

AGENDA

**TEHACHAPI REDEVELOPMENT SUCCESSOR AGENCY
OVERSIGHT COMMITTEE SPECIAL MEETING
TEHACHAPI CITY HALL
115 SOUTH ROBINSON STREET
Wednesday, February 6, 2013 - 9:00 A.M.**

Persons desiring disability-related accommodations should contact the City Clerk no later than ten days prior to the need for the accommodation. A copy of any writing that is a public record relating to an open session of this meeting is available at City Hall, 115 South Robinson Street, Tehachapi, California.

CALL TO ORDER

ROLL CALL

PLEDGE TO FLAG

BUSINESS

1. Minutes for the Tehachapi Redevelopment Successor Agency Oversight Committee regular meeting on December 10, 2012 - **APPROVE AND FILE**
2. Receive and review the Due Diligence Review report for the non-housing funds and account balances of the former Tehachapi Redevelopment Agency pursuant to Health And Safety Code Section 34179.5
3. Staff update: Response from Department of Finance Low & Moderated Income Housing Fund Due Diligence Review
4. Staff update: Report on the Meet and Confer with the Department of Finance on January 24, 2013

COMMITTEE MEMBER ANNOUNCEMENTS OR REPORTS

On their own initiative, a Committee Member may ask a question for clarification, make a brief announcement, provide a reference to staff or other resources for factual information, take action to have staff place a matter of business on a future agenda, request staff to report back at a subsequent meeting concerning any matter, or make a brief report on his or her own activities. (Per Gov't. Code §54954.2(a))

ADJOURNMENT

MINUTES

TEHACHAPI REDEVELOPMENT SUCCESSOR AGENCY OVERSIGHT COMMITTEE SPECIAL MEETING

City Hall
115 South Robinson Street
Monday, December 10, 2012 – 9:00 A.M.

NOTE: Nu, Gr, Va, Le, Ca, Ga & Ha are abbreviations for Board Members Nunneley, Grimes, Vasquez, Lebsock, Caudle, Garrett and Hall respectively. For example, Nu/Gr denotes Board Member Nunnely made the motion and Board Member Grimes seconded it. The abbreviation Ab means absent, Abd abstained, Ns noes, and NAT no action taken.

ACTION TAKEN

CALL TO ORDER

Meeting called to order by Chairman Grimes at 9:15 a.m.

PLEDGE TO THE FLAG

Led by Chairman Grimes.

ROLL CALL

Present: Chairman Grimes, Vice-Chairman Nunneley, Board Members Garrett and Hall

Absent: Board Member Lebsock, Caudle and Vasquez

BUSINESS

1. Minutes for the Tehachapi Redevelopment Successor Agency Oversight Committee regular meeting on December 3, 2012 - **APPROVED AND FILED**

Approved & Filed
Ha/Nu Motion Carried
Ab: Le, Ca & Va

2. Approval And Transmittal Of The Due Diligence Review For The Low And Moderate Income Housing Fund In Accordance With Health And Safety Code Section 34179.5 - **ADOPTED RESOLUTION NO. 05-12, (I) APPROVED THE DUE DILIGENCE REVIEW FOR THE LOW AND MODERATE INCOME HOUSING FUND PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5, AS PRESENTED, (II) AUTHORIZED THE SUCCESSOR AGENCY TO RETAIN THE ASSETS AND FUNDS AS DOCUMENTED IN THE DUE DILIGENCE REVIEW (THE "RESTRICTED ASSETS"), AND (III) ORDERED THE TRANSMITTAL OF THE DUE DILIGENCE REVIEW TO THE DEPARTMENT OF FINANCE AND THE COUNTY AUDITOR-CONTROLLER**

Adopted Res. No. 05-12, (I) Approved The Due Diligence Review For The Low & Moderate Income Housing Fund Pursuant To Health And Safety Code Section 34179.5, As Presented, (II) Authorized The Successor Agency To Retain The Assets & Funds As Documented In The Due Diligence Review (The "Restricted Assets"), & (III) Ordered The Transmittal Of The Due Diligence Review To The Department Of Finance & The County Auditor-Controller
Ga/Nu Motion Carried
Ab: Le, Ca & Va

ACTION TAKEN

ADJOURNMENT

The Committee adjourned at 9:25 a.m. to a Tehachapi Redevelopment Successor Agency Oversight Committee special meeting to be determined at a later date.

DENISE JONES, CMC
Secretary, Tehachapi Redevelopment
Successor Agency Oversight
Committee

Approved this 6th day
Of February, 2013.

