OAKLAND OVERSIGHT BOARD
MEMORANDUM

TO: Oakland Oversight Board

FROM: Sarah T. Schlenk

SUBJECT: Recent Communication with DOF

DATE: September 17, 2012
ITEM: #4

The following is a summary of the recent communication with the Department of Finance (DOF) on Oversight Board actions and other requirements under AB 1484.

1. **Oversight Board Resolution No. 2012-7**: Approved Housing Asset Transfer from the Successor Agency to the City as Housing Successor.
   a) July 2012 email and telephone exchanges with the DOF analyst Kelly Wyatt on why we were not transferring the LMIHF cash "on deposit" from the Successor Agency to the City as Housing Successor.
   b) August 31, 2012 letter from DOF objecting to Resolution 2012-7 based on the transfer of LMIHF balances "on deposit" from the Successor Agency to City as Housing Successor not being allowed under the law. (This was the exact opposite of the argument between Successor Agency staff and the DOF analyst in July.)
   c) Response letter send September 5, 2012 from the Successor Agency to the DOF explaining the apparent misreading or misunderstanding of Resolution 2012-7, and requesting a retraction of the August 31st objection letter.

   As of the printing of this report, the Successor Agency is awaiting a response from the DOF.

2. **Housing Asset Transfer Form due August 1, 2012**
   a) Toward the end of August 2012, Successor Agency staff provided backup documentation on several specific items from the housing asset list at the request of the DOF.
   b) August 31, 2012 letter from the DOF objecting to six items on the housing asset list and approving all remaining items.

   The Successor Agency does not plan to appeal or request a meet and confer on the six objected items.

3. **Oversight Board Resolution No. 2012-9**: ROPS and Administrative Budget #3 (January-June 2013).
   a) August 28, 2012 email requesting further review
   b) September 6, 2012 email requesting documentation on a short list of ROPS line items

As of the printing of this report, the Successor Agency has provided nearly all the documentation requested.

4. **Oversight Board Resolution No. 2012-10**: Foothill and Seminary DDA
   a) August 30, 2012 email requesting further review
   b) September 6, 2012 email requesting March 3, 2011 agreement, which were provided the same day

5. **Meet & Confer Guidelines and Due Diligence Review**
   a) September 10 email
   b) Meet & Confer Guidelines
   c) Acknowledgment that the October 1st deadline for the LMIHF due diligence review may not be feasible to meet. Requesting Successor Agencies to notify them if the deadline will not be met and to provide a target date.

Respectfully submitted,

Sarah T. Schlenk
Agency Administrative Manager

1. a.

Schlenk, Sarah

From: Schlenk, Sarah
Sent: Thursday, July 26, 2012 2:02 PM
To: 'Wyatt, Kelly'
Subject: RE: LMIHF

Hi Kelly,
I guess the problem is 34176 (a) (1) doesn't say "unencumbered" deposits. It specifically says "any amounts on deposit". We understand 34176 (a) (1) to exclude "any amounts on deposit" in the Low and Moderate Income Housing Fund from the definition of housing asset (section (e)).

Therefore, to conform to the statute, we have been holding all Low and Moderate Income Housing Funds, on the Successor Agency side, listing the enforceable obligations payable from the Low and Moderate Income Housing Fund on our ROPS and relying on section 34177(g) to transfer funds from the Successor Agency to the City to pay for those enforceable obligations as payments become due. Additionally, section 34177(*l*)(1)(A) provides that the Low and Moderate Income Housing Fund is one source of payment for enforceable obligations on a successor agency's ROPS; this section wouldn't make sense if all of the Low and Moderate Income Housing Funds paying for enforceable obligations are automatically transferred to the housing successor and none of those funds stay with the successor agency.

We have set up separate funds on the Housing Successor side to hold all other housing assets, and in order to make payments on obligations. Program revenue resulting from housing assets (loan repayments, fees, etc.) is also deposited into the Housing Successor fund.

We will check in with the auditors on this issue.

Finally, we are planning to submit the housing asset list per the DOF format by August 1st.

Thanks,
Sarah

From: Wyatt, Kelly [mailto:Kelly.Wyatt@dof.ca.gov]
Sent: Tuesday, July 24, 2012 11:52 AM
To: Schlenk, Sarah
Subject: LMIHF

Sarah,

I have re-read the legislation, including the piece you quoted: 34177(d). They are all together for review. I still believe that the requirement would be for the Housing Successor to create the Low and Moderate Income Housing Asset Fund.

