SPECIAL MEETING OF THE
OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE
AVALON COMMUNITY IMPROVEMENT AGENCY
FRIDAY, FEBRUARY 1, 2013 – 12:45 P.M.
CITY COUNCIL CHAMBERS 410 AVALON CANYON ROAD, AVALON, CA 90704

In compliance with the Americans with Disability Act, if you need special assistance to participate in this meeting, please contact Denise Radde, City Clerk (310) 510-0220. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35. 102-35.104 ADA Title II). All public records relating to an agenda item on this agenda are available for the public inspection at the time the records are distributed to all, or a majority of all, members of the Oversight Board. Such records shall be available at City of Avalon City Hall located at 410 Avalon Canyon Rd.

CALL TO ORDER / PLEDGE OF ALLEGIANCE / INVOCATION / ROLL CALL

ANNOUNCEMENTS / WRITTEN COMMUNICATIONS

ORAL COMMUNICATION
Members of the public may address the Oversight Board at this time. No action will be taken on non-agenda items at this meeting. Speakers should limit comments to three (3) minutes each.

GENERAL BUSINESS- PUBLIC COMMENT

1. Minutes from the November 29, 2012 Oversight Board Meeting

Although the live recording is the official record of Oversight Board meetings, minutes are prepared for the Board's approval. Present at the meeting: Robert Kennedy, Gabrielle Morones, Christopher Blehm and James Novak.

Recommended Action

That the Oversight Board adopt a resolution approving minutes from the November 29, 2012 Oversight Board Meeting.

2. Minutes from the January 3, 2013 Meeting

Although the live recording is the official record of Oversight Board meetings, minutes are prepared for the Board's approval. Present at the meeting: Robert Kennedy, Eric Huart, Christopher Blehm, Julie Moore and Mark Taylor.

Recommended Action

That the Oversight Board adopt a resolution approving minutes from the January 3, 2013 Oversight Board Meeting.

3. Due Diligence Review #2 – Non-Housing Funds

Health and Safety Code Section 34179.5 requires the Successor Agency of the Avalon Community Improvement Agency to prepare a Due Diligence Review (DDR) of the non-housing funds (DDR #2). The purpose of the DDR is to determine the unobligated balances available for transfer to taxing entities from all non-housing funds of the former Avalon Community Improvement Agency, including the Capital Projects Fund and Debt Service Fund. The Oversight Board held a public comment session on the draft DDR #2 on January 3, 2013. Since that time the DDR has been revised. The final report includes adjustments to the DDR, as explained in the staff report. The Board will accept comment on the revised DDR and consider it for final action.

Recommended Action
That the Oversight Board adopt a resolution approving the Due Diligence Review #2 prepared for the Non - Housing Funds in accordance with California Health and Safety Code Section 34179.5.

ADJOURN

NOTICE OF POSTING
I, Denise Radde, declare that the Oversight Board Agenda for the February 1, 2013 special meeting was posted at 3:30 p.m. on Wednesday, January 30, 2013, on the City of Avalon's website www.cityofavalon.com, and at City Hall, 410 Avalon Canyon Road. Copies of agendas and staff reports are available at City Hall.

Denise A. Radde, Oversight Board Secretary/City Clerk

OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY

MEETING DATE: February 1, 2013 AGENDA ITEM: 1 + 2

ORIGINATING DEPARTMENT: Successor Agency CITY MANAGER: SH

PREPARED BY: Denise Radde

SUBJECT: Minutes to Two Oversight Board Meetings

RECOMMENDED ACTION

That the Oversight Board adopts each resolution approving minutes from the Oversight Board Meetings on November 29, 2012 and January 3, 2013.

REPORT SUMMARY:

Although the live recording is the official record of the Oversight Board meetings, minutes are prepared for the Board's approval.

FISCAL IMPACTS: N/A

CONSEQUENCES OF NOT FOLLOWING RECOMMENDED ACTION: N/A

FOLLOW UP ACTION: N/A

ADVERTISING, NOTICE AND PUBLIC CONTACT: This item was properly listed on the posted agenda.

