to the DOF.

DISCUSSION

AB 1484 (HSC Section 34179.5) requires each Successor Agency to employ a licensed accountant, approved by the County Auditor-Controller and with experience and expertise in local government accounting, to conduct a DDR to determine the unobligated balances available for transfer to taxing entities. As an alternative, an audit provided by the County Auditor-Controller that provides the information required by this section may be used to comply with this section with the concurrence of the oversight board. Contra Costa County notified jurisdictions that it does not have the staffing to undertake such efforts and thus the local agencies were required to engage their own outside auditor.

The City of Clayton Successor Agency contracted the City's independent auditors (Cropper Accountancy Corp.) to perform the LMI Housing Fund DDR. Once the fiscal year 2011-12 and 2012-13 financial statement audits were submitted to the City Council for acceptance on

November 19, 2013 and February, 4, 2014 respectively, the auditors were able to focus their efforts on completing drafts of the LMI Housing Fund DDR. The Oversight Board is now required to review, approve, and transmit to the DOF and County Auditor-Controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities based on the results of the independently prepared DDRs.

While HSC Section 34179.6 allows the DOF to specify the form and manner in which information about the review shall be provided, no specific form will be required. However, every DDR submitted, at a minimum, must contain the following:

A cover page delineating whether the DDR was conducted by a licensed accountant or the County Auditor-Controller along with verification of approval or concurrence of the DDR by the appropriate entity. A summary addressing each of the six deliverables required, pursuant to HSC Section 34179.5 (c) (1) – (6). The document must include the following items:

- Independent Accountants Report on Applying Agreed Upon Procedures
- Procedures and Findings
- Condensed Financial Statement Comparison
- Summary of Available Balances
- Recognized Obligation Payment Schedule (ROPS 1)
- Recognized Obligation Payment Schedule (ROPS 2)
- Recognized Obligation Payment Schedule (ROPS 3)
- Inventory of Assets Received- Loans/Grants Receivable

In summary, the draft LMI Housing Fund DDR reports the following:

- Total LMI Housing Fund assets transferred from the Redevelopment Agency to the Successor Housing Agency on February 1, 2012 totaled **\$10,709,236**.
- The LMI Housing Fund reported total assets of **\$10,175,309** as of June 30, 2012.
- The State Controller's Office (SCO) conducted a review of asset transfers between the City of Clayton and the former Redevelopment Agency during the period during the period January 1, 2011 through January 31, 2012. The SCO issued their final Asset Transfer Review Report on December 23, 2014. This report concluded a total of \$200,000 in previously transferred assets is required to be remitted from the City of Clayton to the Successor Agency. Of the total ordered to be repaid by the SCO, the DDR reports that **\$62,500** was from LMI Housing Funds.
- The Successor Housing Agency did not make any transfers to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012.
- The Successor Housing Agency did not make any transfers to any other public agency or to private parties for the period from February 1, 2012 through June 30, 2012.
- The amount to be remitted to the County Auditor-Controller for transfer to other taxing agencies is **\$3,679,225**.

FISCAL IMPACT

Local revenues resulted in cash funds set aside over the life of the former Redevelopment Agency of the City of Clayton for the purpose of providing housing for low and moderate

Subject: Receipt of public comment on and Review of Draft Low – Moderate Income Housing Funds Due Diligence Review Report pursuant to AB 1484 (HSC 34179.5)

Date: February 26, 2015

Page 4 of 4

income families. Based on AB 1x26 and AB 1484, these funds will be remitted to the County for distribution and reduce the State's payments to the local school district. As a result, \$3,679,225 in affordable housing projects will not be completed in the City of Clayton.

CONCLUSION

Staff recommends that the Oversight Board:

- Take any comments from the Public.
- Questions/Comments from the Oversight Board members
- Direct staff to bring back the item for final Action by the Oversight Board at its next meeting no sooner than March 6, 2015.

Attachment: A) Draft LMI Housing Fund Due Diligence Report

Department of Finance of the State of California

Due Diligence Review of the
Redevelopment Agency of the City of Clayton
(Dissolved Agency)
Low to Moderate Income Housing Fund

*Independent Accountants' Report on Applying Agreed-Upon
Procedures with respect to HSC Section 34179.5(c)(1)-(6)*

**REDEVELOPMENT AGENCY
OF THE CITY OF CLAYTON (DISSOLVED AGENCY)
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INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

Oversight Board of the Successor Agency
for the Redevelopment Agency of the City of Clayton
(Dissolved Agency)
Clayton, California

We have performed the agreed-upon procedures enumerated in Attachment A, which were agreed to by the California State Controller's Office and the Department of Finance to assist you in ensuring that the dissolved redevelopment agency is complying with its statutory requirements with respect to ABX1 26. Management of the successor agency and the county are responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code Sections 34179.5(c)(1) through 34179.5 (c)(3) and Sections 34179.5(c)(5) through 34179.5(c)(6) as it relates to the Low and Moderate Income Housing Fund of the Successor Agency. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures identified below either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures as set forth in Attachment A, B and C. Attachment A also identifies the findings noted as a result of the procedures performed.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A. 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 you.

This report is intended solely for the information and use of the successor agency, and 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.

CROPPER ACCOUNTANCY CORPORATION
Certified Public Accountants

Walnut Creek, California
December 23, 2014

PROCEDURE REQUESTED	RESULTS/FINDING BASED ON PERFORMANCE OF THE PROCEDURE REQUESTED	ATTACHMENT
<p><i>CITATION</i></p> <p><i>34179.5(c)(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012</i></p>		
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>The City of Clayton transferred assets of \$10,709,236 at February 1, 2012. The fund equity totaled \$7,503,036, while liabilities were \$3,206,200. As part of the agreed upon procedures, these amounts were agreed to the City and Successor Agency records.</p> <p>Exhibit 1 – client listing of the outstanding balances was reconciled to the accounting records.</p>	<p>Attachment B</p> <p>Exhibit 1</p> <p>See short period financials from February 1 to June 30, 2012 for Successor Agency to the Clayton RDA (p. 7)</p>
<p><i>CITATION</i></p> <p><i>34179.5(c)(2) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012 by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.</i></p>		

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<p>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:</p>	<p>We obtained a copy of the State Controller’s Office (SCO) asset transfer review report dated December 23, 2014. In the report the State Controller’s Office ordered the City of Clayton to transfer \$200,000 back to the Successor Agency. Upon inspection of correspondence between the SCO and the City and supporting general ledger documents, the order to repay \$200,000 was split between Low-Moderate and All Other RDA assets by \$62,500 and \$137,500 respectively.</p>	<p>Exhibit 5</p>
<p>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</p>	<p>Not applicable – see above.</p>	

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<p>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.</p>	<p>Not applicable – see above.</p>	
<p>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.</p>	<p>Not applicable – see above.</p>	
<p><i>CITATION</i></p> <p><i>34179.5(c)(3) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012 by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.</i></p>		

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<p>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:</p>	<p>We obtained a copy of the SCO report dated December 23, 2014.</p>	<p>Exhibit 5</p>
<p>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.</p>	<p>Not applicable – see above.</p>	
<p>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.</p>	<p>Not applicable – see above.</p>	

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<p>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.</p>	<p>Not applicable – see above.</p>	
<p><i>CITATION</i></p> <p><i>34179.5(c)(4) The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009–10 fiscal year.</i></p>		
<p>4. Perform the following procedures:</p>		
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Obtained trial balances and detailed general ledgers for the applicable periods. Agreed accounting records to financial statements as applicable.</p> <p>See attachment B for fiscal periods requested.</p> <p>There are no capital assets or long-term liabilities in the LMI fund.</p>	<p>Attachment B</p> <p>See short period financials from February 1 to June 30, 2012 for Successor Agency to the Clayton RDA (p. 7)</p>

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<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only. Equity roll forwards were performed.</p>	<p>Attachment B</p>
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only. Agreed some state controllers report numbers on a test basis. SERAF number of \$592,412 ties.</p>	<p>Attachment B</p>
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only. Agreed comparative totals to general ledger detail and other documentation as appropriate.</p>	
<p><i>CITATION</i></p> <p><i>34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:</i></p> <p><i>(A) A statement of the total value of each fund as of June 30, 2012.</i></p>		

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<p>5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Exhibit 1 as submitted to the Department of Finance differs from the accounting record's notes receivable of \$4,160,650 is as follows:</p> <p>1-Diamond Terrace is \$3,406,200 on the Exhibit 1, the Attachment B, and general ledger at June 30, 2012.</p> <p>2-Eden Housing's \$567,000 agrees to the both Exhibit 1, Attachment B and the general ledger.</p> <p>3- Stranahan Circle (13 properties on Exhibit 1) differ on the current outstanding loan balances. Exhibit 1 lists \$2,177,806 in loan balances while the accounting records reflect \$187,450. The large difference is due to a shared equity agreement where the LMI fund would have the first option to purchase properties at market and sell to buyers below market. The auditors wrote this down to a net realizable value in 2010.</p>	<p>Attachment B Exhibit 1</p>
<p><i>CITATION</i></p> <p><i>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.</i></p>		

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<p>6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:</p>		
<p>A. Unspent bond proceeds:</p> <ul style="list-style-type: none">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.	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable – no unspent bond proceeds.</p>	

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<p>B. Grant proceeds and program income that are restricted by third parties:</p> <ul style="list-style-type: none"> 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. 	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable – no grant proceeds or program income</p>	
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<p>C. Other assets considered to be legally restricted:</p> <ul style="list-style-type: none"> 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. 	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable – no other assets that are legally restricted</p>	
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable</p>	

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<p><i>CITATION</i></p> <p><i>34179.5(c)(5)(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.</i></p>		
<p>7. Perform the following procedures:</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p>	