Your thoughts?

Also, I thought that the Housing Successor would likely be submitting the asset reporting separately, on the required DOF form. I thought it prudent to make sure.........

Chapter 3 – Successor Agencies
34177. Successor agencies are required to do all of the following:
(d) remit unencumbered balances of RDA funds to the County Auditor Controller for distribution to the

taxing entities, including, but not limited to , the unencumbered balance of the LMIHF......

34176 (a) (1) The city, county, or city and county that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency. If a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency, all rights, powers, duties, obligations, and housing assets, **as defined in subdivision (e) (see below),** excluding any amounts on deposit in the Low and Moderate Income Housing Fund and enforceable obligations retained by the successor agency, shall be transferred to the city, county, or city and county.

(To me, the highlighted part is referencing the unencumbered deposits – which went/goes to the Auditor/Controller. The "enforceable obligations retained by the successor agency would be referring to encumbered balances.)

34176 (d) Except as specifically provided in Section 34191.4, any funds transferred to the city, county, or city and county or designated entity pursuant to this section, together with any funds generated from housing assets, as defined in subdivision (e), shall be maintained in a separate Low and Moderate Income Housing Asset Fund which is hereby created in the accounts of the entity assuming the housing functions pursuant to this section.

34176 (e) For purposes of this part, "housing asset" includes all of the following:
(2) Any funds that are encumbered by an enforceable obligation to build or acquire low- and moderate-income housing, as defined by the Community Redevelopment Law (Part 1 (commencing with Section 33000)) unless required in the bond covenants to be used for repayment purposes of the bond.

From: Schlenk, Sarah [mailto:SSchlenk@oaklandnet.com]
Sent: Monday, July 23, 2012 4:40 PM
To: Wyatt, Kelly
Subject: LMIHF

Hi Kelly,
Good talking to you today. I thought I would provide a couple of citations that we are using as guidance for the issue we discussed.

Keeping cash balances in the successor agency:
34176(a)(1)
...all rights, powers, duties, and obligations,
and housing assets, as defined in subdivision (e), **excluding any amounts on deposit in the Low and Moderate Income Housing Fund** *and enforceable obligations retained by the successor agency,* shall be transferred to the city, county, or city and county.

34177(g)
(g) Effectuate transfer of housing functions and assets to the appropriate entity designated pursuant to Section 34176.

Also, I wanted to make sure you knew we are separately submitting the housing asset list per DOF format by the

August 1st deadline. We needed Oversight Board approval of housing asset transfers for the purpose of satisfying title companies, which is what you received last week via Oversight Board resolution.

Thanks,
Sarah

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Sarah T. Schlenk, Agency Administrative Manager
City Administrator's Office
510/238-3982 | *sschlenk@oaklandnet.com*

Oakland Ranked #5 Place to Visit in the World!
New York Times, January 2012 http://bit.ly/GB3s8f
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1.b.

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

August 31, 2012

Ms. Sarah Schlenk, Agency Administrative Manager
City of Oakland
150 Frank H. Ogawa Plaza, Suite 6353
Oakland, CA 94612

Dear Ms. Schlenk:

Subject: Objection to Oversight Board Action

The City of Oakland (City) Successor Agency notified the California Department Finance (Finance) of its July 16, 2012 Oversight Board (OB) resolution on July 17, 2012. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of your OB resolution, which may have included obtaining clarification for various items.

Based on our review and application of the law, the Successor Agency's OB resolution No. 2012-07 transferring Low and Moderate Income Housing Fund (LMIHF) balances from the Successor Agency to the City is not allowed. HSC section 34176 (a) (1) states all rights, powers, duties, obligations, and housing assets shall be transferred to the entity that assumes the housing functions previously performed by the redevelopment agency, excluding any amounts on deposit in the LMIHF. Therefore, the City shall return the funds received from the LMIHF to the Successor Agency.

As authorized by HSC section 34179 (h), Finance is returning your OB action to the board for reconsideration.