ATTACHMENTS: Two sets of minutes and resolutions for November 29, 2012 and January 3, 2013.

OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
MINUTES OF NOVEMBER 29, 2012

CALL TO ORDER: 3:30 P.M.

PLEDGE OF ALLEGIANCE

ROLL CALL: Present- Oversight Board members Robert Kennedy, Gabrielle Morones, Christopher Blehm, and James Novak. Absent: Bruce Fertig, Mark Taylor and Julie Moore. Also present- City Clerk Denise Radde. Elizabeth Hull of Best Best & Krieger, RSG Consultant Ken Lee and Director of Finance Betty Jo Garcia were unable to make this meeting also.

There were no announcements, written communications or oral communication from the audience.

General Business

1. Minutes from the May 3, 2012 Oversight Board Meeting

Adopted Resolution 12-08 approving minutes from the May 3, 2012 Oversight Board Meeting. Motion by James Novak, seconded by Chris Blehm. (4 Ayes-Kennedy, Morones, Blehm and Novak, 3 Absent-Moore, Fertig and Taylor)

2. Minutes from the August 20, 2012 Meeting

Adopted Resolution 12-09 approving minutes from the August 20, 2012 Oversight Board Meeting. Motion by Chris Blehm, seconded by Gabrielle Morones. (3 Ayes-Kennedy, Morones and Blehm, 1 Abstain-Novak, 3 Absent-Moore, Fertig and Taylor)

3. Minutes from the November 15, 2012 Meeting

Adopted Resolution 12-10 approving minutes from the November 15, 2012 Oversight Board Meeting. Motion by Bob Kennedy, seconded by Chris Blehm. (3 Ayes-Kennedy, Morones and Blehm, 1 Abstain-Novak, 3 Absent-Moore, Fertig and Taylor)

4. Review and Approval of Due Diligence Review #1 – Low and Moderate Income Housing Fund

Consultant Ken Lee from RSG gave a brief explanation on the item. Adopted Resolution 12-11 approving the report on the Due Diligence Review for the Low and Moderate Income Housing Fund and determining the amount of cash and cash equivalents that are available for disbursement to the taxing entities. Motion made by Bob Kennedy, seconded by Chris Blehm. (4 Ayes-Kennedy, Morones, Blehm and Novak, 3 Absent-Moore, Fertig and Taylor)

Chairman Robert Kennedy adjourned the meeting at 3:34 p.m.

I, Denise Radde, Oversight Board Secretary/City Clerk of the City of Avalon, do hereby certify that the DVD videotape of the Oversight Board of the Successor Agency to the Avalon Community Improvement Agency meeting of November 29, 2012, is the official record of that Oversight Board Meeting and is on file and maintained in City Hall.

Denise A. Radde, Oversight Board Secretary/City Clerk

OVERSIGHT BOARD RESOLUTION NO. _____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE DISSOLVED AVALON COMMUNITY IMPROVEMENT AGENCY, APPROVING MINUTES FROM THE OVERSIGHT BOARD MEETING ON NOVEMBER 29, 2012

WHEREAS, pursuant to Health and Safety Code section 34173(d), the City of Avalon ("Successor Agency") is the successor agency to the dissolved Avalon Community Improvement Agency ("Agency"),

WHEREAS, pursuant to Health and Safety Code section 34179(a), the Oversight Board is the Successor Agency's oversight board; and

WHEREAS, pursuant to Health and Safety Code section 34179(e), the Oversight Board is deemed to be a local entity for purposes of the Ralph M. Brown Act (Gov. Code, § 54950 et seq.); and

WHEREAS, Exhibit A, pursuant to Government Code section 54954(a), the Oversight Board desires to provide, by resolution, the minutes from the November 29, 2012 meeting.

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Actions. Minutes from the November 29, 2012 meeting.