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<p>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.</p>	<p>The following are based on various agreements totaling \$4,753,062 (592,412+4,160,650) in non-liquid assets:</p> <p>1-Stranahan Circle-The booked \$187,450 is dependent on a number of factors including how long the owner keeps the property. These housing loan balances are presented at book value and have equity sharing formulas dependent upon the length of housing ownership as outlined in the underlying loan agreements. The received portion will not be restricted after it settles which could be up to 45 years.</p> <p>In addition, the City has invested \$1,823,000 in the Stranahan Circle Properties. The financials offset this amount with an allowance for doubtful accounts. With the dissolution of the RDA this investment may now be deemed recoverable from the State since the City program may no longer be buying the properties back at market and selling at undermarket.</p> <p>2-Diamond Terrace- There is a \$500,000 forgiveness of debt attached to the note receivable of \$3,406,200. In addition, the note is subject to annual \$200,000 subsidy payment with the last \$200,000 payment made in August 2013.</p> <p>3- Eden Housing - \$567,000 loan to Eden.</p> <p>4-SERAF- This is a state borrowing of \$592,412. No known restrictions. This amount should be eliminated against the All Other Funds on consolidation.</p>	<p>Exhibit 1</p>
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	<p>5 – GASB 31 Allowance – Upon inspection of the general ledger records, it was noted that \$58,017 of the \$5,422,247 in cash and investments reported by the successor housing agency as of June 30, 2012 pertained to non-liquid GASB 31 (cost to market) value adjustments. These adjustments are required for financial reporting purposes only and are not considered readily available for distribution to taxing entities. This balance is subject to estimates and is adjusted either up or down annually as necessary. The accuracy of the GASB 31 calculations was considered as part of the City’s FY 2011-12 financial statement audit procedures noting no material exceptions</p>	
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Amounts were tied to the 2010 and 2011 audited financial statements with any differences being attributed to principal reductions.</p>	
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable – no disposals in fiscal 2012</p> <p>Increases since 2003 were based on drawing on a \$2,000,000 loan from the former RDA in the amount of \$200,000 annually. An equal amount for Diamond Terrance (PAM) is offset in deferred revenues as \$3,406,200 at year end. This number combined with the Peace Grove loan of \$567,000 and Stranahan Development balance of \$187,450 total the notes receivable of \$4,160,650.</p>	

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<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>No evidence available to estimate market value other than the original notes.</p>	
<p><i>CITATION</i></p> <p><i>34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.</i></p>		

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8. Perform the following procedures:		
<p>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.</p> <ul style="list-style-type: none"> i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question. ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance. 	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only</p> <p>Asset restrictions apply to Diamond Terraces' \$200,000 for the annual subsidy ending in 2012.</p> <p>Diamond Terrace - Exhibit 1 has an outstanding asset balance of \$3,406,200 at June 30, 2012. This note receivable is related to the deferred revenue account.</p> <p>Compared the ROPS II schedule for the 6 month period ending December 2012. Noted the Diamond Terrace investors were due \$200,000.</p> <p>Compared the information on the schedule to legal documents. Noted no legal restrictions other than the \$200,000.</p> <p>Compared the current balances to the amounts on the accounting records. The only deviation was the net realizable value on the Stranahan Circle properties. Eden and Diamond Terrace can be reconciled to books.</p> <p>Compared the ROPS III schedule for the 6 month period ending December 2012. Noted the SERAF payment of \$592,412 which will be received by LMI.</p> <p>Noted no enforceable obligations where there was not a legal document as back up.</p>	<p>Exhibit 1 Exhibits 1, 2, 3</p>

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<p>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:</p> <ul style="list-style-type: none"> 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. <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections. 	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Compared enforceable obligations to ROPS II on Exhibit 4.</p> <p>Future revenues combined with dedicated balances appear to be sufficient to cover future obligations with the exception of the \$200,000 ROPS payment to Diamond Terrace Investors estimated distributed in December of 2012.</p> <p>Compared DOF letter to ROPS schedule for June 30, 2012 and December 31, 2012</p> <p>Compared the annual spending on the ROPS. No key assumptions are needed to forecast.</p>	<p>Exhibit 1</p>
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<p>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.</p> <ul style="list-style-type: none">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.	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable-no bond payments are noted in the LMI fund.</p>	
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<p>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.</p> <ul style="list-style-type: none"> 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. 	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Dedicated or restricted balances of \$200,000 are needed for December 2012.</p>	
<p><i>CITATION</i></p> <p><i>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.</i></p>		

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<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>Not applicable.</p>	<p>Exhibit 3</p>
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1/8/2015

CITATION

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

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<p>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).</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>See Attachment C for Low to Moderate Income Housing Fund.</p> <p>Evidence of payment was noted.</p>	<p>Attachment C</p>
<p>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.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) only.</p> <p>The Representational Letter was signed by the City Manager and Finance Manager.</p>	

Oversight Board of the Successor Agency
for the Redevelopment Agency of the City of Clayton
Low to Moderate Income Housing Fund (LMI)
Condensed Financial Statement Comparison

Attachment B

Draft

1/8/2015
Fiduciary
Successor
Agency

	Low to Moderate Income Housing Fund 12 Months Ended 6/30/2010	Low to Moderate Income Housing Fund 12 Months Ended 6/30/2011	Low to Moderate Income Housing Fund 7 Months Ended 1/31/2012	5 Months Ended 6/30/2012
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
SERAF receivable	592,412	592,412	592,412	592,412
Notes receivable	3,883,450	4,022,050	3,960,650	4,160,650
Restricted Assets				
Low/Moderate Income Housing cash and investments	4,740,529	4,839,611	5,557,818	5,422,247
Total Assets	\$ 9,216,391	\$ 9,454,073	\$ 10,110,880	\$ 10,175,309
Liabilities				
Accounts payable	\$ 74	\$ 2,633	\$ -	\$ 560
Deferred revenue	3,622,418	3,267,600	3,206,200	3,406,200
Total Liabilities	\$ 3,622,492	\$ 3,270,233	\$ 3,206,200	\$ 3,406,760
Equity				
Restricted for Low/moderate income housing	\$ 4,593,899	\$ 5,087,318	\$ 5,183,840	\$ -
Designated for contingencies	1,000,000	1,000,000	1,000,000	-
Current period net income	-	96,522	720,840	6,768,549
Total Liabilities and Equity	\$ 5,593,899	\$ 6,183,840	\$ 6,904,680	\$ 6,768,549
	\$ 9,216,391	\$ 9,454,073	\$ 10,110,880	\$ 10,175,309
Total Revenues:	\$ 1,271,322	\$ 1,321,861	\$ 669,521	\$ 38,273
Total Expenditures:	\$ 439,435	\$ 1,075,244	\$ 9,394	\$ 213,264
Extraordinary gain (loss)	\$ -	\$ -		\$ 6,904,680
Total Transfers	\$ (125,000)	\$ (150,095)	\$ 60,713	\$ 38,860
Net change in equity	\$ 706,887	\$ 96,522	\$ 720,840	\$ 6,768,549
Beginning Equity:	\$ 4,887,012	\$ 6,087,318	\$ 6,183,840	\$ -
Ending Equity:	\$ 5,593,899	\$ 6,183,840	\$ 6,904,680	\$ 6,768,549

* The fund balance rollforward contains an audit adjustment of 493,418 in 2011

Other Information (show year end balances for all three years presented):

Capital assets as of end of year	n/a	n/a	n/a	n/a
Long-term debt as of end of year	n/a	n/a	n/a	n/a

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ 10,175,309	Attachment B
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)	62,500	Procedure 2
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	-	
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	(4,753,062) (58,017)	See 7A GASB 31
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)	(200,000)	See 8A
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	-	LMI only
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	<u>(1,547,505)</u>	LMI only
Amount to be remitted to county for disbursement to taxing entities	<u>\$ 3,679,225</u>	