ED GRIMES
Chairman, Tehachapi Redevelopment
Successor Agency Oversight
Committee



BOARD REPORTS

APPROVED

DEPARTMENT HEAD: _____

CITY MANAGER: _____

MEETING DATE: FEBRUARY 6, 2013

TO: BOARD OF DIRECTORS OF THE OVERSIGHT COMMITTEE OF THE SUCCESSOR AGENCY TO THE TEHACHAPI REDEVELOPMENT AGENCY

FROM: HANNAH CHUNG, FINANCE DIRECTOR

DATE: FEBRUARY 4, 2013

SUBJECT: DUE DILIGENCE REVIEW – OTHER FUNDS

Discussion

Pursuant to Health and Safety Code Section 34179.5, each successor agency must employ a licensed accountant, approved by the county auditor-controller and with experience and expertise in local government accounting, to conduct two due diligence reviews, one for the Low and Moderate Income Housing Fund (the "LMIHF DDR") and one for the other funds and accounts of the former redevelopment agency (the "Other Funds DDR"), to determine the unobligated balances available for transfer to taxing entities.

Pursuant to Section 34179.6, the Other Funds DDR must be completed and transmitted to the oversight board by December 15, 2012; however, the Tehachapi RDA Successor Agency was granted an extension of the filing date to February 18, 2013.

The Other Funds DDR is a review of the cash and cash equivalents, as of June 30, 2012, in the successor agency's funds and accounts, other than the Low and Moderate Income Housing Fund, to determine the amount available for disbursement to taxing entities. In summary, such amount is determined to be the total value of assets and cash and cash equivalents in all funds and accounts of the former redevelopment agency, excluding the Low and Moderate Income Housing Fund, minus the following ("Restricted Assets"): (1) restricted funds, (2) assets that are not cash or cash equivalents, (3) amounts that are legally or contractually dedicated or restricted for the funding of an enforceable obligation, and (4) amounts that are needed to satisfy obligations that will be put on the Recognized Obligation Payment Schedule ("ROPS") for the current fiscal year. Also, the amount determined to be available for allocation to taxing entities includes the value of assets, cash and cash equivalents transferred after January 1, 2011 through June 30, 2012 by the former redevelopment agency or the successor agency to the city, another public agency or private person if an enforceable obligation to make that transfer did not exist. The Other Funds DDR documents the Restricted Assets and provides the respective amounts, sources and purposes for which the Restricted Assets should be retained.

After receipt of the Other Funds DDR, the oversight board must convene a public comment session to take place at least five business days before the oversight board holds the approval vote. The oversight board also must consider any opinions offered by the county auditor-controller on the review results submitted by the successor agency.

The oversight board must review, approve, and transmit the Other Funds DDR to the State Department of Finance ("DOF") and the county auditor-controller. The oversight board may adjust any amount provided in the review to reflect additional information and analysis. The review and approval must occur in public sessions. The oversight board may request from the successor agency any materials it deems necessary to assist in its review and approval of the Other Funds DDR.

Section 34179.6 empowers the oversight board to authorize a successor agency to retain the Restricted Assets.

The DOF must complete its review of the Other Funds DDR no later than April 1, 2013, and must notify the oversight board and the successor agency of its decision to overturn any decision of the oversight board to authorize a successor agency to retain Restricted Assets. The DOF must provide the oversight board and the successor agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the oversight board. The successor agency then has the option to meet and confer with DOF to discuss any modifications.

By April 20, 2013, the county auditor-controller must provide DOF a report specifying the amount submitted by each successor agency, and specifically noting any successor agency that failed to remit the full required amount.

Upon full payment of the amounts determined pursuant to the LMIHF DDR and the Other Funds DDR, payment of the "surplus" tax revenues due on July 12, 2012, if any, and payment of any unpaid or underpaid pass through payments owed for fiscal year 2011-12, DOF will issue to the successor agency, within five business days, a finding of completion of the requirements of Section 34179.6.

Teaman, Ramirez & Smith, Inc. were retained by the Successor Agency to conduct the Other Funds DDR.

Recommendation

Receive and review the due diligence review for non-housing fund and account balances of the former Tehachapi Redevelopment Agency pursuant to Health and Safety Code Section 34179.5; and adopt a resolution for the same.

RESOLUTION NO. _____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE TEHACHAPI REDEVELOPMENT AGENCY ACKNOWLEDGING THE RECEIPT OF THE REVIEW FOR FUND AND ACCOUNT BALANCES OF THE FORMER TEHACHAPI REDEVELOPMENT AGENCY CONDUCTED PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5

RECITALS:

A. Pursuant to Health and Safety Code Section 34175(b) and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (53 Cal.4th 231(2011)), on February 1, 2012, all assets, properties, contracts, leases, books and records, buildings, and equipment of the former Tehachapi Redevelopment Agency transferred to the control of the Successor Agency to the Tehachapi Redevelopment Agency (the "Successor Agency") by operation of law.

B. Health and Safety Code Section 34179.5 requires the Successor Agency to employ 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.

C. Pursuant to Health and Safety Code Section 34179.6, on December 10, 2012, the Oversight Board of the Successor Agency (the "Oversight Board") approved the results of the due diligence review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund (the "LMIHF") and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities.