Section 3. Certification. The City Clerk of the City of Avalon, acting on behalf of the Oversight Board as its Secretary, shall certify to the adoption of this Resolution.

Section 4. Effective Date. Pursuant to Health and Safety Code section 34179(h), all actions taken by the Oversight Board may be reviewed by the State of California Department of Finance, and, therefore, this Resolution shall not be effective for three (3) business days, pending a request for review by the State of California Department of Finance.

PASSED AND ADOPTED at a special meeting of the Oversight Board on the 1st day of February, 2013 by the following vote:

Ayes:
Noes:
Abstain:
Absent:

Robert Kennedy, Chairperson

ATTEST:

Denise Radde, Oversight Board Secretary/City Clerk

OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY MINUTES OF JANUARY 3, 2013

CALL TO ORDER: 2:02 P.M.

PLEDGE OF ALLEGIANCE

ROLL CALL: Present - Oversight Board members Robert Kennedy, Christopher Blehm, Eric Huart, Julie Moore and Mark Taylor. Absent: Gabrielle Morones and James Novak. Also present- City Clerk Denise Radde and Director of Finance Betty Jo Garcia. (Elizabeth Hull, Best Best & Krieger and Ken Lee, RGS Consultant were unable to make this meeting.)

There were no announcements, written communications or oral communication from the audience.

General Business

1. Eric Huart, the newly appointed board member assigned to replace Bruce Fertig, was given the Oath of Office by City Clerk Denise Radde.

2. Chairman Robert Kennedy nominated Chris Blehm to replace Bruce Fertig as the Oversight Board Vice- Chairman. Motion by Mark Taylor to appoint Chris Blehm as Oversight Board Vice-Chairman, seconded by Julie Moore. (5 Ayes – Kennedy, Blehm, Huart, Moore and Taylor, 2 Absent – Morones and Novak)

3. Due Diligence Review #2 – Non- Housing Funds

Health and Safety Code Section 34179.6(b) requires that the Oversight Board convene a "public comment session" at least 5 business days before it holds an approval vote on the DDR#2, which is scheduled for January 11, 2013 at 12:45 p.m.

Chairman Kennedy opened the public meeting for comment and no comments were received from the audience. Public Comment section was closed.

Chairman Robert Kennedy adjourned the meeting at 2:06 p.m.

I, Denise Radde, Oversight Board Secretary/City Clerk of the City of Avalon, do hereby certify that the DVD videotape of the Oversight Board of the Successor Agency to the Avalon Community Improvement Agency meeting of January 3, 2013, is the official record of that Oversight Board Meeting and is on file and maintained in City Hall.

Denise A. Radde, Oversight Board Secretary/City Clerk

OVERSIGHT BOARD RESOLUTION NO. _____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE DISSOLVED AVALON COMMUNITY IMPROVEMENT AGENCY, APPROVING MINUTES FROM THE OVERSIGHT BOARD MEETING ON JANUARY 3, 2013

WHEREAS, pursuant to Health and Safety Code section 34173(d), the City of Avalon ("Successor Agency") is the successor agency to the dissolved Avalon Community Improvement Agency ("Agency"),

WHEREAS, pursuant to Health and Safety Code section 34179(a), the Oversight Board is the Successor Agency's oversight board; and

WHEREAS, pursuant to Health and Safety Code section 34179(e), the Oversight Board is deemed to be a local entity for purposes of the Ralph M. Brown Act (Gov. Code, § 54950 et seq.); and

WHEREAS, Exhibit A, pursuant to Government Code section 54954(a), the Oversight Board desires to provide, by resolution, the minutes from the November 29, 2012 meeting.

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Actions. Minutes from the January 3, 2013 meeting.

Section 3. Certification. The City Clerk of the City of Avalon, acting on behalf of the Oversight Board as its Secretary, shall certify to the adoption of this Resolution.