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

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

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

Draft
1/8/2015

RECOGNIZED OBLIGATION PAYMENT SCHEDULE
 Per AB 26 - Section 34167 and 34169

Project Name / Debt Obligation	Payee	Description	Funding Source	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	PAYMENTS BY MONTH						PAYMENTS BY YEAR				
						Jan	Feb	Mar	Apr	May	June	2012/13	2013/14	2014/15	Total	
1) RDA contractual subsidy entered on 10/1/01	Diamond Terrace Investors	Sr. Housing Facility Loan - 81 Annu. pay.	Low and Moderate Income Housing Fund	400,000	200,000		200,000					200,000				400,000
2) 1996 Tax Allocation Bonds Series A	US Bank	Bonds issued to fund non-housing projects	Redevelopment Property Tax Trust Fund	1,682,220	724,994		724,994					677,238	279,988			1,682,220
3) 1999 Tax Allocation Bonds	US Bank	Bonds issued to fund non-housing projects	Redevelopment Property Tax Trust Fund	6,675,000	121,360		121,360					1,278,787	2,637,426	2,637,427		6,675,000
4) City Loan entered into on 5/17/1999	City of Clayton	Loan Principal on CoCo Fire Station land	Redevelopment Property Tax Trust Fund	475,000	30,875	2,573	2,573	2,573	2,573	2,573	2,573	30,875	30,875	397,813	0	475,000
5) City Loan entered into on 2/16/2010	City of Clayton	2% Election payments per Section 33676	Redevelopment Property Tax Trust Fund	301,139	100,380	16,730	16,730	16,730	16,730	16,730	16,730	100,380	100,379	0	0	301,139
6) City Loan entered into on 2/16/2010	City of Clayton	2% Election payments per Section 33676	Redevelopment Property Tax Trust Fund	75,285	25,095	4,183	4,183	4,183	4,183	4,183	4,183	25,095	25,095	0	0	75,285
7) City Loan entered into on 5/19/10	Clayton RDA LMI Housing	Inter-Loan for S.E.R.A.F. payment	Redevelopment Property Tax Trust Fund	592,412	148,103	14,810	14,810	14,810	14,810	14,810	14,810	177,724	177,724	148,103	0	592,412
8) Contract for Consulting Services	Thales Consulting	RDA State Controller's Report 2010-11	Redevelopment Property Tax Trust Fund	4,320	1,440			1,440				1,440	1,440			4,320
9) Contract for Consulting Services	Thales Consulting	RDA State Controller's Report 2010-11	Redevelopment Property Tax Trust Fund	1,080	360			360				360	360			1,080
10) Contract for Consulting Services	Cropper Accountancy	RDA Audit 2010-11	Redevelopment Property Tax Trust Fund	9,898	3,299			3,299				3,299	3,299			9,898
11) Contract for Consulting Services	Cropper Accountancy	RDA Audit 2010-11	Redevelopment Property Tax Trust Fund	2,474	825			825				825	825			2,474
12) Contract for Consulting Services	NBS Local Govt Solution	Arbitrage Reporting	Redevelopment Property Tax Trust Fund	8,700	2,900				2,900				2,900			8,700
13) Contract for Consulting Services	US Bank	Paying Agent Fee	Redevelopment Property Tax Trust Fund	16,095	5,355						5,355	5,355	2,900			16,095
14) Contract for Consulting Services	Raney Planning	Housing Element higher density codes (EIR)	Redevelopment Property Tax Trust Fund	154,744	35,294		5,733				15,000	74,288	59,725			154,744
15) Contract for Consulting Services	Golterst&Lipman/Turner/BB&K	Legal advice	Redevelopment Property Tax Trust Fund	36,000	12,000		2,000	2,000	2,000	2,000	2,000	13,000	13,000			36,000
16) Contract for Consulting Services	Golterst&Lipman/Turner/BB&K	Legal advice	Redevelopment Property Tax Trust Fund	9,000	3,000		500	500	500	500	500	3,250	3,250			9,000
17) Successor Agency functions	City of Clayton	Expenses for Successor Agency operation	Redevelopment Property Tax Trust Fund	750,000	250,000	41,667	41,667	41,667	41,667	41,667	41,667	250,000	250,000			750,000
19) Section 33676 Payments	Comm College	Payments per former CRL 33676	Redevelopment Property Tax Trust Fund	132,789	44,263						0	44,263	44,263			132,789
20) Section 33676 Payments	Comm College	Payments per former CRL 33676	Redevelopment Property Tax Trust Fund	33,197	11,066						0	11,066	11,066			33,197
21) Section 33676 Payments	County Supt Schools	Payments per former CRL 33676	Redevelopment Property Tax Trust Fund	27,671	9,224						0	9,224	9,224			27,671
22) Section 33676 Payments	County Supt Schools	Payments per former CRL 33676	Redevelopment Property Tax Trust Fund	6,918	2,306						0	2,306	2,306			6,918
23) Section 33676 Payments	County Res Conserv	Payments per former CRL 33676	Redevelopment Property Tax Trust Fund	466	155						0	155	155			466
24) Section 33676 Payments	County Res Conserv	Payments per former CRL 33676	Redevelopment Property Tax Trust Fund	117	39						0	39	39			117
25) Section 33676 Payments	City of Clayton	Payments per former CRL 33676	Redevelopment Property Tax Trust Fund	174,250	58,083						0	58,083	58,083			174,250
26) Section 33676 Payments	City of Clayton	Payments per former CRL 33676	Redevelopment Property Tax Trust Fund	43,563	14,521						0	14,521	14,521			43,563
27) Section 33676 Payments	County	Payments per former CRL 33676	Redevelopment Property Tax Trust Fund	2,620,963	873,654						0	873,654	873,654			2,620,963
28) Pass Through Agreement	County	Payments per former CRL 33401	Redevelopment Property Tax Trust Fund	655,241	218,414						0	218,414	218,414			655,241
29) Pass Through Agreement	Flood Control Dist	Payments per former CRL 33401	Redevelopment Property Tax Trust Fund	5,263	1,754						0	1,754	1,754			5,263
30) Pass Through Agreement	Flood Control Dist	Payments per former CRL 33401	Redevelopment Property Tax Trust Fund	1,316	439						0	439	439			1,316
31) Pass Through Agreement	Library	Payments per former CRL 33401	Redevelopment Property Tax Trust Fund	209,530	69,843						0	69,843	69,843			209,530
32) Pass Through Agreement	Library	Payments per former CRL 33401	Redevelopment Property Tax Trust Fund	52,382	17,461						0	17,461	17,461			52,382
33) Pass Through Agreement	County Fire	Payments per former CRL 33401	Redevelopment Property Tax Trust Fund	378,260	126,087						0	126,087	126,087			378,260
34) Pass Through Agreement	County Fire	Payments per former CRL 33401	Redevelopment Property Tax Trust Fund	94,565	31,522						0	31,522	31,522			94,565
35) Pass Through Agreement	County	Payments per former CRL 33401/AB860	Redevelopment Property Tax Trust Fund	401,112	133,704						0	133,704	133,704			401,112
36) Pass Through Agreement	County	Payments per former CRL 33401/AB860	Redevelopment Property Tax Trust Fund	100,278	33,426						0	33,426	33,426			100,278
37) Statutory Payments	County	Property Tax Administration Fees	Redevelopment Property Tax Trust Fund	127,200	42,400						0	42,400	42,400			127,200
38) Statutory Payments	County	Property Tax Administration Fees	Redevelopment Property Tax Trust Fund	31,800	10,600						0	10,600	10,600			31,800
Totals - This Page				16,290,248	3,364,251	79,962	1,134,549	88,386	85,362	82,462	1,801,789	4,543,785	5,290,608	3,183,343		16,290,248

2nd RECOGNIZED OBLIGATION PAYMENT SCHEDULE
Per ABX126 - Section 34167 and 34169

Draft

Project Name / Debt Obligation	Payee	Description	Funding Source	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	7/1/2012							Total
						Payments by month							
						July	August	September	October	November	December	1/8/2015	
1) RDA contractual subsidy entered on 10/1/2001	Diamond Terrace Investors	Loan - Final Anniversary disbursement	RDA Retirement Trust	200,000.00	200,000.00							200,000.00	\$ 200,000.00
2) 1996 Tax Allocation Bonds Series A	US Bank	Bonds issued to fund non-housing projects	RDA Retirement Trust	254,994.00	6,181.25		6,181.25						\$ 6,181.25
3) 1999 Tax Allocation Bonds	US Bank	Bonds issued to fund non-housing projects	RDA Retirement Trust	6,655,883.00	516,140.00		401,360.00						\$ 401,360.00
4) City Loan entered into on 6/17/1999	City of Clayton	Loan P & I on CCCo Fire Station Land*	RDA Retirement Trust	475,000.00	78,375.00	78,375.00							\$ 78,375.00
5) City Loan entered into on 5/19/10	Clayton RDA LMI Housing	Loan for S.E.R.A.F. payment	RDA Retirement Trust	592,412.00	148,103.00	12,342.00	12,342.00	12,342.00	12,342.00	12,342.00	12,342.00	12,342.00	\$ 74,052.00
6) Contract for Consulting Services	Thales Consulting	RDA State Controller's Report 2010/11-2011/12	RDA Retirement Trust	5,400.00	1,800.00	1,800.00							\$ 1,800.00
7) Contract for Consulting Services	Cropper Accountancy	RDA Audit 2010-11-2011/12	RDA Retirement Trust	12,372.00	4,124.00	4,124.00							\$ 4,124.00
8) Contract for Consulting Services	NBS Local Gov't Solution	Arbitrage Reporting	RDA Retirement Trust	8,700.00	2,400.00		1,200.00				1,200.00		\$ 2,400.00
9) Contract for Consulting Services	US Bank	Paying Agent Fee	RDA Retirement Trust	16,095.00	5,365.00								\$ -
10) Contract for Consulting Services	Raney Planning	Housing Element Implementation	RDA Retirement Trust	154,744.00	147,350.00	37,350.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	\$ 87,350.00
11) Contract for Consulting Services	Goldfarb&Lipman/ Turner/ BB&K	Legal advice	RDA Retirement Trust	45,000.00	15,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	\$ 12,000.00
12) Successor Agency Functions	City of Clayton	Expenses for Successor Agency operations	RDA Retirement Trust	750,000.00	250,000.00	20,833.00	20,833.00	20,833.00	20,833.00	20,833.00	20,833.00	20,833.00	\$ 124,998.00
13) Section 33676 Payments	Comm College	Payments per former CRL 33676	RDA Retirement Trust	129,754.00	36,235.00	(19,094.00)	-	-	-	-	-	-	\$ (19,094.00)
14) Section 33676 Payments	County Supt Schools	Payments per former CRL 33676	RDA Retirement Trust	27,033.00	7,566.00	(3,974.00)	-	-	-	-	-	-	\$ (3,974.00)
15) Section 33676 Payments	County Res Consv	Payments per former CRL 33676	RDA Retirement Trust	455.52	194.00	-	-	-	-	-	-	-	\$ -
16) Section 33676 Payments	City of Clayton	Payments per former CRL 33676	RDA Retirement Trust	169,287.00	72,604.00	-	-	-	-	-	-	-	\$ -
17) Section 33676 Payments	County	Payments per former CRL 33676	RDA Retirement Trust	2,416,372.00	1,092,068.00	(232,236.00)	-	-	-	-	-	-	\$ (232,236.00)
18) Pass Through Agreement	Flood Control Dist	Payments per former CRL 33401	RDA Retirement Trust	5,200.00	2,193.00	-	-	-	-	-	-	-	\$ -
19) Pass Through Agreement	Library	Payments per former CRL 33401	RDA Retirement Trust	244,284.00	87,304.00	-	-	-	-	-	-	-	\$ -
20) Pass Through Agreement	County Fire	Payments per former CRL 33401	RDA Retirement Trust	373,707.00	157,609.00	-	-	-	-	-	-	-	\$ -
21) Pass Through Agreement	County	Payments per former CRL 33401/AB860	RDA Retirement Trust	496,184.00	(161,924.00)	(161,924.00)	-	-	-	-	-	-	\$ (161,924.00)
22) City Loan entered into on 2/16/2010	City of Clayton	2% Election payments per Section 33676	RDA Retirement Trust	376,423.98	125,475.00	10,456.00	10,456.00	10,456.00	10,456.00	10,456.00	10,459.00	10,459.00	\$ 62,739.00
23) Statutory Payments	County	Property Tax Administrative Cost	RDA Retirement Trust	106,000.00	0.00								\$ -
Totals				\$ 13,515,301	\$ 2,794,152	\$ (249,948)	\$ 464,372	\$ 55,631	\$ 55,631	\$ 56,831	\$ 255,634	\$ 638,151.25	

* P & I Debt Retirement Schedule

Name of Successor Agency: Clayton Redevelopment Agency
 County: Contra Costa County