D. Health and Safety Code Section 34179.6 also requires the Successor Agency to submit to the Oversight Board for the Oversight Board's review and approval the results of the due diligence review conducted pursuant to Section 34179.5 for all of the other fund and account balances of the former Tehachapi Redevelopment Agency, excluding the LMIHF, and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities (the "Other Funds DDR").

E. Pursuant to Health and Safety Code Sections 34179.6 and 34180(j), the Successor Agency submitted to the Oversight Board, the county administrative officer, the county auditor-controller, the State Controller and the Department of Finance ("DOF") the Other Funds DDR and a copy of the Recognized Obligation Payment Schedule ("ROPS").

F. Pursuant to Health and Safety Code Section 34179.6(b), upon receipt of the Other Funds DDR, and at least five business days before the Oversight Board considers the approval of the Other Funds DDR, the Oversight Board must hold a public comment session (the "Public Comment Session") at which time the public has an opportunity to hear and be heard on the results of the Other Funds DDR and at which time the Oversight Board shall consider the opinions, if any, offered by the county auditor-controller on the results of the Other Funds DDR.

G. On the date of this Resolution, the Oversight Board has held the Public Comment Session pursuant to Health and Safety Code Section 34179.6(b).

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE TEHACHAPI REDEVELOPMENT AGENCY HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. The Oversight Board hereby acknowledges receipt of the Other Funds DDR.

Section 3. The staff and the Board of the Successor Agency are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable to effectuate this Resolution.

PASSED AND ADOPTED this 6th day of February, 2013.

AYES: _____

NOES: _____

ABSENT: _____

ABSTAIN: _____

ED GRIMES, Chairman

ATTEST:

DENISE JONES, CMC
Secretary

I hereby certify that the foregoing resolution was duly and regularly adopted by the OVERSIGHT BOARD OF THE SUCCESSOR AGENCY at a special meeting thereof held on February 6, 2013.

DENISE JONES, CMC
Secretary

**City of Tehachapi
Successor Agency to the Tehachapi
Redevelopment Agency
Independent Accountants' Report
On Applying Agreed-Upon Procedures**

**Independent Accountants' Report on Applying
Agreed-Upon Procedures**

City of Tehachapi
Successor Agency to the Tehachapi
Redevelopment Agency
Tehachapi, CA

We have performed the required agreed-upon procedures (AUP) to All Other Funds of the former Redevelopment Agency, enumerated in Attachment A, which were agreed to by the California State Controller's Office, and the State of California Department of Finance (State Agencies) solely to assist you in complying with the requirements described in AB 1484. Management of the Successor Agency is responsible for the accounting records pertaining to compliance with the applicable requirements of AB 1484. 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 described in Attachment A 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 minimum required agreed-upon procedures as set forth in Attachment A. Attachment A 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 on the accounting records and 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 applicable State Agencies and the City of Tehachapi, 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.

Teaman Ramirez & Smith, Inc.

February 4, 2013

Attachment A

List of Procedures for Due Diligence Review

City of Tehachapi (Successor Agency)

General information regarding these procedures:

1. The procedures associated with Sections 34179.5(c)(1) through 34179.5(c)(3) and Sections 34179.5(c)(5) through 34179.5(c)(6) are to be applied separately to (a) the Low and Moderate Income Housing Fund of the Successor Agency and to (b) all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund).
2. The due date for the report associated with the Low and Moderate Income Housing Fund is October 1, 2012.
3. The due date for the report associated with all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund) is December 15, 2012.
4. Because the procedures required by Section 34179.5(c)(4) pertain to the Successor Agency as a whole, these procedures should be addressed in the report that is due on December 15, 2012.

Fiscal year references below refer to fiscal years ending on June 30. This language should be modified for those agencies that have a different fiscal year-end.

For purposes of the procedures below and the related exhibits, the amount of the assets presented should be based upon generally accepted accounting principles (GAAP), unless otherwise noted.

To the extent the procedures listed below are duplicative to the agreed upon procedures that were performed pursuant to HSC 34182 (a)(1), it is acceptable to obtain and use information from the HSC 34182 (a)(1) procedures for purposes of this due diligence review without having to re-perform the procedures. When this is done, the due diligence report should refer to the report that was issued for the agreed upon procedures performed under HSC 34182 (a)(1).

Certain assets may qualify as a deduction under more than one category of deduction. In such cases, care should be taken to ensure that such assets have been included as a deduction in the summary schedule only once.

Citation:

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.

Suggested Procedure(s):

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.

Results:

We obtained a listing from the Successor Agency which listed total assets of \$2,215,843 transferred to the Successor Agency from All Other Funds of the former redevelopment agency as of February 1, 2012 and agreed the assets to the trial balance provided by the Successor Agency.

Citation:

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.

Suggested Procedure(s):

2. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Results:

- 2. A. No transfers were reported by the Successor Agency.
- 2. B. No transfers were reported by the Successor Agency.
- 2. C. Not applicable.