Section 4. Effective Date. Pursuant to Health and Safety Code section 34179(h), all actions taken by the Oversight Board may be reviewed by the State of California Department of Finance, and, therefore, this Resolution shall not be effective for three (3) business days, pending a request for review by the State of California Department of Finance.

PASSED AND ADOPTED at a special meeting of the Oversight Board on the 1st day of February, 2013 by the following vote:

Ayes:
Noes:
Abstain:
Absent:

_____
Robert Kennedy, Chairperson

ATTEST:

_____
Denise Radde, Oversight Board Secretary/City Clerk

OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY

MEETING DATE: February 1, 2013 AGENDA ITEM: 3

ORIGINATING DEPARTMENT: Successor Agency CITY MANAGER: SH

PREPARED BY: Betty Jo Garcia, Finance Director
Ken Lee, Consultant, RSG Inc.

SUBJECT: Due Diligence Review #2 – Non-housing Funds

RECOMMENDED ACTION

That the Oversight Board adopt a resolution approving the Due Diligence Review prepared for the non-housing funds of the Successor Agency in accordance with California Health and Safety Code Section 34179.5.

BACKGROUND

DUE DILIGENCE REVIEW #2 – NON HOUSING FUNDS

California Health and Safety Code ("HSC") Section 34179.5 requires the Successor Agency ("Successor Agency") of the Avalon Community Improvement Agency ("ACIA") to prepare a Due Diligence Review of the former ACIA's non-housing funds ("DDR #2"). The requirement for the DDR is new to the ABX1 26 (Chapter 5, Statutes of 2011) wind-down process as a result of AB 1484 (Chapter 26, Statutes of 2012), which took effect on June 27, 2012. A prior Due Diligence Review of the ACIA's Low and Moderate Income Housing Fund ("DDR #1") was prepared, approved by the Oversight Board, submitted to State Department of Finance ("DOF"), and approved by DOF during November-December 2012. The purpose of the DDRs is "to determine the unobligated balances available for transfer to taxing entities" from the Low and Moderate Income Housing Fund and all other funds (e.g., Capital Projects Fund, Debt Service Fund). DDR #2 is focused on the non-housing funds and assets held by the former ACIA.

The results of DDR #2 were required to be provided to the Oversight Board, County Auditor-Controller, DOF, and State Controller's Office ("SCO") by December 15, 2012, and reviewed, approved, and transmitted by the Oversight Board to the County Auditor-Controller and DOF by January 15, 2013. Like a number of other successor agencies in the state, the Avalon Successor Agency, due to staffing and time constraints, was unable to meet the December 15, 2012 deadline. The statute does not carry any penalties for late submittal. Upon approval of DDR #2, timely submittal of the report to DOF and the County Auditor-Controller will be made by the January 15, 2013 deadline.

Public Comment Session

Consistent with HSC Section 34179.6(b), the Oversight Board convened a public comment session on January 3, 2013 on DDR #2 at least five business days before holding the approval vote on DDR #2. No public comments were received.

Preparation of DDR

DDR #2 was prepared by Certified Public Accountants at White Nelson Diehl Evans, LLP, who has historically assisted the former ACIA in preparing its annual audit. As required by AB 1484, the County Auditor-Controller approved preparation of the DDRs by White Nelson Diehl Evans prior to work commencing.

DDR #2 Determination

The purpose of DDR #2 is to review and report: (1) Transactions of the former ACIA and the Successor Agency affecting all non-housing funds, including the transfer of assets that took place in accordance with ABX1 26 and AB 1484; and (2) Determine the amount of cash available from the cash balance of the non-housing funds for distribution to taxing entities. Available cash for distribution is determined by confirming the amount of non-housing assets held by the Successor Agency as of June 30, 2012, and deducting non-housing assets and cash balances required to satisfy enforceable obligations or that are legally restricted, including bond proceeds. Other deductions include payments made on July 12, 2012 to the County Auditor-Controller as directed by DOF as part of the AB 1484 "July True-up" process. See Schedule 8 of the report for the final DDR #2 calculation determining that a net amount of **$605,720** is available in the Successor Agency's non-housing funds for distribution to taxing entities.