Oversight Board Approval Date: _____

Exhibit 3
Draft

RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS III)
 January 1, 2013 through June 30, 2013

Item #	Project Name / Debt Obligation	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2012-13	Funding Source							
									LMHF	Bond Proceeds	Reserve Balance	Admin Allowance	RPTIF	Other	Subtotal	Total
1	1996 Tax Allocation Bonds Series A	11/19/1996	8/31/2020	US Bank	Bonds issued to fund non-housing projects	All	\$ 7,968,337.25	\$ 414,362.35	\$ 22,982.10			\$ 125,002.00	\$ 258,376.25	\$ -	\$ -	\$ 414,362.35
2	1999 Tax Allocation Bonds	6/15/1999	8/1/2024	US Bank	Bonds issued to fund non-housing projects	All	\$ 310,893.75	\$ 6,181.25				\$ 6,181.25				\$ 6,181.25
3	City Loan entered into on 5/19/10	5/19/2010	none	Successor Agency LMI Fund	Inter-loan for SERAF payment to State of CA	All	\$ 6,254,452.50	\$ 114,780.00				\$ 114,780.00				\$ 114,780.00
5	Contract for Consulting Services	11/1/1995	8/31/2024	US Bank	Paying Agent Fees	All	\$ 592,412.00	\$ 74,052.00				\$ 74,052.00				\$ 74,052.00
6	Contract for Consulting Services	2/1/2011/3/1/1964	none	Gokhfarb & Lipman/BBKreiger	Legal Advice	All	\$ 16,095.00	\$ 5,365.00				\$ 5,365.00				\$ 5,365.00
7	Successor Agency Functions	none	none	City of Clayton	Expenses for Successor Agency Operation	All	\$ 30,500.00	\$ 3,000.00				\$ 3,000.00				\$ 3,000.00
8	Contract for Consulting Services	2/22/2011	none	Ranney Planning	Housing Element Implementation	All	\$ 625,002.00	\$ 125,002.00			\$ 125,002.00					\$ 125,002.00
9	Statutory Payments	none	none	Contra Costa County	Property Tax Administration Fees	All	\$ 22,982.00	\$ 22,982.10	\$ 22,982.10							\$ 22,982.10
10	Contract for Consulting Services	3/22/2010	none	Cropper Accountancy	Required Due Diligence Review	All	\$ 106,000.00	\$ 53,000.00				\$ 53,000.00				\$ 53,000.00
11						All	\$ 10,000.00	\$ 10,000.00				\$ 10,000.00				\$ 10,000.00
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City of Clayton
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Exhibit 4

Item #	Type of Asset a/	Legal Title and Description	Carrying Value of Asset	Total square footage	Square footage reserved for low-mod housing	Is the property encumbered by a low-mod housing covenant?	Source of low-mod housing covenant b/	Date of transfer to Housing Successor Agency	Construction or acquisition cost funded with Low-Mod Housing Fund monies	Construction or acquisition costs funded with other RDA funds	Construction or acquisition costs funded with non-RDA funds	Date of construction or acquisition by the former RDA	Interest in real property (option to purchase, easement, etc.)
1	LMI Senior Rental Housing Diamond Terrace Apts	APN 118-560-020 6401 Center Street	n/a	74,716	74,716	yes	CA Redev Law	1-Feb-12	\$4,036,000	n/a	n/a	2001-2002	subordinated deed of trust
2	LMI Disabled Persons Rental Housing Kirker Court Apts	APN 118-031-055 1732 Kirker Pass Road	n/a	12,641	12,641	yes	CA Redev Law	1-Feb-12	\$567,000	n/a	n/a	1993	subordinated deed of trust
3	LMI Affordable Ownership Housing	APN 119-620-049 245 Stranahan Circle	n/a	1,663	1,663	yes	CA Redev Law	1-Feb-12	\$35,000	n/a	n/a	1995	repurchase option
4	LMI Affordable Ownership Housing	APN 119-620-038 274 Stranahan Circle	n/a	1,663	1,663	yes	CA Redev Law	1-Feb-12	\$257,000	n/a	n/a	1996/2006	repurchase option
5	LMI Affordable Ownership Housing	APN 119-620-007 212 Stranahan Circle	n/a	1,339	1,339	yes	CA Redev Law	1-Feb-12	\$35,000	n/a	n/a	1996	repurchase option
6	LMI Affordable Ownership Housing	APN 119-620-040 278 Stranahan Circle	n/a	1,663	1,663	yes	CA Redev Law	1-Feb-12	\$308,500	n/a	n/a	1996/2010	repurchase option
7	LMI Affordable Ownership Housing	APN 119-620-002 202 Stranahan Circle	n/a	1,650	1,650	yes	CA Redev Law	1-Feb-12	\$26,900	n/a	n/a	1996	repurchase option
8	LMI Affordable Ownership Housing	APN 119-620-008 214 Stranahan Circle	n/a	1,650	1,650	yes	CA Redev Law	1-Feb-12	\$23,350	n/a	n/a	1996	repurchase option
9	LMI Affordable Ownership Housing	APN 119-620-012 222 Stranahan Circle	n/a	1,650	1,650	yes	CA Redev Law	1-Feb-12	\$32,855	n/a	n/a	1996	repurchase option
10	LMI Affordable Ownership Housing	APN 119-620-033 264 Stranahan Circle	n/a	1,339	1,339	yes	CA Redev Law	1-Feb-12	\$35,000	n/a	n/a	1996	repurchase option
11	LMI Affordable Ownership Housing	APN 119-620-006 210 Stranahan Circle	n/a	1,663	1,663	yes	CA Redev Law	1-Feb-12	\$29,450	n/a	n/a	1996	repurchase option
12	LMI Affordable Ownership Housing	APN 119-620-041 280 Stranahan Circle	n/a	1,650	1,650	yes	CA Redev Law	1-Feb-12	\$202,000	n/a	n/a	1996/2009	repurchase option
13	LMI Affordable Ownership Housing	APN 119-620-001 200 Stranahan Circle	n/a	1,339	1,339	yes	CA Redev Law	1-Feb-12	\$35,000	n/a	n/a	1996	repurchase option
14	LMI Affordable Ownership Housing	APN 119-620-003 204 Stranahan Circle	n/a	1,663	1,663	yes	CA Redev Law	1-Feb-12	\$30,650	n/a	n/a	1996	repurchase option
15	LMI Affordable Ownership Housing	APN 119-620-042 282 Stranahan Circle	n/a	1,339	1,339	yes	CA Redev Law	1-Feb-12	\$18,300	n/a	n/a	1996	repurchase option
16	LMI Affordable Ownership Housing	APN 119-620-039 276 Stranahan Circle	n/a	1,650	1,650	yes	CA Redev Law	1-Feb-12	\$177,700	n/a	n/a	1996/2007	repurchase option
17	LMI Affordable Ownership Housing	APN 119-620-035 268 Stranahan Circle	n/a	1,361	1,361	yes	CA Redev Law	1-Feb-12	\$352,000	n/a	n/a	1996/2011	repurchase option
18	LMI Affordable Ownership Housing	APN 119-620-005 208 Stranahan Circle	n/a	1,650	1,650	yes	CA Redev Law	1-Feb-12	\$274,400	n/a	n/a	1996/2010	repurchase option
19	LMI Affordable Ownership Housing	APN 119-620-037 272 Stranahan Circle	n/a	1,650	1,650	yes	CA Redev Law	1-Feb-12	\$250,000	n/a	n/a	1996/2010	repurchase option
20	LMI Affordable Ownership Housing	APN 119-620-034 266 Stranahan Circle	n/a	1,663	1,663	yes	CA Redev Law	1-Feb-12	\$20,490	n/a	n/a	1996	repurchase option
21	LMI Affordable Ownership Housing	APN 118-410-046 1177 Shell Lane	n/a	1,355	1,355	yes	CA Redev Law	1-Feb-12	\$0	n/a	n/a	1994/2003	repurchase option
22	LMI Affordable Ownership Housing	APN 119-242-009 6 Clark Creek Circle	n/a	1,457	1,457	yes	CA Redev Law	1-Feb-12	\$0	n/a	n/a	1977/2003	repurchase option
23	LMI Affordable Ownership Housing	APN 119-232-031 21 Long Creek Circle	n/a	1,378	1,378	yes	CA Redev Law	1-Feb-12	\$0	n/a	n/a	1973/2006	repurchase option
24	LMI Affordable Ownership Housing	APN 119-242-016 9 Clark Creek Circle	n/a	1,050	1,050	yes	CA Redev Law	1-Feb-12	\$0	n/a	n/a	1977/2012	repurchase option

a) The City does not own any of the Real Property shown in Exhibit A; the City interest is related to the covenant terms.

The City of Clayton notes that because of the somewhat redundant definitions of "Housing Assets" in Health and Safety Code Section 34176 et. seq., all assets and any relevant information included in Exhibit D "Loans/Grants" that also meet the definition of "Real Property" are hereby also includable in Exhibit A.

Note 1: For the ownership housing the City has the first right of refusal to buy at Fair Market or equity sharing prices per the covenant at time of sale; when sold the borrower will receive only the percentage of the appreciation as defined by the promissory noteowner; there is a restricted future maximum sales price;

Note 2: All properties allows the Clayton Redevelopment Agency – (the City of Clayton Successor Housing Agency) the right but not the obligation to consider purchase of the unit under the same terms.

Note 3: For 25 year foregivable has interest rate at 5% for first 10 years then -10% for next 15 years - therefore loan zeros out /no balance due :ie: forgiven after 25 years; the loans are also subordinate to the primary loan on the property

Note 4: For 45 year equity sharing – equity appreciation/resale price to the homebuyer, equity sharing with the Clayton Redevelopment Agency – (Successor Housing Agency), requires any resale to be to an affordable income qualified homebuyer, and allows the Clayton Redevelopment Agency-(Successor Housing Agency) the right but not the obligation to consider purchase of the unit under the same terms.

Note 5: Even if loan prepaid, the restricted covenant for affordable ownership continues for any future resale continues forward for the term of the restricted covenant.

a/ Asset types may include low-mod housing, mixed-income housing, low-mod housing with commercial space, mixed-income housing with commercial space.

b/ May include California Redevelopment Law, tax credits, state bond indentures, and federal funds requirements.