Please direct inquiries to Robert Scott, Supervisor at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Fred Blackwell, Assistant City Administrator, City of Oakland
Ms. Michele Byrd, Director of Housing and Community Development, Oakland
Mr. Gregory Hunter, Deputy Director of Neighborhood Investment, Oakland
Mr. Daniel Rossi, Deputy City Attorney, City of Oakland
Ms. Carol S. Orth, Tax Analysis, Division Chief, County of Alameda

1.c.

CITY OF OAKLAND

CITY HALL • 1 FRANK H. OGAWA PLAZA • OAKLAND, CALIFORNIA 94612

Office of the City Administrator
Deanna J. Santana
City Administrator

(510) 238-3302
FAX (510) 238-2223
TDD (510) 238-2007

Mr. Steve Szalay, Local Government Consultant
California Department of Finance
915 L Street
Sacramento, CA 95814-3706

Dear Mr. Szalay:

Subject: Objection to Oversight Board Action

This is in response to your letter dated August 31, 2012 in which the California Department of Finance (Finance) objected to an action taken by the Oakland Oversight Board (OB) on July 16, 2012 pursuant to OB Resolution 2012-07. In that letter, you directed the City to return funds received from the Low and Moderate Income Housing Fund (LMIHF) to the Successor Agency. Unfortunately there has been a misunderstanding regarding the meaning and intent of Resolution 2012-07.

Upon receipt of your letter on August 31, we contacted Robert Scott by telephone to explain that the resolution did not authorize a transfer of balances to the City. The Successor Agency continues to hold all LMIHF balances or "amounts on deposit in the LMIHF" per the statute cited in your letter – these amounts <u>have not</u> been transferred to the City as housing successor.

As we stated to Mr. Scott, pursuant to Health and Safety Code (HSC) Section 34176(e)(2), the encumbered funds are considered "housing assets." The obligation to make disbursements pursuant to the enforceable obligations for low and moderate income housing are now obligations of the City as the successor housing entity, since all housing obligations were transferred to the successor housing entity. Because HSC Section 34176(a)(1) excludes funds on deposit in the LMIHF from the assets that transfer to the successor housing entity, funds for payment of these enforceable obligations remain with the Successor Agency until the successor housing entity is obligated to make disbursements. At that time, the City as successor housing entity seeks reimbursement from the Successor Agency solely for the amounts actually disbursed to third party holders of enforceable obligations. This is the only transfer of funds that is authorized by Resolution 2012-07; the language in the first paragraph on page 2 states that funds are to be disbursed "as needed to meet the enforceable obligations of the City as housing successor in accordance with the approved Recognized Payment Obligation Schedule."

We note that we have followed this procedure out of caution to remain within the letter of the statute, despite being advised by Finance in previous communications that we should transfer the entire encumbered amount of LMIHF funds to the successor housing entity now, in advance of any payments to third parties, and despite the fact that Finance has directed other jurisdictions to do the same.

We were advised by Mr. Scott that because we had not transferred any funds, the letter would have no effect. However, because third parties are basing their actions on approvals and disapprovals by the Department of Finance, we are asking that you provide us in writing with a retraction of your August 31, 2012 letter, in order to avoid any confusion on the part of these third parties.

Should you wish to discuss this matter further, please contact Jeffrey Levin, Housing Policy and Programs Manager, at (510) 238-6188.

Thank you for your prompt assistance in this matter.

Sincerely,

Sarah T. Schlenk
Agency Administrative Manager

DEPARTMENT OF FINANCE
EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

August 31, 2012

Ms. Michele Byrd, Director
City of Oakland
Housing and Community Development
150 Frank H. Ogawa Plaza, Suite 6353
Oakland, CA 94612

Dear Ms. Byrd:

Subject: Housing Assets Transfer Form

Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of Oakland submitted a Housing Assets Transfer Form (Form) to the California Department of Finance (Finance) on August 1, 2012 for the period February 1, 2012 through August 1, 2012.

HSC section 34176 (e) defines a housing asset. Assets transferred deemed not to be a housing asset shall be returned to the successor agency. Finance has completed its review of your Form, which may have included obtaining clarification for various items. Based on a sample of line items reviewed and the application of law, Finance is objecting to the following assets or transfer of assets identified on your Form:

- Exhibit A, Items 5 and 9 through 11 – Land for Low Mod Housing. Documents provided were not sufficient to demonstrate whether the properties are for low and moderate income housing purposes pursuant to HSC section 34176 (e) (1).