The January 2, 2013 draft of the DDR #2 report, presented to the Oversight Board at its January 3, 2013 special meeting, had previously identified a net distribution amount of $1,394,333. That was a preliminary calculation pending further review of more detailed financial information by the Successor Agency's auditor and staff. Based on further review, the adjustments outlined in the following table were made to the DDR procedures and schedules resulting in reduction of net cash available for distribution to taxing entities.

Schedule # or Procedure #	Description	Net Effect	Adjustment to Cash Available
Schedule 3	Adjustment to add interest income allocation for period 07/1/2011 to 03/31/2012	Increase in net cash available	**$7,555**
Schedule 3	Accrue interest as of 06/30/2012	Increase in net cash available	**$7,396**
Schedule 4	Reclassification of fiscal agent interest income received	Decrease in net cash available	**($24,496)**
Schedule 4	Reclassification of disbursement that occurred after 06/30/2012	Decrease in net cash available	**($473,533)**
Schedule 4	Accrued interest as of 06/30/2012	Decrease in net cash available	**($5,392)**
Schedule 6	Adjustments to agree to ROPS I reconciliation (on ROPS III)	Decrease in net cash available	**($4,254)**
Schedule 6	Added administrative costs that were accrued as of 06/30/2012, but were not paid until after that date	Decrease in net cash available	**($185,889)**
Procedure 6C	Restriction of cash as of 06/30/2012 that was donated to the City, not the ACIA, in 2000 and was not tax increment now subject to distribution.	Decrease in net cash available	**($110,000)**
	TOTAL ADJUSTMENTS	**Decrease in cash available**	**($788,613)**

The Successor Agency must remit the cash available for distribution to the County Auditor-Controller within five business days of DOF making a determination on DDR #2, unless a "meet and confer" request is filed by the Successor Agency.

TIMELINE FOR DDR #2 AND FINDING OF COMPLETION

DOF must complete its review of DDR #2 by April 1, 2013. Once DDR #1 and DDR #2 are both completed and cash balances are distributed, the Successor Agency will be eligible to receive a "Finding of Completion," which has specified benefits.

ENVIRONMENTAL REVIEW

The action taken by the Oversight Board to approve DDR #2 does not create a significant effect on the environment and, therefore, does not constitute a project subject to the requirements of the California Environmental Quality Act.

FISCAL IMPACT

Since the majority of the Successor Agency's non-housing funds are committed to debt service payments, staff anticipates minimal fiscal impact from the loss of unobligated funds distributed to taxing entities. The City is also a taxing entity and will receive a pro rata share of the distribution of any funds.

Attachment:

A. Resolution and DDR #2 Agreed Upon Procedures Report Prepared by White Nelson Diehl Evans for Non-housing Funds

OVERSIGHT BOARD RESOLUTION NO. ____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY, APPROVING THE REPORT ON THE DUE DILIGENCE REVIEW FOR NON-HOUSING FUNDS AND DETERMINING THE AMOUNT OF CASH AND CASH EQUIVALENTS THAT ARE AVAILABLE FOR DISBURSEMENT TO THE TAXING ENTITIES

WHEREAS, Health and Safety Code Section 34179.5 requires the Successor Agency to the Avalon Community Improvement Agency ("Successor Agency") to hire a licensed accountant, approved by the County Auditor-Controller, to conduct a Due Diligence Review to determine the unobligated balances available for transfer to taxing entities; and

WHEREAS, White Nelson Diehl Evans, LLP, conducted a review of the non-housing funds of the Successor Agency ("Non-housing Funds") to meet the requirements of Section 34179.5, and prepared a Report on that review; and

WHEREAS, pursuant to Health and Safety Code Section 34179.6(a), the Successor Agency must provide the Oversight Board, County Auditor-Controller, State Controller, and the Department of Finance, the results of the Due Diligence Review of the Non-housing Funds; and