Draft
1/8/2015

**CITY OF CLAYTON
REDEVELOPMENT AGENCY**

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

December 2014



JOHN CHIANG
California State Controller

December 23, 2014

Gary A. Napper, City Manager
City of Clayton Redevelopment/Successor Agency
6000 Heritage Trail
Clayton, CA 94517

Dear Mr. Napper:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the City of Clayton Redevelopment Agency (RDA) to the City of Clayton (City) or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether the asset should be turned over to the Successor Agency.

Our review applied to all assets including, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers to the City or any other public agency have been reversed.

Our review found that the RDA transferred \$13,865,645 in assets after January 1, 2011, including an unallowable transfer to the City of \$200,000, or 1.44% of transferred assets. These assets must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau, by telephone at (916) 324-0622.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

December 23, 2014
Draft
1/8/2015

Gary A. Napper, City Manager

-2-

cc: Kevin Mizuno, Finance Manager
City of Clayton
Robert R. Campbell, County Auditor-Controller
Contra Costa County
Dan Richardson, Oversight Board Chairperson
City of Clayton
David Botelho, Program Budget Manager
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Elizabeth González, Bureau Chief
Division of Audits, State Controller's Office
Betty Moya, Audit Manager
Division of Audits, State Controller's Office
Nicole Baker, Auditor-in-Charge
Division of Audits, State Controller's Office
Tuan Tran, Auditor
Division of Audits, State Controller's Office

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1/8/2015

Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the City of Clayton Redevelopment Agency (RDA) after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the RDA transferred \$13,865,645 in assets after January 1, 2011, including an unallowable transfer to the City of Clayton (City) of \$200,000, or 1.44% of transferred assets. These assets must be turned over to the Successor Agency.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA successor agencies and oversight boards to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety (H&S) Code beginning with section 34161.

H&S Code section 34167.5 states in 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."

The SCO identified asset transfers that occurred after January 1, 2011, between the RDA, the City and/or any other public agency. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal action to ensure compliance with this order.

Draft
1/8/2015

Objective, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency's operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City, the RDA, the Successor Agency, and the Oversight Board.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

Conclusion

Our review found that the City of Clayton Redevelopment Agency transferred \$13,865,645 in assets after January 1, 2011, including an unallowable transfer to the City of Clayton of \$200,000, or 1.44% of transferred assets. These assets must be turned over to the Successor Agency.

Details of our finding are described in the Finding and Order of the Controller section of this report.

Views of Responsible Officials

We issued a draft review report on September 23, 2014. Gary Napper, City Manager, responded by letter dated September 29, 2014. The City's response is included in this final review report as an attachment.

Restricted Use

This report is solely for the information and use of the City of Clayton, the Successor Agency, the Oversight Board, and the SCO; it 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 when issued final.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

December 23, 2014

Finding and Order of the Controller

**FINDING—
Unallowable asset
transfer to the City
of Clayton**

The City of Clayton Redevelopment Agency (RDA) made an unallowable asset transfer of \$200,000 to the City of Clayton (City). The transfer occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

On February 28, 2011, the RDA made a cash transfer of \$262,738 to the City.

Pursuant to Health and Safety (H&S) Code Section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code Section 34177(d).

Order of the Controller

Pursuant to H&S Code Section 34167.5, the City is ordered to reverse the transfer in the amount of \$200,000 and turn over the assets to the Successor Agency. The Successor Agency is directed to properly dispose of the assets in accordance with H&S Code section 34177(d).

City’s Response to Draft

...\$62,718 [\$62,738] of the total transfers ordered to be repaid to the Successor Agency pertained to reimbursements to the City of Clayton for 2% election payments that tied to a legally adopted agreement dating back to 1987. . . On July 1, 1987, the City Council of the City of Clayton adopted Resolution. 31-87 ordering “2% election” payments to the City for each year by the RDA as authorized by Section 33676 of the H&S Code in Connection with the Clayton Redevelopment Project.

SCO Comment

After further reviewing the documentation, the SCO asserts that \$62,738, not \$62,718 of the cash transferred by the RDA to the City was a 2% election payment authorized pursuant to H&S Code 33676 in connection with the Clayton Redevelopment Project. Therefore, the City need not return these assets to the Successor Agency. The remaining \$200,000 in assets must be turned over to the Successor Agency.

The report has been modified accordingly.

Draft

1/8/2015

**Attachment—
Auditee’s Response to
Draft Review Report**



COMMUNITY
DEVELOPMENT (925) 673-7340
ENGINEERING (925) 363-7433

6000 HERITAGE TRAIL • CLAYTON, CALIFORNIA 94517-1250
TELEPHONE (925) 673-7300 FAX (925) 672-4917

City Council
HANK STRATFORD, Mayor
DAVID T. SHUEY, Vice Mayor
JIM DIAZ
HOWARD GELLER
JULIE K. PIERCE

September 29, 2014

Elizabeth Gonzalez, Chief
Local Government Compliance Bureau
Stat Controller's Office Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Re: Partial Dispute of Draft Finding – Asset Transfer Review

Dear Ms. Gonzalez,

We have reviewed the draft Review Report issued by the State Controller's Office (SCO) regarding its review of asset transfers from timeframe January 1, 2011 through January 31, 2012. It contains a finding the City of Clayton Redevelopment Agency (RDA) made unallowable asset transfers totaling \$262,738 to the City of Clayton in the timeframe specified above. Furthermore, the report states that pursuant to California Health and Safety (H&S) Code Section 34167.5, the City is ordered to reverse the transfer in the amount of \$262,738 and turn over the assets to the Successor Agency. The Successor Agency is then directed to properly dispose of the assets in accordance with H&S Code section 34177(d).

What the SCO's report failed to outline is that \$62,718 of the total transfers ordered to be repaid to the Successor Agency pertained to reimbursements to the City of Clayton for 2% election payments that tied to a legally adopted agreement dating back to 1987. Although we have previously provided copies of the underlying documents supporting the 2% repayment arrangement to the State Controller's Office and Department of Finance, we again summarize the background of this repayment agreement below:

On July 1, 1987, the City Council of the City of Clayton adopted Resolution No. 31-87 ordering "2% election" payments to the City each year by the RDA as authorized by Section 33676 of the H&S Code in connection with the Clayton Redevelopment Project. The 2% election payments to the City were designed to commence after the tax year in which or ordinance adopting the Clayton Redevelopment Plan became effective (fiscal year 1988-89). During an examination of the Agency's remaining fiscal status and condition during calendar year 2009, it was discovered by Agency staff and its consultant, Seifel Consulting, Inc., that these 2% election payments had never been made to the City. Subsequent review by the Contra Costa County Auditor-Controller's Office supported that the Agency owed the City an accumulated total of \$501,898.64 over the course of the RDA's existence since 1987.

Draft

1/8/2015

Ms. Elizabeth Gonzalez
September 29, 2014
Page 2 of 2

We continue to assert the lawfully-due 2% election payments pre-dated the Dissolution Act, were obligations committed in 1987, and legally should not be subject to the provisions of H&S code section 34167.5 as they pertain to repayments outlined in a legally binding agreement between the City and RDA now 27 years ago. The establishment of a repayment agreement between the City and RDA through RDA Resolution No. 02-2010 dated February 16, 2010 was designed to minimize the negative impact to the RDA's 5 Year Implementation Plan by deferring repayment of the balance of 2% election monies over a 4 year period.

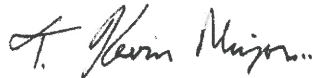
It is our position that classifying these 2% election repayments as "transfers" improperly concludes that these payments are flows of assets between the RDA and City that do not pertain to legally binding agreements. Provided these circumstances, we maintain that any payments pertaining to the 2% election repayment agreement should be excluded from the total obligation ordered to be repaid from the City to the Successor Agency in the SCO Review Report. This would result in a revised total to be paid from the City to the Successor Agency of \$200,020.

We appreciate your time and cooperation in this matter, and the opportunity to provide the City's comments on the SCO's Review Report. We look forward to your favorable reconsideration of this dispute. Please do not hesitate to contact us if additional clarification or documentation is required.

Sincerely,



Gary Napper
City Manager
925-673-7309



Kevin Mizuno
Finance Manager
925-673-7309

cc: Karen Tiedemann, Goldfarb & Lipman LLP

Draft

1/8/2015

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>



Agenda Date: Feb. 26, 2015

Agenda Item: 3(d)

STAFF REPORT

TO: HONORABLE CHAIRMAN AND BOARD MEMBERS
FROM: Kevin Mizuno, Finance Manager 
MEETING DATE: February 26, 2015
SUBJECT: Receipt of public comment on and Review of Draft All Other Funds Due Diligence Review Report pursuant to AB 1484 (HSC 34179.5)

RECOMMENDATION

It is recommended the Oversight Board:

- Take any comments from the Public.
- Questions/Comments from the Oversight Board members
- Direct staff to bring back the item for final Action by the Oversight Board at its next meeting no sooner than February 26, 2015.

BACKGROUND

On June 27, 2012, the Governor signed into law AB 1484 which modified the dissolution law affecting the winding down of redevelopment agencies throughout the State. As part of this new law, Due Diligence Reviews (DDR) of the All Other (non-housing) Funds of the former Redevelopment Agency were required to be submitted to the Oversight Board, the County Auditor-Controller, the State Controller's Office and the Department of Finance (DOF) by October 1, 2012. The Oversight Board had until October 15, 2012 to review, approve, and transmit to the Department of Finance and County Auditor-Controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities.

The DOF reviews of the determinations provided by the Oversight Boards and any decision to overturn determinations made by the Oversight Board to authorize a Successor Agency to retain assets or funds will be conveyed to the Oversight Board and Successor Agency via a letter. Successor Agencies have five (5) days from receipt of the decisions to request a "meet and confer" meeting.