- Exhibit D, Item 18 and 19 – Loan Receivable. The City of Oakland (City) and the former Redevelopment Agency of the City of Oakland (Agency) committed loans for the California Hotel Project: $3,168,000 in City Home funds and $5,253,000 in Agency funds. Upon dissolution of the Agency on February 1, 2012, the City entered into a loan agreement with the borrower on March 1, 2012 for the amount of $5,253,000 (Agency's commitment). Therefore, the loans are City assets and should not have been reported on the Form.

Except for the items disallowed as noted above, Finance is not objecting to the remaining items, if any, listed on your Form. If you disagree with our determination with respect to any items on the Form, you may request a Meet and Confer within five business days of receiving this letter.

Please direct inquiries to Beliz Chappuie, Supervisor or Cindie Lor, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Sarah Schlenk, Agency Administrative Manager, City of Oakland
Mr. Jeffrey Levin, Housing Policy and Programs Manager, City of Oakland
Ms. Carol S. Orth, Tax Analysis, Division Chief, County of Alameda
California State Controller's Office

3.a.

Schlenk, Sarah

From: Vermillion, Todd [Todd.Vermillion@dof.ca.gov]
Sent: Tuesday, August 28, 2012 4:14 PM
To: Schlenk, Sarah
Cc: Lane, Patrick; Levin, Jeffrey; carol.orth@acgov.org; Lor, Cindie; Chappuie, Beliz
Subject: Initiation of ROPS Review - Oakland Redevelopment Successor Agency
Importance: High

Dear Ms. Schlenk,

On August 22, 2012, we received the Recognized Obligation Payment Schedule (ROPS) that was approved by your Oversight Board for the Oakland Redevelopment Successor Agency for the period January through June 2013. Health and Safety Code section 34179 (h) allows the California Department of Finance (Finance) five business days to request a review of an Oversight Board action.

This email serves as notice that we are requesting a review of one or more Recognized Obligations contained in your ROPS. Pending the resolution of the questions we have on these Obligations, your ROPS shall not be effective. Finance staff will be contacting you shortly to identify which items are being reviewed.

Since Finance is statutorily obligated to operate within a 40-day review period. We hope to work expeditiously with you to resolve these questions within the specified time frame.

Sincerely,

Todd Vermillion, Analyst
California Department of Finance
915 L Street
Sacramento, CA 95814
916-322-2985, ext 3141

3.b.

Schlenk, Sarah

From: Vermillion, Todd [Todd.Vermillion@dof.ca.gov]
Sent: Thursday, September 06, 2012 10:56 AM
To: Schlenk, Sarah
Cc: Lor, Cindie
Subject: ROPS Review - request for supporting documentation
Importance: High

Sara,

Thank you again for spending some time with me this morning to answer questions and review the items listed on the ROPS. As we discussed, I am sending you a list of items that will be part of the review. Please provide the supporting contracts and agreements for the following items by Tuesday 9/11/12.

ine #	Project Name / Debt Obligation
6	Scotlan Convention Center
5	Uptown Apartments Project
8	Fox Theatre
9	Fox Theatre
00	Fox Theatre
01	Fox Theatre
31	337 12th Street - Façade Improvement
67	1615 Broadway - Tenant Improvement Plan
06	Palm Villas Housing Project
07	9451 MacArthur Blvd- Evelyn Rose Project
08	Graffiti Abatement/ Job Training
26	8930 MacArthur Blvd - Tenant Improvement Plan
52	Coliseum Transit Village Infrastructure
76	4351 International Blvd - DS / Façade Improvement
01	Economic Development Conveyance (EDC) Master Developer (MD) Ena/PSA
06	Property management, maintenance and insurance costs
11	7th Street Phase I Streetscape
37	Emancipation Village
39	East Oakland Community Project
71	Construction Monitoring Services
08	St Joseph Senior

When forwarding the documents, please reference the Line # on the document and email. If you have any questions, please contact me via email or at the number listed below. Thank you for your cooperation.

Sincerely,

Todd Vermillion, Analyst
California Department of Finance
915 L Street
Sacramento, CA 95814
916-322-2985, ext 3141

4.a.