WHEREAS, following receipt of the Report, the Oversight Board is required to convene a public comment session, to be held not less than 5 days prior to the approval vote by the Oversight Board; and

WHEREAS, the Oversight Board held a public comment session on the Due Diligence Review of the Non-housing Funds on January 3, 2013; and

WHEREAS, for the Non-housing Funds, the Oversight Board must review, approve, and transmit to the Department of Finance and the County Auditor-Controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities; and

WHEREAS, Section 34179.6 empowers the Oversight Board to authorize the Successor Agency to retain certain assets or funds, such as restricted funds, including bond or grant funds or cash funds that are required to fund an enforceable obligation, physical assets such as equipment or land; and funds to satisfy obligations that will be placed on the Recognized Obligation Payment Schedule for the current fiscal year; and

WHEREAS, an oversight board that makes that authorization must identify to the Department of Finance the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained; and

WHEREAS, the determination and authorization to retain funds and assets is then subject to the review and approval of the Department of Finance;

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. CEQA Compliance. The action of the Oversight Board to approve the Report on the Due Diligence Review, authorize the Successor Agency to retain certain assets and funds, and determine the cash and cash equivalents that are available for disbursement to the taxing entities does not commit the Oversight Board to any action that may have a significant effect on the environment. As a result, such action does not constitute a project subject to the requirements of the California Environmental Quality Act.

Section 3. Approval of Retention of Assets and Funds. Following its review of the Report on the Due Diligence Review, and the public comments received during the public comment session held on the Due Diligence Review, and pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board hereby approves and authorizes the Successor Agency to retain those assets and funds identified in Exhibit A, attached hereto and incorporated herein by reference. The Oversight Board further approves the purposes for which those funds are being retained, as set forth in the attached Exhibit A.

Section 4. Determination of Cash and Cash Equivalents Available for Disbursement to Taxing Entities. The Oversight Board hereby approves the Report on the Due Diligence Review of the Successor Agency's Non-housing Funds, in substantially the form on file with the Secretary of the Oversight Board. Based on the information contained in the Report, and those assets and funds to be retained by the Successor Agency as set forth in Exhibit A, the Oversight Board hereby determines that the amount of cash and cash equivalents available for disbursement to the taxing entities is as set forth in the calculation attached hereto as Exhibit B and incorporated herein by reference. As shown in Exhibit B, and in addition to those assets and funds to be retained by the Successor Agency set forth in Exhibit A, the Oversight Board hereby further determines that payments made on July 12, 2012 by the Successor Agency to the County Auditor-Controller, as directed by the Department of Finance, are to be retained by the Successor Agency.

Section 5. Submittal to Department of Finance. The Oversight Board hereby directs staff to submit to the Department of Finance and the County Auditor Controller a copy of the Report and the information on the cash and assets the Oversight Board has determined should be retained by the Successor Agency and the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities, as set forth in Exhibits A and B, attached hereto.

Section 6. Severability. If any provision of this Resolution or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution that can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The

Oversight Board declares that the Oversight Board would have adopted this Resolution irrespective of the invalidity of any particular portion of this Resolution.

Section 7. Certification. The City Clerk of the City of Avalon, acting on behalf of the Oversight Board as its Secretary, shall certify to the adoption of this Resolution.

Section 8. Effective Date. Pursuant to Health and Safety Code Section 34179(h), all actions taken by the Oversight Board may be reviewed by the State of California Department of Finance, and, therefore, this Resolution shall not be effective for five (5) business days, pending a request for review by the State of California Department of Finance.

PASSED, APPROVED AND ADOPTED this 1st day of February, 2013 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

_____
Robert Kennedy
Oversight Board Chairperson

ATTEST:

_____
Denise Radde
Oversight Board Secretary

EXHIBIT A

LISTING OF NON-HOUSING ASSETS AND FUNDS TO BE RETAINED BY THE SUCCESSOR AGENCY

[Insert Procedure/Finding 6C and Schedules 4, 5, 6, and 7 from the DDR]

6. **Procedure:**

Obtain from the Successor Agency a listing of asset balances related to the former redevelopment agency's Low and Moderate Income Housing Fund on June 30, 2012 that were restricted for the following purposes:

- unspent bond proceeds,
- grant proceeds and program income restricted by third parties, and
- other assets with legal restrictions.