Due to staff health matters resulting in delays in preparation for and completing the City and Successor Agency's audited financial statements for fiscal years 2011-12 and 2012-13, the DDR was unable to be completed in a timely manner, and its completion was delayed until this meeting. Fortunately, submittal of the DDR after the October 15, 2012 deadline does not carry any penalties or other sanctions by the State DOF beyond that the Successor Agency/Oversight Board cannot issue new debt. The City has not and does not have any new debt that it would issue and the 2014 refunding Tax Allocation Bonds issued by the Successor

Agency on June 25, 2014 is not an issuance of new debt but rather a refunding (i.e. refinancing) of old debt to take advantage of more favorable interest rates.

A draft of the All Other Funds DDR was presented to the Oversight Board on October 9, 2014 and approved for submittal to the DOF. However shortly following this action, the Successor Agency received the State Controller's Office (SCO) Asset Transfer Review report. As the All Other Funds DDR report had not yet been submitted to the DOF, the report was forwarded to our independent accountants who updated to the DDRs to reflect consistency with the SCO's report. Management is recommending the Oversight Board review and authorize the revised All Other Funds DDR for submittal to the DOF.

DISCUSSION

AB 1484 (HSC Section 34179.5) requires each Successor Agency to employ a licensed accountant, approved by the County Auditor-Controller and with experience and expertise in local government accounting, to conduct a DDR to determine the unobligated balances available for transfer to taxing entities. As an alternative, an audit provided by the County Auditor-Controller that provides the information required by this section may be used to comply with this section with the concurrence of the oversight board. Contra Costa County notified jurisdictions that it does not have the staffing to undertake such efforts and thus the local agencies were required to engage their own outside auditor.

The City of Clayton Successor Agency contracted the City's independent auditors (Cropper Accountancy Corp.) to perform the All Other Funds DDR. Once the fiscal year 2011-12 and 2012-13 financial statement audits were submitted to the City Council for acceptance on November 19, 2013 and February, 4, 2014 respectively, the auditors were able to focus their efforts on completing drafts of the All Other Funds DDR. The Oversight Board is now required to review, approve, and transmit to the DOF and County Auditor-Controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities based on the results of the independently prepared DDR.

While HSC Section 34179.6 allows the DOF to specify the form and manner in which information about the review shall be provided, no specific form will be required. However, every DDR submitted, at a minimum, must contain the following:

A cover page delineating whether the DDR was conducted by a licensed accountant or the County Auditor-Controller along with verification of approval or concurrence of the DDR by the appropriate entity. A summary addressing each of the six deliverables required, pursuant to HSC Section 34179.5 (c) (1) – (6). The document must include the following items:

- Independent Accountants Report on Applying Agreed Upon Procedures
- Procedures and Findings
- Condensed Financial Statement Comparison
- Summary of Available Balances
- Inventory of Assets Received- Loans/Grants Receivable

In summary, the draft All Other Funds DDR reports the following:

- Total all other (non-housing) assets transferred from the Redevelopment Agency to the Successor Agency on February 1, 2012 totaled **\$3,348,084**.
- The All Other Assets funds reported total assets of **\$3,034,774** as of June 30, 2012.
- The SCO conducted a review of asset transfers between the City of Clayton and the former Redevelopment Agency during the period during the period January 1, 2011 through January 31, 2012. The SCO issued their final Asset Transfer Review Report on December 23, 2014. This report concluded a total of \$200,000 in previously transferred assets is required to be remitted from the City of Clayton to the Successor Agency. Of the total ordered to be repaid by the SCO, the DDR reports that **\$137,500** was from All Other Assets (i.e. non- housing) Funds.
- The All Other Assets Funds did not make any transfers to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012.
- The Successor Agency did not make any transfers to any other public agency or to private parties for the period from February 1, 2012 through June 30, 2012.
- The amount to be remitted to the County Auditor-Controller for transfer to other taxing agencies is **\$550,396**.

FISCAL IMPACT

Local revenues resulted in cash funds set aside over the life of the former Redevelopment Agency of the City of Clayton for the purpose of providing financing for redevelopment projects to stimulate the local economy and eliminate blight. Based on AB 1x26 and AB 1484, these funds will be remitted to the County for distribution and reduce the State's payments to the local school district. As a result, \$550,396 in redevelopment projects will not be completed in the City of Clayton.

CONCLUSION

Staff recommends that the Oversight Board:

- Take any comments from the Public.
- Questions/Comments from the Oversight Board members
- Direct staff to bring back the item for final Action by the Oversight Board at its next meeting no sooner than March 6, 2015.

Attachment: A) Draft All Other Funds Due Diligence Report

Draft

2/11/15

Department of Finance of the State of California

Due Diligence Review of the
Redevelopment Agency of the City of Clayton
(Dissolved Agency)
All Other Funds Report

*Independent Accountants' Report on Applying Agreed-Upon
Procedures with respect to HSC Section 34179.5(c)(1)-(6)*

Draft
2/11/15

**REDEVELOPMENT AGENCY
OF THE CITY OF CLAYTON (DISSOLVED AGENCY)
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INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

Oversight Board of the Successor Agency
for the Redevelopment Agency of the City of Clayton
(Dissolved Agency)
Clayton, California

We have performed the agreed-upon procedures enumerated in Attachment A, which were agreed to by the California State Controller's Office and the Department of Finance to assist you in ensuring that the dissolved redevelopment agency is complying with its statutory requirements with respect to ABX1 26. Management of the successor agency and the county are responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code Sections 34179.5(c)(1) through 34179.5 (c)(3) and Sections 34179.5(c)(5) through 34179.5(c)(6) as it relates to the Housing Funds of the Successor Agency. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures identified below either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures as set forth in Attachments A, B, and C. Attachment A also identifies the findings noted as a result of the procedures performed.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A. 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 you.

This report is intended solely for the information and use of the successor agency, and 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.

CROPPER ACCOUNTANCY CORPORATION
Certified Public Accountants

Walnut Creek, California
December 23, 2014

PROCEDURE REQUESTED	RESULTS/FINDING BASED ON PERFORMANCE OF THE PROCEDURE REQUESTED	ATTACHMENT/ EXHIBIT
<p><i>CITATION</i></p> <p><i>34179.5(c)(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012</i></p>		
<p>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.</p>	<p>All Other Funds Report - Per Attachment B the total assets at January 31, 2012 were \$0 after the extraordinary transfer of \$8,299,982 to the new Fiduciary Successor Agency Fund. The City of Clayton financial statements pages 22 and 23 show the 3 Redevelopment funds which also total this same amount. This transfer amount is also mentioned in the notes on page 57 of the City Financial Statements.</p> <p>As part of the Agreed Upon Procedures (AUP), the amounts are tied to the City and Successor Agency records.</p>	<p>Attachment B</p>
<p><i>CITATION</i></p> <p><i>34179.5(c)(2) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012 by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.</i></p>		

2/11/15

<p>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:</p>	<p>We obtained a copy of the State Controller’s Office (SCO) asset transfer review report dated December 23, 2014. In the report the SCO ordered the City of Clayton to transfer \$200,000 back to the Successor Agency. Upon inspection of correspondence between the SCO and the City and supporting general ledger documents the order to repay \$200,000 was split between Low-Moderate and All other RDA assets by \$62,500 and \$137,500 respectively.</p>	<p>Exhibit 2</p>
<p>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.</p>	<p>Not Applicable – see above.</p>	

2/11/15

<p>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.</p>	<p>Not Applicable – see above.</p>	
<p>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.</p>	<p>Not Applicable – see above.</p>	
<p><i>CITATION</i></p> <p><i>34179.5(c)(3) The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012 by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.</i></p>		

2/11/15

<p>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:</p>	<p>We obtained a copy of the SCO report dated December 23, 2014.</p>	<p>Exhibit 2</p>
<p>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.</p>		
<p>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.</p>	<p>Not Applicable – see above.</p>	

2/11/15

<p>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.</p>	<p>Not applicable.</p>	
<p><i>CITATION</i></p> <p><i>34179.5(c)(4) The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009–10 fiscal year.</i></p>		
<p>4. Perform the following procedures:</p>		
<p>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.</p>	<p>Obtained the Successor Agency general ledger for All Funds. See the Condensed Financial Statement. Comparison for fiscal 2010, 2011 and 2012 at Attachment B which were derived from audited data on a modified accrual basis.</p> <p>The long-term portion (not shown on the modified accrual basis) is \$6,811,899 at 1/31/12.</p> <p>Capital assets had a zero balance at 1/31/12.</p>	<p>Attachment B</p>

2/11/15

Attachment B

<p>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.</p>	<p>Reviewed the All Other Funds revenues, expenditures and transfers. Equity roll forwards were performed.</p>	
<p>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.</p>	<p>Agreed state controllers reports to fiscal 2010 on a test basis.</p>	
<p>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.</p>	<p>Reviewed the All Other Funds trial balances by account number. Condensed each fund's trial balance and reconciled the roll forwards to audited numbers. Each balance sheet line item was traced to general ledger detail and other documentation as appropriate.</p>	
<p><i>CITATION</i></p> <p><i>34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:</i></p> <p><i>(A) A statement of the total value of each fund as of June 30, 2012.</i></p>		

2/11/15

<p>5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.</p>	<p>Reviewed the Low to Moderate Income Housing Fund (LMI) Report.</p> <p>LMI cash is \$5,422,247 and notes receivable is \$4,160,650 (see LMI report for detail), the only other asset is an interfund loan balance of \$592,412 related to the Supplemental Educational Education Revenue Augmentation Fund (SERAF) which is eliminated at June 30, 2012.</p>	<p>Exhibit 1</p>
<p><i>CITATION</i></p> <p><i>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.</i></p>		

2/11/15

<p>6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:</p>		
<p>A. Unspent bond proceeds:</p> <ul style="list-style-type: none"> 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. 	<p>Reviewed All Other Funds.</p> <p>Noted the All Other Funds on Exhibit 1 held \$925,006 which is set aside for debt service payments.</p> <p>There are no required computations. The cash is set aside for debt service.</p> <p>Completed.</p>	<p>Exhibit 1</p>

2/11/15

<p>B. Grant proceeds and program income that are restricted by third parties:</p> <ul style="list-style-type: none">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.	<p>Reviewed All Other Funds.</p> <p>Not applicable – there are no grant proceeds or program income restricted by third parties</p>	
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2/11/15