Citation:

34179.5(c)(3) The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

Suggested Procedure(s):

- 3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) [from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) [from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Results:

- 3. A. No transfers were reported by the Successor Agency.
- 3. B. No transfers were reported by the Successor Agency.
- 3. C. Not applicable.

Citation:

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.

Suggested Procedure(s):

- 4. Perform the following procedures:
 - A. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
 - B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
 - C. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller’s report filed for the Redevelopment Agency for that period.
 - D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Results:

4. A. We obtained 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 Exhibit A.
4. B. We ascertained that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
4. C. We compared the 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. We noted that both revenues and expenditures on Exhibit A exceeded the amounts reported in the State Controller's Report by \$216,837, resulting in a net difference of \$0.
4. D. We compared amounts in the schedule for the 12 months ended June 30, 2011 to the audited financial statements for the period ended June 30, 2011. We compared the amounts for the 7 months ended January 31, 2012 and the amounts for the 5 months ended June 30, 2012 to trial balance reports provided by the Successor Agency. No discrepancies were noted.

Citation:

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:

(A) A statement of the total value of each fund as of June 30, 2012.

Suggested Procedure(s):

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.

Results:

We obtained the attached schedule (Exhibit B) from the Successor Agency listing total assets of \$2,248,211 for All Other Funds of the RDA as of June 30, 2012. We agreed this schedule to a trial balance provided by the Successor Agency as of June 30, 2012.

Citation:

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.

Suggested Procedure(s):

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:
 - A. Unspent bond proceeds:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.)
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
 - B. Grant proceeds and program income that are restricted by third parties:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
 - C. Other assets considered to be legally restricted:

- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.
- D. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.

Results:

6. A. We obtained the Successor Agency's computation of the restricted balances at June 30, 2012. We traced each component of this computation (uses, proceeds, remaining restricted balances) to trial balance reports and the Official Statements of the bond issuances provided by the Successor Agency. In addition, we reviewed the Official Statements for each of the two bond issues which are considered the legal documents that set forth the restrictions pertaining to these balances.

6. B. No restrictions were provided that meet this criteria.

6. C. No restrictions were provided that meet this criteria.

6. D. See attached listing of restricted assets at Exhibit C. The restrictions are in effect until the related assets are expended for their intended purpose.

Citation:

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.

Suggested Procedure(s):

7. Perform the following procedures:
 - A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are **not** liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
 - B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
 - C. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
 - D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

Results:

7. A. Not applicable. No assets listed.
7. B. Not applicable. No assets listed.
7. C. Not applicable. No assets listed.
7. D. Not applicable. No assets listed.

Citation:

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.

Suggested Procedure(s):

8. Perform the following procedures:
 - A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
 - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
 - ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
 - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
 - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

Results:

The Successor Agency did not claim any amounts that are restricted to fund enforceable obligations as described above. Therefore the above procedures are not applicable to All Other Funds of the RDA.

- B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:

- i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.
- ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
 - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
- iii. For the forecasted annual revenues:
 - a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.

Results:

The Successor Agency did not claim any amounts that are restricted to fund enforceable obligations as described above. Therefore the above procedures are not applicable to All Other Funds of the RDA.

- C. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.
- i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
 - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
 - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

Results:

The Successor Agency did not claim any amounts that are restricted to fund enforceable obligations as described above. Therefore the above procedures are not applicable to All Other Funds of the RDA.

- 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.
- 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.

Results:

Not applicable. No steps performed for steps A, B, and C above.

Citation:

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.

Suggested Procedure(s):

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.

Results:

See Exhibit D.

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.

Suggested Procedure(s):

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).

Results:

See Exhibit E attached.

Suggested Procedure(s):

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.

Results:

The required representation letter from the Successor Agency management was obtained. We verified the letter included the provisions described above.

City of Tehachapi

Exhibit A

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
Assets (modified accrual basis)				
Cash	\$ 5,142,371	\$ 3,737,228	\$ 4,881,786	\$ 4,922,893
Cash-Fiscal Agent-BNY	16,077	583,829	564,753	564,753
2005 Bond Investment IXIS	574,590	-	-	-
2007 Bond Reserve	615,402	615,402	615,402	615,402
Cash-checking	22,057	22,076	22,079	22,079
Cash-laif	159,095	97,553	86,398	90,861
Cash Investment	35,690	34,286	31,760	36,424
Due From Other Funds	1,370,000	-	-	-
RDA-Accounts Receivable	147,809	100,874	-	-
Pre-paid Expenses	-	2,500	-	-
Total Assets	\$ 8,083,091	\$ 5,193,746	\$ 6,202,179	\$ 6,252,413
Liabilities (modified accrual basis)				
Accounts Payable	3,062	16,037	2,685	-
Due To Other Funds	-	-	-	-
Total Liabilities	\$ 3,062	\$ 16,037	\$ 2,685	\$ -
Equity	10,145,604	8,080,029	5,177,709	6,199,494
Total Liabilities + Equity	\$ 10,148,667	\$ 8,096,066	\$ 5,180,394	\$ 6,199,494
Total Revenues:	\$ 1,918,446	\$ 2,027,747	\$ 957,233	\$ 525,341
Total Expenditures:	\$ (3,984,022)	\$ (4,930,066)	\$ (1,195,137)	\$ (472,422)
Total Transfers:	\$ -	\$ -	\$ 1,259,688	\$ 6,199,494
Net change in equity	\$ (2,065,576)	\$ (2,902,320)	\$ 1,021,785	\$ 6,252,413
Beginning Equity:	\$ 10,145,604	\$ 8,080,029	\$ 5,177,709	\$ -
Ending Equity:	\$ 8,080,029	\$ 5,177,709	\$ 6,199,494	\$ 6,252,413
Other Information (show year end balances for all three years presented):				
Capital assets as of end of year	0	0	0	0
Long-term debt as of end of year	17,170,000	16,835,000	16,485,000	16,485,000