6A. **Procedure - Unspent Bond Proceeds:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain the legal document that sets forth the restriction pertaining to these balances.

Finding:

As of June 30, 2012, the Successor Agency had $4,300,889 in unspent bond proceeds as detailed in Schedule 4. Excerpts from the Official Statement of the 2003 Tax Allocation Bonds, Series A setting forth the restrictions pertaining to the unspent bond proceeds are attached as Exhibit 1.

6B. **Procedure - Grant Proceeds and Program Income Restricted by Third Parties:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain a copy of the grant agreement that sets forth the restriction pertaining to these balances.

Finding:

This procedure is not applicable as the Successor Agency did not hold any grant proceeds or program income as of June 30, 2012.

6C. **Procedure - Other Assets Considered to be Legally Restricted:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records or other supporting documentation. We obtained the legal document that sets forth the restriction pertaining to these balances.

6C. **Finding:**

The Successor Agency has $110,000 in cash as of June 30, 2012 that was originally donated to the City of Avalon in January 2000. These funds were donated for the development of a skate park and for projects by the Avalon Municipal Hospital and Clinic. Although these funds have been held in a fund associated with the former redevelopment agency, the funds are not tax increment and were never donated to the former redevelopment agency. See Exhibit 2 for the City Attorney's opinion on this matter.

7. **Procedure:**

Obtain from the Successor Agency a listing of assets of All Other Funds of the former redevelopment agency as of June 30, 2012 that are not liquid or otherwise available for distribution and ascertain if the values are listed at either purchase cost or market value as recently estimated by the Successor Agency. For assets listed at purchased cost, trace the amount to a previously audited financial statement or other accounting records of the Successor Agency and note any differences. For any differences noted, inspect evidence of asset disposal subsequent to January 31, 2012 and ascertain that the proceeds were deposited into the Successor Agency's trust fund. For assets listed at recently estimated market value, inspect evidence supporting the value and note the methodology used.

Finding:

As of June 30, 2012, the Successor Agency held $10,576,677 in non-liquid assets of the former redevelopment agency as detailed in Schedule 5.

8A. **Procedure:**

If the Successor Agency identified that existing asset balances were needed to be retained to satisfy enforceable obligations, obtain an itemized schedule of asset balances (resources) as of June 30, 2012 that were dedicated or restricted for the funding of enforceable obligations. Compare the information on the schedule to the legal documents that formed the basis for the dedication or restriction of the resource balance in question. Compare all current balances which needed to be retained to satisfy enforceable obligations to the amounts reported in the accounting records of the Successor Agency or to an alternative computation. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule (ROPS) approved by the California Department of Finance. If applicable, identify any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

SCHEDULE 4

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

UNSPENT BOND PROCEEDS

June 30, 2012

		Amounts
Par Amount of 2003 Tax Allocation Bonds, Series A		$ 27,350,000
Less: Original Issue Discount		(127,407)
Funds held by trustee for the 1991 Bonds		104,283
Total Available Funds		**27,326,876**
Less: Underwriter's Discount		(76,089)
Less: Cost of Issuance		(770,319)
Less: Transfer to Refunding Escrow Bank		(15,826,785)
Net Project Funds		**10,653,683**
	Date	
Project costs drawdowns, net of interest earnings	12/17/2003 - 06/30/12	(6,358,186)
Subtotal		4,295,497
Accrued interest receivable	Qtr ended June 30, 2012	5,392
Total unspent bond proceeds for 2003 Series A Bonds		**$ 4,300,889**

SCHEDULE 5

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

LISTING OF NONLIQUID ASSETS

As of June 30, 2012

	Basis for Determining Value	Balance at June 30, 2012
ASSETS		
Capital assets	Net Book Value (A)	$ 10,576,677

NOTE:

(A) Net Book Value equals actual costs less accumulated depreciation.