Schlenk, Sarah

From: Vermillion, Todd [Todd.Vermillion@dof.ca.gov]
Sent: Thursday, August 30, 2012 10:33 AM
To: Schlenk, Sarah
Cc: carol.orth@acgov.org; Lor, Cindie; Chappuie, Beliz
Subject: Initiation Review of Oversight Board Resolution - City of Oakland Successor Agency
Importance: High

Ms. Schlenk,

On August 23, 2012, the Department of Finance (DOF) received resolution 2012-10 approved by the Oversight Board of the Successor Agency to the City of Oakland Redevelopment Agency. Health and Safety Code (HSC) section 34179 (h) allows DOF five business days to request a review of an Oversight Board action.

This email serves as notice that we are requesting a review of the Oversight Board action. Pending the resolution of the questions we have on this resolution, it shall not be effective.

Since DOF is statutorily obliged to operate within a 60-day review period on this item per HSC section 34181 (f), we will be contacting you shortly to obtain further clarification and supporting documentation for the Oversight Board action in question. We hope to work expeditiously with you to resolve these questions within the specified time frame.

Sincerely,

Todd Vermillion, Analyst
California Department of Finance
915 L Street
Sacramento, CA 95814
916-322-2985, ext 3141

4.b.

Schlenk, Sarah

From: Vermillion, Todd [Todd.Vermillion@dof.ca.gov]
Sent: Thursday, September 06, 2012 3:49 PM
To: Schlenk, Sarah
Subject: RE: Initiation Review of Oversight Board Resolution - City of Oakland Successor Agency

Thank you!

From: Schlenk, Sarah [mailto:SSchlenk@oaklandnet.com]
Sent: Thursday, September 06, 2012 3:33 PM
To: Vermillion, Todd
Cc: Lor, Cindie
Subject: RE: Initiation Review of Oversight Board Resolution - City of Oakland Successor Agency

Hi Todd,
Please see attached funding agreement (plus one amendment) and purchase/sales agreement dated March 3, 2011.
Thanks,
Sarah

From: Vermillion, Todd [mailto:Todd.Vermillion@dof.ca.gov]
Sent: Thursday, September 06, 2012 2:34 PM
To: Schlenk, Sarah
Cc: Lor, Cindie
Subject: RE: Initiation Review of Oversight Board Resolution - City of Oakland Successor Agency

Hi Sarah,

The O. B. Resolution indicates two documents the former RDA entered into; the Funding Agreement dated March 3, 2011 and the Purchase and Sale Agreement also dated March 3, 2011. Please forward these documents within 5 business days.

Thank you,

Todd

From: Schlenk, Sarah [mailto:SSchlenk@oaklandnet.com]
Sent: Thursday, September 06, 2012 12:21 PM
To: Vermillion, Todd
Subject: RE: Initiation Review of Oversight Board Resolution - City of Oakland Successor Agency

Yes, still me.
Thanks,
Sarah

From: Vermillion, Todd [mailto:Todd.Vermillion@dof.ca.gov]
Sent: Thursday, September 06, 2012 11:34 AM
To: Schlenk, Sarah
Subject: FW: Initiation Review of Oversight Board Resolution - City of Oakland Successor Agency
Importance: High

Sara,

Will you be my contact regarding this Board Resolution? If not will you please provide to me the appropriate contact person and their contact info.

Thanks,

Todd

From: Vermillion, Todd
Sent: Thursday, August 30, 2012 10:33 AM
To: 'sschlenk@oaklandnet.com'
Cc: 'carol.orth@acgov.org'; Lor, Cindie; Chappuie, Beliz
Subject: Initiation Review of Oversight Board Resolution - City of Oakland Successor Agency
Importance: High

Ms. Schlenk,

On August 23, 2012, the Department of Finance (DOF) received resolution 2012-10 approved by the Oversight Board of the Successor Agency to the City of Oakland Redevelopment Agency. Health and Safety Code (HSC) section 34179 (h) allows DOF five business days to request a review of an Oversight Board action.

This email serves as notice that we are requesting a review of the Oversight Board action. Pending the resolution of the questions we have on this resolution, it shall not be effective.

Since DOF is statutorily obliged to operate within a 60-day review period on this item per HSC section 34181 (f), we will be contacting you shortly to obtain further clarification and supporting documentation for the Oversight Board action in question. We hope to work expeditiously with you to resolve these questions within the specified time frame.