City of Tehachapi
All Other RDA Funds Assets
6/30/2012

<u>Assets (modified accrual basis)</u>	<u>Total All Other Funds</u>
Claim on cash	\$ 1,303,971.88
Fiscal Agent Cash	<u>944,239.44</u>
Total Assets	<u><u>\$ 2,248,211.32</u></u>

City of Tehachapi - RDA
Schedule of Unspent Bond Proceeds

Bond Proceeds from 2005 & 2007 Issuance	\$ 11,707,662
Bond Reserves	944,125
Interest Earned	97,010
Spent on Projects	<u>(10,988,477)</u>
Unspent Bond Proceeds	<u><u>\$ 1,760,320</u></u>

City of Tehachapi
 Schedule of Assets to Satisfy Enforceable Obligations
 6/30/2012

Description	Amount	
ROPS II for the period 7/1/2012 to 12/31/2012:		
2005 Tax Allocation Bonds Debt Service Payment	\$ 304,780	A
2007 Tax Allocation Bonds Debt Service Payment	314,633	B
Bond Trustee Administration Costs	2,800	C
Admin allowance	<u>100,000</u>	D
 Total assets needed for Enforceable Obligations	 <u><u>\$ 722,213</u></u>	

The assets needed for enforceable obligations are to be paid out of RPTTF money received by the Successor Agency in June 2012 for the ROPS II period July 1, 2012 through December 31, 2012.

A,B,C,D = See Attached ROPS II

SUCCESSOR AGENCY OF THE TEHACHAPI REDEVELOPMENT AGENCY
Tehachapi RDA Project Area
 Agency Contact: Hannah Chung, (661) 822-2200 Ext. 112, hchung@tehachapicityhall.com
 Revised on May 21, 2012 per Mr. Coblenz's (DOF) Request

RECOGNIZED OBLIGATION PAYMENT SCHEDULE - JUL. 2012 through DEC. 2012: Page 1 of 2 (Amendment #1)
 Per AB X1 26 - Section 34177

Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	Funding Source *	Jul. 2012	Aug. 2012	Sep. 2012	Oct. 2012	Nov. 2012	Dec. 2012	Total (Jul-Dec)
1 2005 Tax Alloc Revenue Bonds	Bank of New York	Bonds issue to fund RDA projects	13,496,120.00	454,487.00	RPTTF					304,780.00	A	\$ 304,780.00
2 2007 Tax Alloc Revenue Bonds	Bank of New York	Bonds issue to fund RDA projects	15,582,468.78	486,120.00	RPTTF					314,633.00	B	\$ 314,633.00
3 Bond Trustee Admin Fee	Bank of New York	2005 & 2007 Bonds Trustee Serv- RDA	127,594.00	3,500.00	RPTTF						C	\$ 2,800.00
4 Annual Disclosure	Urban Futures	2005 & 2007 Bonds Annual Disclosure- RDA	145,836.00	4,000.00	RPTTF							\$ -
5 Administrative Expense	City of Tehachapi	Admin of Successor Agency- RDA	250,000.00	250,000.00	RPTTF	16,667.00	16,667.00	16,667.00	16,667.00	16,666.00	D	\$ 100,000.00
6 2005 Tax Alloc Rev Bonds-RDA	Bank of New York	Bonds issue to fund Housing projects	2,699,224.00	113,621.75	LMIHF					76,195.00		\$ 76,195.00
7 2007 Tax Alloc Revenue Bonds	Bank of New York	Bonds issue to fund Housing projects	3,116,493.76	121,530.00	LMIHF					78,658.25		\$ 78,658.25
8 Bond Trustee Admin Fee	Bank of New York	2005 & 2007 Bonds Trustee Serv- Housing	700.00	700.00	LMIHF						700.00	\$ 700.00
9 Annual Disclosure	Urban Futures	2005 & 2007 Bonds Annual Disclosure- Housing	800.00	800.00	LMIHF							\$ -
10 Administrative Expense	City of Tehachapi	Administration - Housing	50,000.00	50,000.00	LMIHF	4,167.00	4,167.00	4,167.00	4,167.00	4,166.00		\$ 25,000.00
11												\$ -
12												\$ -
13												\$ -
14												\$ -
15												\$ -
SUMMARY												
Total Obligation Due (Page 1 of 2)			\$ 35,469,236.54	\$ 1,484,758.75		\$ 20,834.00	\$ 20,834.00	\$ 20,834.00	\$ 20,834.00	\$ 20,834.00	\$ 24,332.00	\$ 902,766.25
Pass Through Payment (Page 2 of 2)**			\$ 22,913,771.00	\$ 554,221.00		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 277,110.50	\$ 277,110.50
GRAND TOTAL			\$ 58,383,007.54	\$ 2,038,979.75		\$ 20,834.00	\$ 20,834.00	\$ 20,834.00	\$ 20,834.00	\$ 20,834.00	\$ 301,442.50	\$ 1,179,876.75