SCHEDULE 6

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

LISTING OF CASH BALANCES FOR RETENTION TO MEET ENFORCEABLE OBLIGATIONS
IN FISCAL YEAR 2011-2012 (ROPS 1)

June 30, 2012

Vendor/Payee	Purpose of Transactions	Amount		Enforceable Obligation/Other Lega Requirement Supporting Retention
Best, Best & Krieger	General Counsel legal services	$ 7,669		Reported on ROPS 1, Line 15
Rincon Consultants	Consulting services for General Plar update, housing element update, LCP amendment CEQA	8,333		Reported on ROPS 1, Line 20
City of Avalon Housing Authority	SERAF loan repayment	250,000	(1)	Reported on ROPS 1, Line 21
City of Avalon	Administrative costs	185,889	(2)	Reported on ROPS 1, Lines 9, 11, and 29
		$ 451,891		

(1) This partial SERAF loan repayment was listed on the approved ROPS 1. However, California Health and Safety Code Section 34176(e)(6)(B) prohibits such repayments until fiscal year 2013-2014 and describes the maximum repayment amount authorized in any given year.

(2) On the ROPS 1 reconciliation (included in ROPS 3), these administrative costs were treated as if they had been paid a of June 30, 2012. However, at June 30, 2012, they were reported as an accrued liability

These enforceable obligations were reported on ROPS 1 and have been incurred but not paid as of June 30, 2012. Payments of these obligations are scheduled after June 30, 2012. These enforceable obligations were not listed on the approved ROPS for the periods July 1, 2012 to December 31, 2012 (ROPS 2) and January 1, 2013 to June 30, 2013 (ROPS 3). Therefore Successor Agency believes that existing asset balances need to be retained to satisfy these enforceable obligations.

SCHEDULE 7

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

LISTING OF CASH BALANCES FOR RETENTION TO MEET
ENFORCEABLE OBLIGATIONS IN FISCAL YEAR 2012-2013

Payee	Purpose of Transactions	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Retention
US Bank National Association	Debt service 2003 Tax Allocation Bonds, Series A	$ 1,212,461	Reported on approved ROPS 2, Line 1
US Bank National Association	Debt service 2003 Tax Allocation Bonds, Series B	330,323	Reported on approved ROPS 2, Line 2
Charlie Wagner	Project management services for public facility project	15,000	Reported on approved ROPS 2, Line 8
Best, Best & Krieger	General Counsel legal services	43,350	Reported on approved ROPS 2, Line 11
Rincon Consultants	Consulting services for General Plan update, housing element update, LCP amendment CEQA	87,746	Reported on approved ROPS 2, Line 13
City of Avalon and various vendors	Administrative cost allowance	250,000	Reported on approved ROPS 2, Lines 3, 9, 12, 15, and 19 capped at maximum allowance.
		$ 1,938,880	

EXHIBIT B

CALCULATION OF THE AMOUNT OF NON-HOUSING CASH AND CASH EQUIVALENTS AVAILABLE FOR DISBURSEMENT TO TAXING ENTITIES

[Insert Schedule 8 from the DDR]

SCHEDULE 8

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUMMARY OF BALANCE AVAILABLE FOR ALLOCATION TO AFFECTED TAXING AGENCIES

As of June 30, 2012

Total amount of assets held by the Successor Agency as of June 30, 2012 - (Procedure 5)	$ 18,971,455
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments - (Procedure 6)	(4,410,889)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (Procedure 7)	(10,576,677)
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)	(451,891)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year - (Procedure 9)	(1,938,880)
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	(987,398)
Add the amount of any assets transferred to the City 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)	-
Amount to be remitted to County for disbursement to affected taxing agencies	$ 605,720