<p>C. Other assets considered to be legally restricted:</p> <ul style="list-style-type: none"> 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. 	<p>Reviewed All Other Funds.</p> <p>Not applicable – there are no other assets considered to be legally restricted.</p>	
<p>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.</p>	<p>For All Other Funds:</p> <p>\$925,006 – This pertains to cash held with bond trustee in reserve fund in accordance with bond covenants and other cash held with trustee for debt service.</p>	<p>Exhibit 1</p>

2/11/15

<p><i>CITATION</i></p> <p><i>34179.5(c)(5)(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.</i></p>		
7. Perform the following procedures:		

2/11/15

<p>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.</p>	<p>Reviewed All Other Funds.</p> <p>\$196,073 – Loans to other funds. This amount is not cash but an adjustment by the City for reconciliation between the City Assessment Districts and the RDA.</p> <p>These assessment districts (AD) are used for the fiduciary funds – Oak Street AD and High Street AD.</p> <p>GASB 31 Allowance – Upon inspection of the general ledger records, it was noted that \$20,457 of the \$1,913,695 in cash and investments reported by the successor agency as of June 30, 2012 pertained to non-liquid GASB 31 (cost to market) value adjustments. These adjustments are required for financial reporting purposes only and are not considered readily available for distribution to taxing entities. This balance is subject to estimates and is adjusted either up or down annually as necessary. The accuracy of the GASB 31 calculations was considered as part of the City’s FY 2011-12 financial statement audit procedures noting no material exceptions.</p>	<p>Attachment B</p> <p>Exhibit 1</p>
<p>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.</p>	<p>Reviewed All Other Funds.</p> <p>This step not applicable.</p>	

2/11/15

<p>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.</p>	<p>Reviewed All Other Funds. Not applicable – no disposals in fiscal 2012</p>	
<p>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.</p>	<p>Reviewed All Other Funds. Not applicable.</p>	

2/11/15

<p><i>CITATION</i></p> <p><i>34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.</i></p>		
8. Perform the following procedures:		

2/11/15

<p>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.</p> <ul style="list-style-type: none"> i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question. ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance. 	<p>Reviewed All Other Funds.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Fire Station</td> <td style="text-align: right;">\$ 475,000</td> </tr> <tr> <td>2% Reelection</td> <td style="text-align: right;">501,899</td> </tr> <tr> <td>Repayment 1/1/11 – 1/31/12</td> <td style="text-align: right;"><u>(125,475)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u><u>\$ 851,424</u></u></td> </tr> </table> <p>In June 2012, the Successor Agency received \$828,915 in RPTTF payments from Contra Costa County for the ROPS period July 1, 2012 - December 31, 2012. We reconciled this to the approved ROPS II (2012-13A) verifying that this awarded amount was the sum of total ROPS II requested obligations (\$932,381.25) less the three disallowed line items (#4, 10, and 22) per the DOF Determination Letter dated May 31, 2012 totaling \$228,464. Upon inquiry with Successor Agency management and inspection of the general ledger disbursements records, it was noted that approved obligation line #1 totaling \$200,000 (Diamond Terrace) was a reconciling item that was required to be paid in June 2012, immediately preceding the ROPS II period. As such, the net amount of RPTTF awarded in June 2012 restricted to the following 6 month period was \$628,915 (\$828,915 - \$200,000).</p>	Fire Station	\$ 475,000	2% Reelection	501,899	Repayment 1/1/11 – 1/31/12	<u>(125,475)</u>		<u><u>\$ 851,424</u></u>	<p>Attachment C</p>
Fire Station	\$ 475,000									
2% Reelection	501,899									
Repayment 1/1/11 – 1/31/12	<u>(125,475)</u>									
	<u><u>\$ 851,424</u></u>									

2/11/15

<p>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:</p> <ul style="list-style-type: none"> 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. <p>C. 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.</p>	<p>Reviewed All Funds.</p> <p>Management of the Successor Agency asserts that the 2% election repayment agreement (\$501,899) and the Firestation loan agreement (\$475,000) between the City of Clayton and the former RDA are legally enforceable obligations. Management further asserts that future ROPS funding will be insufficient to repay the balances of these agreements based on historical DOF rejections of amounts requested through the ROPS process. A total of \$125,475 (\$100,380 Non-housing and \$25,095 LMI) has been repaid from the former RDA pursuant to the FY 2011 and FY 2012 RDA adopted City budgets in the period January 1, 2011 through January 31, 2012. No payments have been made subsequent to this. After reducing the original 2% election agreement by repaid balances in the aforementioned “lookback period”, the net unpaid balance of the 2% election agreement is reduced to \$376,424. As such, management asserts that a total of \$851,424 (\$475,000 plus \$376,424) is necessary to repay the balance of legally executed enforceable obligations between the former RDA and the City of Clayton. We agreed the terms of the 2% election repayment agreement and the Firestation note to legally executed documents between the City and Redevelopment Agency without exception.</p> <p>Compared forecast of payments to client documents within an immaterial amount.</p>	<p>Attachment B</p>
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2/11/15

<p>C.</p> <ul style="list-style-type: none"> i. For the forecasted annual revenues: <ul style="list-style-type: none"> a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections. 	<p>Client based revenue assumptions on previous years.</p>	
<p>D. 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.</p> <ul style="list-style-type: none"> 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. 	<p>Reviewed All Funds. Not applicable.</p>	

2/11/15

<p>E. 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.</p> <ul style="list-style-type: none"> 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. 	<p>Reviewed All Other Funds. \$788,687</p>	
<p><i>CITATION</i></p> <p><i>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.</i></p>		

2/11/15

<p>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.</p>	<p>Reviewed All Other Funds. Not applicable.</p>	
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2/11/15

CITATION

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

2/11/15

<p>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).</p>	<p>Reviewed All Other Funds.</p> <p>See Attachment C for the All Other Funds.</p> <p>Also see separate LMI DDR report for corresponding LMI Fund information.</p>	<p>Attachment C</p>
<p>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.</p>	<p>Reviewed All Other Funds.</p> <p>The Representation Letter was signed by the City Manager and Finance Manager.</p>	

Oversight Board of the Successor Agency
for the Redevelopment Agency of the City of Clayton
All Funds-LMI and All Other Funds
Condensed Financial Statement Comparison

ATTACHMENT B

Draft

2/11/15

Successor
Agency
5 Months Ended
6/30/2012

	Modified Accrual Basis			
	All Funds 12 Months Ended 6/30/2010	All Funds 12 Months Ended 6/30/2011	All Funds 7 Months Ended 1/31/2012	
Assets				
Cash and cash equivalents	\$ 5,375,302	\$ 6,220,832	\$ 6,896,266	\$ 7,335,942
Accounts receivable	2,500	-	-	-
Interfund balance (loan)	-	-	-	196,073
Interest receivable	592,412	-	-	-
SERAF receivable	-	-	-	-
Notes receivable	4,190,728	4,266,430	4,205,030	4,160,650
Investment in bonds	151,000	138,000	-	-
Restricted Assets				
Debt service cash and cash with fiscal agent	1,109,988	1,076,021	1,771,200	925,006
Low/Moderate Income Housing cash and investments	-	-	-	-
Accrued interest receivable	-	-	-	-
Total Assets	\$ 11,421,930	\$ 11,701,283	\$ 12,872,496	\$ 12,617,671
Liabilities				
Accounts payable	\$ 5,249	\$ 4,231	\$ -	\$ 1,677
Accrued interest	-	-	146,353	106,284
Deposits payable	(584)	-	-	-
Due to the City of Clayton	-	442,769	-	-
Long term debt - current portion	-	-	-	280,000
Advance from the City of Clayton	592,412	976,899	976,899	976,899
Noncurrent Liabilities				
Deferred revenue	3,929,696	3,510,330	3,448,930	3,602,273
Long term debt, net of current portion	-	-	-	4,855,000
Total Liabilities	\$ 4,526,773	\$ 4,934,229	\$ 4,572,182	\$ 9,822,133
Equity				
Restricted	\$ 5,755,024	\$ 633,252	\$ 700,038	\$ -
Assigned	1,140,133	6,133,802	7,600,276	-
Held in trust for other governments	-	-	-	2,795,538
Total Liabilities and Equity	\$ 6,895,157	\$ 6,767,054	\$ 8,300,314	\$ 2,795,538
Total Revenues:	\$ 5,435,966	\$ 5,420,911	\$ 2,892,660	\$ 906,117
Total Expenditures:	\$ 5,949,407	\$ 5,041,958	\$ 964,983	\$ 325,561
Extraordinary gain (loss)	\$ -	\$ -	\$ -	\$ 2,464,982
Total Transfers	\$ 283,523	\$ (525,475)	\$ (262,406)	\$ (250,000)
Net change in equity	\$ (229,918)	\$ (146,522)	\$ 1,665,271	\$ 2,795,538
Beginning Equity:	\$ 7,125,075	\$ 6,913,576 *	\$ 6,635,043 x	\$ -
Ending Equity:	\$ 6,895,157	\$ 6,767,054	\$ 8,300,314	\$ 2,795,538
Other Information (show year end balances for all three years presented):				
Capital assets as of end of year	-	-	-	n/a
Long-term debt as of end of year	9,115,000	7,421,899	6,811,899	5,135,000

* Prior period restatement to correct an error of \$18,419

x Prior period adjustment to correct an error of \$132,011

Draft
2/11/15

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$	3,034,774	EXHIBIT 1
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)		137,500	Procedure 2
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6) (cash with fiscal agent)		(925,006)	See 6C
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		(196,076)	See 7A
		(20,457)	GASB 31
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)		(628,915)	See 8A
		(851,424)	See 8A/FS
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)		-	
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance		-	
		-	
Amount to be remitted to county for disbursement to taxing entities	\$	<u>550,396</u>	

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

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

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

Oversight Board of the Successor Agency
for the Redevelopment Agency of the City of Clayton
All Funds-LMI and All Other Funds
June 30, 2012