NOTE: * RPTTF: The Redevelopment Property Tax Trust Fund
 * LMIHF: Low and Moderate Income Housing Fund
 ** Pass Through Payments are processed by the County of Kern.

A, B, C, D = See Listing

**Section 34179.5 (c) (5) and (6) Computation of Available Monies
City of Tehachapi as Successor Agency to the Redevelopment Agency**

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

	All Other Funds of the RDA
Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ 2,248,211
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6):	(1,760,320)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	-
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)	-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	(722,213)
Less the amount of payments made on July 12, 2012 to the County Auditor- Controller as directed by the California Department of Finance	-
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 available to be remitted to county for disbursement to taxing entities	\$ (234,322)



January 4, 2013

Ms. Hannah Chung, Finance Director
City of Tehachapi
115 S. Robinson Street
Tehachapi, CA 93561

Dear Ms. Chung:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

The City of Tehachapi Successor Agency (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund Due Diligence Review (DDR) to the California Department of Finance (Finance) on December 11, 2012. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Since the Agency did not meet the October 15, 2012 submittal deadline pursuant to HSC section 34179.6 (c), Finance is not bound to completing its review and making a determination by the November 9, 2012 deadline pursuant to HSC section 34179.6 (d). However, Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of Low and Moderate Income Housing Fund (LMIHF) available for distribution to the taxing entities. Based on our review of your DDR, the following adjustments were made:

- Your request to retain \$457,499 to pay future bond debt service payments is denied. Exhibit D of the DDR includes a fund shortage analysis indicating a cash shortage of RPTTF to pay future administrative expenses and bond debt service payments. However, for fiscal year 2012-13, the cash flow analysis indicates debt service is \$1,175,759 with a cash shortage of approximately \$199,144. While the Agency may incur a cash shortage for administrative costs for fiscal year 2012-13, the Agency should receive enough Redevelopment Property Tax Trust Fund (RPTTF) to make its bond debt service payments.

Exhibit D used a conservative two percent annual increase in property tax, as such; the Agency will have sufficient RPTTF in the subsequent ROPS period to pay for bond debt service payments identified in exhibit D. In addition, the cash flow analysis suggests the Agency will need the maximum amount of administrative cost allowance allowed in law through 2016-17 to service two bond issuances, which is unlikely. Therefore, your request to retain current LMIHF balances for future obligations is denied and the LMIHF available for distribution to the affected taxing entities will be adjusted by \$457,499.

Should this adjustment cause a cash flow shortage for administrative expenses, HSC provides successor agencies with various methods to address short term cash flow issues. This might include requesting a loan from the city pursuant to HSC section 34173 (h). The Agency should seek counsel from their oversight board to determine the solution most appropriate for their situation.

- LMIHF obligations totaling \$81,399 were approved by Finance for the ROPS period January through June 2013. As such, Finance is adjusting the balance to reflect the \$81,399 in approved ROPS III expenditures.

If you disagree with Finance's adjusted amount of LMIHF balances available for distribution to the taxing entities, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's LMIHF balance available for distribution to the affected taxing entities is \$376,100 (see table below). Pursuant to HSC 34179.6 (h) (1) (B), any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ -
Finance Adjustments	
Add:	
Requested retained balance not supported:	457,499
Approved LMIHF expenditures for ROPS III:	(81,399)
Total LMIHF available to be distributed:	\$ 376,100

Absent a Meet and Confer request, HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, that taxing entity's failure to remit those funds may result in offsets to its sales and use tax allocation or to its property tax allocation.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the

Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter and Finance's Housing Assets Transfer letter dated August 30, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Kylie Le, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Daisy Wee, Accounting Officer, City of Tehachapi
Ms. Ann K. Barnett, Kern County Auditor-Controller
California State Controller's Office



MEET AND CONFER REQUEST FORM

Instructions: Please fill out this form in its entirety to initiate a Meet and Confer session. Additional supporting documents may be included with the submittal of this form—as justification for the disputed item(s). Upon completion, email a PDF version of this document (including any attachments) to:

Redevelopment_Administration@dof.ca.gov

The subject line should state “[Agency Name] Request to Meet and Confer”. Upon receipt and determination that the request is valid and complete, the Department of Finance (Finance) will contact the requesting agency within ten business days to schedule a date and time for the Meet and Confer session.