Sincerely,

Todd Vermillion, Analyst
California Department of Finance
915 L Street
Sacramento, CA 95814
916-322-2985, ext 3141

5.a.

Subject: Meet and Confer Process Now Available

Dear Successor Agencies,

The Department of Finance's website has now been updated to include information related to the Meet and Confer process. We appreciate everyone's patience as we finished developing the process and guidelines. We have already received requests for meet and confer sessions related to some of the housing asset transfer determinations made by Finance. Please note that all entities who submitted a request to meet and confer (via email, phone, or mail) on their housing asset form will be contacted by Finance and requested to fill out the appropriate form prior to our scheduling the meet and confer session. In addition, no one will be denied a meet and confer request that has made one up to this point. However, beginning tomorrow meet and confer request should be submitted with the attached form, be related to a specific determination(s) made by finance, and be submitted within the statutory timeframes. Please visit www.dof.ca.gov/redevelopment/meet_and_confer for the specific information.

Finally, the Department of Finance has added a statement to the bottom of the Due Diligence web page related to questions being received about granting extensions to the October 1, 2012 deadline. Please click on the link below and then scroll to the bottom of the page to see the statement.

Low and Moderate Income Housing Fund and Other Assets Due Diligence Reviews

Thanks,
Department of Finance
Redevelopment Agency Administration

5.b.

MEET AND CONFER GUIDELINES

1. A Meet and Confer is a request to the Department of Finance (Finance) to reconsider a decision or determination related to former redevelopment agency wind down activities as authorized in ABx1 26 and AB 1484.

2. Agencies are allowed to request ONE of each of the following Meet and Confer sessions:

   - Housing Asset Transfers
   - Due Diligence Reviews of the Low and Moderate Income Housing Fund (LMIHF)
   - Due Diligence Reviews of all other funds and assets
   - For each Recognized Obligation Payment Schedule (ROPS) period beginning with the January 2013 to June 2013 period

3. Agencies must complete and submit a Meet and Confer Request form (Form DF-MC) for each type of request (i.e. Housing Assets Transfers, Each ROPS period, etc.) within five business days of the date of Finance's letter (except for Meet and Confers related to the LMIHF due diligence review – a request must be received by November 16, 2012). The date the email is received in Finance's redevelopment email box will be considered the filing date. The request to Meet and Confer must be specifically related to a determination made by Finance.

4. Each Meet and Confer request may address multiple topics within each type of request, as long as they are clearly identified in the "**Summary of Disputed Issue(s)**" section (e.g. disputing contracts and administrative allowance reported on the January 2013 through June 2013 ROPS). In addition, the agency must address the following information:

   - Identify specifically which decision you disagree with (include form name, item number, etc.).
   - Explain why you believe Finance's determination is wrong. Please explain if you believe an error was made related to the facts of your case or if you think we did not apply the law correctly.
   - Provide additional information/documents not previously provided to support your position.

5. Meet and Confer sessions shall be conducted in person at Finance or via conference call.

   - In-person meetings will be conducted at Finance's offices at 915 L St. Sacramento, CA 95814. You will be notified of the meeting room location upon confirmation of the meeting date and time.
   - If by conference call, you will be provided a contact number upon confirmation of the meeting date and time.

6. Due to the high-volume of Meet and Confer requests, Finance will not be able to accommodate specific requests for meeting dates and times. The date and time for the Meet and Confer session will be determined by Finance – no exceptions will be made. Finance will allot approximately a half hour to one hour for each Meet and Confer session.

(Revised 9/10/12)

7. Due to the limited duration of the Meet and Confer session, please limit the number of attendees to no more than four critical individuals with the best knowledge of the subject matter.

8. Finance staff in attendance at the Meet and Confer session may include but are not limited to:

    - Finance Analyst and/or Audit Staff
    - Local Government Unit Management

9. Recording devices <u>will not be allowed</u> during the Meet and Confer session.

10. The Meet and Confer session will be facilitated by Finance staff. Generally, the meeting will follow the agenda below:

    - Introductions including sign in/exchange of business cards or contact information
    - Finance staff will present a summary of disputed item(s) and reason(s) for denial or objection
    - The agency will be provided an opportunity to communicate its position and provide additional information and/or submit documents for review
    - Open discussion/forum related to items in dispute

11. Upon completion of the Meet and Confer session, Finance will review all information and documentation submitted in consideration for items being disputed. During the review process, Finance will have sole discretion to request additional information it deems necessary to conduct a complete and thorough review of the disputed items.