EXHIBIT 1
Draft
2/11/15

	<u>LMI FUNDS</u>	<u>OTHER FUNDS</u>		
<u>ASSETS</u>	Low & Moderate Income Housing	Other Funds	Eliminations	TOTAL LMI AND ALL OTHER FUNDS
Current assets:				
Cash and cash equivalents	\$ -	\$ 1,913,695	\$ -	\$ 1,913,695
LMI cash and investments	5,422,247	-	-	5,422,247
SERAF receivable (advance to ot	592,412	-	(592,412)	-
Due from other funds	-	-	-	-
Total current assets	<u>6,014,659</u>	<u>1,913,695</u>	<u>(592,412)</u>	<u>7,335,942</u>
Noncurrent assets:				
Cash held with fiscal agents	-	925,006	-	925,006
Notes receivable	4,160,650	-	-	4,160,650
Loans to other funds	-	196,073	-	196,073
Total noncurrent assets	<u>4,160,650</u>	<u>1,121,079</u>	<u>-</u>	<u>5,281,729</u>
Total assets	<u>\$ 10,175,309</u>	<u>\$ 3,034,774</u>	<u>\$ (592,412)</u>	<u>\$ 12,617,671</u>
 <u>LIABILITIES AND NET POSITION</u>				
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 560	\$ 1,117	\$ -	\$ 1,677
Accrued interest payable	-	106,284	-	106,284
Due to the City of Clayton	-	976,899	-	976,899
Total current liabilities	<u>560</u>	<u>1,084,300</u>	<u>-</u>	<u>1,084,860</u>
Noncurrent liabilities:				
Deferred revenue	3,406,200	196,073	-	3,602,273
Long term debt	-	5,135,000	-	5,135,000
Advance from LMI fund	-	592,412	(592,412)	-
Total noncurrent liabilities	<u>3,406,200</u>	<u>5,923,485</u>	<u>(592,412)</u>	<u>8,737,273</u>
Total liabilities	<u>3,406,760</u>	<u>7,007,785</u>	<u>(592,412)</u>	<u>9,822,133</u>
 <u>NET POSITION</u>				
Held in trust for other governmen	<u>6,768,549</u>	<u>(3,973,011)</u>	<u>-</u>	<u>2,795,538</u>
Total liabilities and net asset	<u>\$ 10,175,309</u>	<u>\$ 3,034,774</u>	<u>\$ (592,412)</u>	<u>\$ 12,617,671</u>

Draft
2/11/15

**CITY OF CLAYTON
REDEVELOPMENT AGENCY**

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

December 2014



Draft
2/11/15

JOHN CHIANG
California State Controller

December 23, 2014

Gary A. Napper, City Manager
City of Clayton Redevelopment/Successor Agency
6000 Heritage Trail
Clayton, CA 94517

Dear Mr. Napper:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the City of Clayton Redevelopment Agency (RDA) to the City of Clayton (City) or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether the asset should be turned over to the Successor Agency.

Our review applied to all assets including, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers to the City or any other public agency have been reversed.

Our review found that the RDA transferred \$13,865,645 in assets after January 1, 2011, including an unallowable transfer to the City of \$200,000, or 1.44% of transferred assets. These assets must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau, by telephone at (916) 324-0622.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

Gary A. Napper, City Manager

-2-

December 23, 2014
Draft
2/11/15

cc: Kevin Mizuno, Finance Manager
City of Clayton
Robert R. Campbell, County Auditor-Controller
Contra Costa County
Dan Richardson, Oversight Board Chairperson
City of Clayton
David Botelho, Program Budget Manager
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Elizabeth González, Bureau Chief
Division of Audits, State Controller's Office
Betty Moya, Audit Manager
Division of Audits, State Controller's Office
Nicole Baker, Auditor-in-Charge
Division of Audits, State Controller's Office
Tuan Tran, Auditor
Division of Audits, State Controller's Office

Contents

Review Report

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Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the City of Clayton Redevelopment Agency (RDA) after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the RDA transferred \$13,865,645 in assets after January 1, 2011, including an unallowable transfer to the City of Clayton (City) of \$200,000, or 1.44% of transferred assets. These assets must be turned over to the Successor Agency.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA successor agencies and oversight boards to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety (H&S) Code beginning with section 34161.

H&S Code section 34167.5 states in 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."

The SCO identified asset transfers that occurred after January 1, 2011, between the RDA, the City and/or any other public agency. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal action to ensure compliance with this order.

Objective, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency’s operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City, the RDA, the Successor Agency, and the Oversight Board.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

Conclusion

Our review found that the City of Clayton Redevelopment Agency transferred \$13,865,645 in assets after January 1, 2011, including an unallowable transfer to the City of Clayton of \$200,000, or 1.44% of transferred assets. These assets must be turned over to the Successor Agency.

Details of our finding are described in the Finding and Order of the Controller section of this report.

Views of Responsible Officials

We issued a draft review report on September 23, 2014. Gary Napper, City Manager, responded by letter dated September 29, 2014. The City’s response is included in this final review report as an attachment.

Restricted Use

This report is solely for the information and use of the City of Clayton, the Successor Agency, the Oversight Board, and the SCO; it 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 when issued final.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

December 23, 2014

Finding and Order of the Controller

**FINDING—
Unallowable asset
transfer to the City
of Clayton**

The City of Clayton Redevelopment Agency (RDA) made an unallowable asset transfer of \$200,000 to the City of Clayton (City). The transfer occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

On February 28, 2011, the RDA made a cash transfer of \$262,738 to the City.

Pursuant to Health and Safety (H&S) Code Section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code Section 34177(d).

Order of the Controller

Pursuant to H&S Code Section 34167.5, the City is ordered to reverse the transfer in the amount of \$200,000 and turn over the assets to the Successor Agency. The Successor Agency is directed to properly dispose of the assets in accordance with H&S Code section 34177(d).

City’s Response to Draft

..\$62,718 [\$62,738] of the total transfers ordered to be repaid to the Successor Agency pertained to reimbursements to the City of Clayton for 2% election payments that tied to a legally adopted agreement dating back to 1987. . . On July 1, 1987, the City Council of the City of Clayton adopted Resolution. 31-87 ordering “2% election” payments to the City for each year by the RDA as authorized by Section 33676 of the H&S Code in Connection with the Clayton Redevelopment Project.

SCO Comment

After further reviewing the documentation, the SCO asserts that \$62,738, not \$62,718 of the cash transferred by the RDA to the City was a 2% election payment authorized pursuant to H&S Code 33676 in connection with the Clayton Redevelopment Project. Therefore, the City need not return these assets to the Successor Agency. The remaining \$200,000 in assets must be turned over to the Successor Agency.

The report has been modified accordingly.

Draft

2/11/15

**Attachment—
Auditee’s Response to
Draft Review Report**

Draft
2/11/15



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City Council
HANK STRATFORD, Mayor
DAVID T. SHUEY, Vice Mayor
JIM DIAZ
HOWARD GELLER
JULIE K. PIERCE

September 29, 2014

Elizabeth Gonzalez, Chief
Local Government Compliance Bureau
Stat Controller's Office Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Re: Partial Dispute of Draft Finding -- Asset Transfer Review

Dear Ms. Gonzalez,

We have reviewed the draft Review Report issued by the State Controller's Office (SCO) regarding its review of asset transfers from timeframe January 1, 2011 through January 31, 2012. It contains a finding the City of Clayton Redevelopment Agency (RDA) made unallowable asset transfers totaling \$262,738 to the City of Clayton in the timeframe specified above. Furthermore, the report states that pursuant to California Health and Safety (H&S) Code Section 34167.5, the City is ordered to reverse the transfer in the amount of \$262,738 and turn over the assets to the Successor Agency. The Successor Agency is then directed to properly dispose of the assets in accordance with H&S Code section 34177(d).

What the SCO's report failed to outline is that \$62,718 of the total transfers ordered to be repaid to the Successor Agency pertained to reimbursements to the City of Clayton for 2% election payments that tied to a legally adopted agreement dating back to 1987. Although we have previously provided copies of the underlying documents supporting the 2% repayment arrangement to the State Controller's Office and Department of Finance, we again summarize the background of this repayment agreement below:

On July 1, 1987, the City Council of the City of Clayton adopted Resolution No. 31-87 ordering "2% election" payments to the City each year by the RDA as authorized by Section 33676 of the H&S Code in connection with the Clayton Redevelopment Project. The 2% election payments to the City were designed to commence after the tax year in which or ordinance adopting the Clayton Redevelopment Plan became effective (fiscal year 1988-89). During an examination of the Agency's remaining fiscal status and condition during calendar year 2009, it was discovered by Agency staff and its consultant, Seifel Consulting, Inc., that these 2% election payments had never been made to the City. Subsequent review by the Contra Costa County Auditor-Controller's Office supported that the Agency owed the City an accumulated total of \$501,898.64 over the course of the RDA's existence since 1987.

Draft
2/11/15

Ms. Elizabeth Gonzalez
September 29, 2014
Page 2 of 2

We continue to assert the lawfully-due 2% election payments pre-dated the Dissolution Act, were obligations committed in 1987, and legally should not be subject to the provisions of H&S code section 34167.5 as they pertain to repayments outlined in a legally binding agreement between the City and RDA now 27 years ago. The establishment of a repayment agreement between the City and RDA through RDA Resolution No. 02-2010 dated February 16, 2010 was designed to minimize the negative impact to the RDA's 5 Year Implementation Plan by deferring repayment of the balance of 2% election monies over a 4 year period.

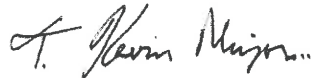
It is our position that classifying these 2% election repayments as "transfers" improperly concludes that these payments are flows of assets between the RDA and City that do not pertain to legally binding agreements. Provided these circumstances, we maintain that any payments pertaining to the 2% election repayment agreement should be excluded from the total obligation ordered to be repaid from the City to the Successor Agency in the SCO Review Report. This would result in a revised total to be paid from the City to the Successor Agency of \$200,020.

We appreciate your time and cooperation in this matter, and the opportunity to provide the City's comments on the SCO's Review Report. We look forward to your favorable reconsideration of this dispute. Please do not hesitate to contact us if additional clarification or documentation is required.

Sincerely,



Gary Napper
City Manager
925-673-7309



Kevin Mizuno
Finance Manager
925-673-7309

cc: Karen Tiedemann, Goldfarb & Lipman LLP

Draft
2/11/15

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