To be valid, all Meet and Confer requests must be specifically related to a determination made by Finance and submitted within the required statutory time frame. The requirements are as follows:

- i **Housing Asset Transfer** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter per HSC Section 34176 (a) (2).
- i **Due Diligence Review** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter, and no later than **November 16, 2012** for the Low and Moderate Income Housing Fund due diligence review per HSC Section 34179.6 (e).
- i **Recognized Obligation Payment Schedule (ROPS)** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter per HSC Section 34177 (m).

Agencies should become familiar with the Meet and Confer Guidelines located on Finance’s website. Failure to follow these guidelines could result in termination of the Meet and Confer session. Questions related to the Meet and Confer process should be directed to Finance’s Dispute Resolution Coordinator at (916) 445-1546 or by email to Redevelopment_Administration@dof.ca.gov.

AGENCY (SELECT ONE):

Successor Agency Housing Entity

AGENCY NAME: Successor Agency to the Tehachapi Redevelopment Agency

TYPE OF MEET AND CONFER REQUESTED (SELECT ONE):

Housing Assets Transfers Due Diligence Reviews ROPS Period _____

DATE OF FINANCE’S DETERMINATION LETTER: January 4, 2013

REQUESTED FORMAT OF MEET AND CONFER SESSION (SELECT ONE):

Meeting at Finance Conference Call

DETAIL OF REQUEST

A. Summary of Disputed Issue(s) *(Must be specific.)*

The Successor Agency to the Tehachapi Redevelopment Agency (the "Agency") submitted an oversight board approved Low and Moderate Income Housing Fund Due Diligence Review (the "DDR") to Finance. The DDR provides for the Agency to retain \$457,499 from the Low and Moderate Income Housing Fund (the "LMIHF") to pay future bond debt service payments. In its letter dated January 4, 2013, Finance objected to the Agency's retention of \$457,499 because Finance asserts that the cash flow analysis indicates the Agency should receive enough RPTTF to make its bond debt service payments if the Agency incurs a cash shortage for administrative costs.

B. Background/History *(Provide relevant background/history, if applicable.)*

As was typical in past years, the Agency had a negative cash balance after making its bond debt service payments on November 30, 2011. Prior to the adoption of the redevelopment dissolution law, this negative cash balance would have been temporary, existing only until the next receipt of tax increment. However, the dissolution of redevelopment significantly changed the distribution of tax revenues and the Agency did not receive funds sufficient to remedy the negative cash balance. At the time that the Agency assumed its responsibilities under the redevelopment dissolution law, neither the new law nor Finance provided clear guidance for the Agency to remedy the negative cash balance.

C. Justification *(Provide additional attachments to this form, as necessary.)*

The Agency will not have sufficient RPTTF to remedy the negative cash balance and to make bond debt service payments on future ROPS, even after incurring a cash shortage for administrative costs, as evidenced by the attached revised cash flow analysis. Therefore, the DDR should have accounted for the Agency's negative cash balance.

Section 34179.5 (c) authorizes the Agency to retain LMIHF balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation. The outstanding bonds for which the Agency made debt service payments on November 30, 2011, and again on May 31, 2012, are secured by a pledge of former tax increment revenues, including the cash and cash equivalents in the LMIHF as of June 30, 2012. Therefore, the negative cash balance resulting from the debt service payments prior to June 30, 2012 is an obligation to which the LMIHF is contractually dedicated. The Agency is requesting to meet and confer with Finance to authorize the Agency to retain \$457,499 from the LMIHF to allow the Agency to remedy the negative cash balance and to make bond debt service payments on future ROPS.

To accommodate Ms. Chung's chemotherapy treatment schedule, the Agency further requests that the meet and confer occur after January 25, 2013.