12. At the conclusion of our review, Finance will prepare its draft finding(s) or preliminary determination(s) of the disputed items. Agencies will have no more than 5 business days to review and provide comment as to the factual accuracy of the findings.

13. After the Agency review period, Finance will issue a letter to communicate the results of our review of disputed items. Finance will make the final determination related to the disputed items.

14. Until a final resolution has been reached related to the disputed items, agencies should continue to comply with Finance's initial determination(s) as stated in the approval letter.

WELCOME TO THE CALIFORNIA
DEPARTMENT OF FINANCE

Home » Redevelopment — **Low and Moderate Income Housing Fund and Other Assets Due Diligence Reviews**

Low and Moderate Income Housing Fund and Other Assets Due Diligence Reviews

HSC Section 34179.5 requires each Successor Agency to employ a licensed accountant, approved by the county auditor-controller and with experience and expertise in local government accounting, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities. As an alternative, an audit provided by the county auditor-controller that provides the information required by this section may be used to comply with this section with the concurrence of the oversight board.

LOW AND MODERATE INCOME HOUSING FUND DUE DILIGENCE REVIEWS

Due Diligence reviews of the Low and Moderate Income Housing Fund must be submitted to the Oversight Board, the county auditor-controller, the State Controller's Office and the Department of Finance by October 1, 2012.
The Oversight Board has until October 15, 2012 to review, approve, and transmit to the Department of Finance and county auditor-controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities.

Department of Finance reviews of the determinations provided by the Oversight Boards will be completed no later than November 9, 2012. Any decision to overturn determinations made by the Oversight Board to authorize a Successor Agency to retain assets or funds will be conveyed to the Oversight Board and Successor Agency via a letter. Successor Agencies have five days from receipt of the decisions to request "meet and confer."

ALL OTHER FUNDS AND ACCOUNTS DUE DILIGENCE REVIEWS

Due Diligence reviews of all other funds and accounts must be submitted to the Oversight Board for the Successor Agency, the county auditor-controller, the State Controller's Office, and the Department of Finance by December 15, 2012. The Oversight Board has until January 15, 2013 to review, approve, and transmit to the Department of Finance and county auditor-controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities.

Department of Finance reviews of the determinations provided by the Oversight Boards will be completed no later than April 1, 2013. Any decision to overturn determinations made by the Oversight Board to authorize a Successor Agency to retain assets or funds will be conveyed to the Oversight Board and Successor Agency via a letter. Successor Agencies have five days from receipt of the decisions to request "meet and confer."

DUE DILIGENCE REVIEWS SUBMITTAL REQUIREMENTS

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

A cover page delineating whether the due diligence review was conducted by a licensed accountant or the county auditor-controller along with verification of approval or concurrence of the due diligence reviewer by the appropriate entity.

A summary addressing each of the six deliverables required.

See HSC Section 34179.5 (c) (1) – (6).

ADDITIONAL INFORMATION

The links below provide Due Diligence Procedures for use by Licensed Accountants who are conducting the Due Diligence Reviews. These were developed by the CPA society with input from the State Controller's Office and the

Department of Finance. Additionally, the FAQ below provides answers to frequently asked questions regarding due diligence reviews.

Procedures for Due Diligence Review (.pdf, <1 MB)

Reconciliation Worksheet (Due Diligence Review) (.xls, <1 MB)

Example Summary Schedule (Due Diligence Review) (.xls, <1 MB)

Due Diligence Review FAQs (.pdf, <1 MB)

The Department of Finance has been getting requests to extend the October 1, 2012 deadline for the low and moderate income housing due diligence review submittals. Unfortunately, the due date is a statutory date that the Department of Finance has no ability to change. The Department of Finance asks that you do your best to meet the deadline. However, we do recognize the extreme time crunch and likely inability for some successor agencies to meet the deadline prescribed by law. In the event that you are not going to meet the deadline, please send an email to Redevelopment_Administration@dof.ca.gov and let us know the projected date in which you believe the review will be completed and submitted to Finance.

Webpage last updated September 7, 2012