Agency Contact Information

Name: Hannah Chung

Name:

Title: Finance Director

Title:

Phone: 661-822-2200 ext. 112

Phone:

Email: HChung@tehachapicityhall.com

Email:

Date: January 11, 2013

Date:

Department of Finance Local Government Unit Use OnlyREQUEST TO MEET AND CONFER DATE: APPROVED DENIED

REQUEST APPROVED/DENIED BY: _____ DATE: _____

MEET AND CONFER DATE/TIME/LOCATION: _____

MEET AND CONFER SESSION CONFIRMED: YES DATE CONFIRMED: _____DENIAL NOTICE PROVIDED: YES DATE AGENCY NOTIFIED: _____

Form DF-MC (Revised 9/10/12)

TEHACHAPI REDEVELOPMENT AGENCY CASH BALANCE ANALYSIS									
							Debt Serv.	Restricted Project Fund	
							Fund	Bond Proceeds)	Cash
Date		Revenue	Debt Service	Other Exp.	Admin Fee		511	512	Balance
10/31/2011	Cash Balance						207,927.30	(96,314.09)	111,613.21
11/30/2011	Contract Service			(14,000.00)				(14,000.00)	(14,000.00)
11/30/2011	Tax Increment - includes pass thru	63,835.34					63,835.34		63,835.34
11/30/2011	Pass thru	(15,958.83)					(15,958.83)		(15,958.83)
11/30/2011	Interest	416.03					416.03		416.03
11/30/2011	Payroll				(19,984.55)		(19,984.55)		(19,984.55)
11/30/2011	Interest earned from Reserves	15,260.47					15,260.47		15,260.47
11/30/2011	Bonds - Principal		(280,000.00)				(280,000.00)		(280,000.00)
11/30/2011	Bonds - Interest		(333,269.00)				(333,269.00)		(333,269.00)
11/30/2011	Total Deficit						(361,773.24)	(110,314.09)	(472,087.33)
12/31/2011	Tax Increment - includes pass thru	550,975.92					550,975.92		550,975.92
12/31/2011	Pass thru	(137,743.98)					(137,743.98)		(137,743.98)
12/31/2011	Interest	0.13					0.13		0.13
12/31/2011	Payroll				(24,599.25)		(24,599.25)		(24,599.25)
12/31/2011	Admin fees				(1,280.00)		(1,280.00)		(1,280.00)
12/31/2011	Teh Blvd Improv Ph IV			(52,000.00)				(52,000.00)	(52,000.00)
12/31/2011	OH Allocation				(21,642.50)		(21,642.50)		(21,642.50)
1/31/2012	Payroll	ROPS 1			(20,270.84)		(20,270.84)		(20,270.84)
1/31/2012	Dues & Publication	ROPS 1			(2,255.00)		(2,255.00)		(2,255.00)
1/31/2012	Legal Services	ROPS 1			(420.00)		(420.00)		(420.00)
1/31/2012	Contract Services	ROPS 1			(10.20)		(10.20)		(10.20)
1/31/2012	Interest	6.81					6.81		6.81
2/1/2012	Total Deficit						(19,012.15)	(162,314.09)	(181,326.24)
2/29/2012	Admin Fees	ROPS 1			(1,280.00)		(1,280.00)		(1,280.00)
2/29/2012	Contract Services	ROPS 1			(1,521.08)		(1,521.08)		(1,521.08)
2/29/2012	Legal Services	ROPS 1			(342.00)		(342.00)		(342.00)
2/29/2012	Processing Fees & Costs	ROPS 1			(50.00)		(50.00)		(50.00)
3/31/2012	Contract Services	ROPS 1			(3,321.48)		(3,321.48)		(3,321.48)
3/31/2012	Legal Services	ROPS 1			(60.00)		(60.00)		(60.00)
4/30/2012	Interest	128.43					128.43		128.43
4/30/2012	Meals & Lodging	ROPS 1			(96.05)		(96.05)		(96.05)
4/30/2012	Education & Training	ROPS 1			(195.00)		(195.00)		(195.00)
4/30/2012	Legal Services	ROPS 1			(5,010.71)		(5,010.71)		(5,010.71)
5/31/2012	Interest	293.18					293.18		293.18
5/31/2012	Meals & Lodging	ROPS 1			(8.11)		(8.11)		(8.11)
5/31/2012	Legal Services	ROPS 1			(251.00)		(251.00)		(251.00)
5/31/2012	Bonds - Interest		(327,413.00)				(327,413.00)		(327,413.00)
Total Cash Balance as of 5/31/12 before RPTFF funding							(358,138.97)	(162,314.09)	(520,453.06)
6/30/2012	Reverse Fund transfer to Sewer & Water Fund			1,311,688.00				1,311,688.00	1,311,688.00
6/30/2012	ROPS 1				(5,000.00)		(5,000.00)		(5,000.00)
6/30/2012	RPTFF for ROPS 2 for the Period of 7/	512,851.24					512,851.24		512,851.24
7/1 to 12/31/12	Approved ROPS 2		(619,413.00)	(2,800.00)	(100,000.00)		(722,213.00)		(722,213.00)
Total Deficit/Unrestricted Cash as of 12/31/12 Including ROPS II							(572,500.73)	1,149,373.91	576,873.18
	ROPS 3	450,594.00	(321,194.00)	(4,400.00)	(125,000.00)		0.00		0.00
	ROPS 4 - Projection		(617,194.00)		(125,000.00)		(742,194.00)		(742,194.00)
Total Deficit/Unrestricted Cash							(1,314,694.73)	1,149,373.91	(165,320.82)