RESOLUTION NO. 2013-01

RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA, APPROVING THE REPORT ON THE DUE DILIGENCE REVIEW FOR THE LOW AND MODERATE INCOME HOUSING FUNDS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA PURSUANT TO HEALTH AND SAFETY CODE SECTIONS 34179.5 AND 34179.6

WHEREAS, Health and Safety Code Section 34179.5 requires the Successor Agency to the Redevelopment Agency to the Oversight Board of the City of Santa Clara ("Successor Agency") to hire a licensed accountant, approved by the County Auditor-Controller, to conduct a Due Diligence Review to determine the unobligated balances available for transfer to taxing entities or alternatively to use an audit provided by the County Auditor-Controller; and

WHEREAS, Macias, Gini & O'Connell was retained by the County Auditor-Controller in accordance with Health and Safety Code Section 34179.5; and

WHEREAS, Macias, Gini & O'Connell conducted the due diligence review of the Low and Moderate Income Housing Funds to meet the requirements of Sections 34179.5 and 34179.6, and prepared a Report on the Due Diligence Review for Low and Moderate Income Housing Funds, a copy of which is attached hereto and incorporated by reference and referred to herein as "Report on the Due Diligence Review" for convenience; and

WHEREAS, the Report on the Due Diligence Review includes, among other requirements, the amount of cash and cash equivalents determined to be available for taxing entities; and

WHEREAS, pursuant to Health and Safety Code Section 34179.6(a), by October 1, 2012, the Successor Agency must provide the Oversight Board, the County Administrative Officer, County Auditor-Controller, State Controller, and the Department of Finance, the results of the Due Diligence Review of the Low and Moderate Income Housing Fund; and

WHEREAS, by October 15, 2012, for the Low and Moderate Income Housing Fund, the Oversight Board must review, approve, and transmit to the Department of Finance and the County Auditor-Controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities; and

WHEREAS, for a variety of reasons the Report on the Due Diligence Review was not completed by the dates set forth in Health and Safety Code Section 34179; and

WHEREAS, in compliance with Health and Safety Code Section 34179.6, the Report on the Due Diligence Review has been submitted by the Successor Agency to the Oversight Board for the Oversight Board's approval, and has also been submitted to the Santa Clara County Administrative Officer, the County Auditor-Controller, the State Controller, and the State Department of Finance (the "DOF"), along with copies of required Recognized Obligation Payment Schedules; and

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

WHEREAS, the Oversight Board held a public comment session on the Report on the Due Diligence Review on January 10, 2013; received the Successor Agency's comments, public comments, and opinions from the County-Auditor-Controller; asked questions for clarification; and requested specific information; and

WHEREAS, the Oversight Board held a public meeting on January 18, 2013; received additional public testimony and information from the Successor Agency and the County Auditor Controller; and considered the Report on the Due Diligence Review.

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA DOES HEREBY RESOLVE AS FOLLOWS:

<u>Section 1</u>. <u>Recitals</u>. The recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Approval of Report on Due Diligence Review. Following its review of the Report on the Due Diligence Review, its consideration of public comments, its consideration of oral and documentary opinions and information from the County Auditor Controller and Successor Agency received before or during the public comment sessions held on January 10 and January 18, 2013, and pursuant to Health and Safety Code Section 34179.6, the Oversight Board hereby approves the Report on the Due Diligence Review set forth in Exhibit A, attached hereto and incorporated herein by reference.

Section 3. Submittal to Department of Finance. The Oversight Board hereby directs staff to submit to the Department of Finance and the County Auditor Controller, as soon as possible, this Resolution and a copy of the Report on the Due Diligence Review set forth in Exhibit A.

Section 4. Effective Date. Pursuant to Health and Safety Code Section 34179(h), all actions taken by the Oversight Board may be reviewed by the State of California Department of Finance, and, therefore, this Resolution shall not be effective for five (5) business days, pending a request for review by the State of California Department of Finance.

CERTIFICATION

I hereby certify the foregoing to be a true copy of a resolution passed and adopted by the Oversight Board for the Successor Agency to the Redevelopment Agency of the City of Santa Clara at a special meeting thereof held on the 18th day of January 2013, by the following vote:

AYES:

BOARD MEMBERS:

Decker, Guthrie, Chheng and Maduli and

Chairperson Gage

NOES:

BOARD MEMBERS:

Ameling and Matthews

ABSENT:

BOARD MEMBERS:

None

ABSTAIN:

BOARD MEMBERS:

None

APPROVE:

ATTEST:

Don Gage

Chairperson

Bernadette DeSousa

Acting Clerk to the Oversight Board

Attachments incorporated by reference:

Santa Clara Successor Agency Due Diligence Review for Low and Moderate Income Housing Funds pursuant to Health and Safety Code Section 34179.5

I:\RESOLUTIONS\OVERSIGHT BOARD\2013-01 Due Diligence Review County Counsel (HCM).Docx

County of Santa Clara

Finance Agency

County Government Center 70 West Hedding Street, East Wing, 2nd Floor San Jose, California 951 10-1 705 (408) 299-5205 FAX; (408) 287-7629



Wednesday, December 19, 2012

Hon. John Chiang, State Controller P.O. Box 942850 Sacramento, CA 94250

Ms. Ana Matosantos, Director Department of Finance 915 L Street Sacramento, CA 95814

Oversight Board for the Santa Clara Successor Agency 1500 Warburton Ave. Santa Clara, CA 95050

City of Santa Clara Successor Agency 1500 Warburton Ave. Santa Clara, CA 95050

Re: Santa Clara Successor Agency Due Diligence Review for Low and Moderate Income Housing Funds Pursuant to Health and Safety Code Section 34179.5

Dear State Controller, Department of Finance, Oversight Board, and Successor Agency:

We present this Due Diligence Report for the Santa Clara Successor Agency ("Agency") in accordance with Health and Safety Code section 34179.5. The agreed upon procedures were completed by Macias Gini & O'Connell, retained under contract by the Santa Clara County Finance Agency. Management of the Successor Agency is responsible for the accounting records.

The information presented in this report meets the requirements of Health and Safety Code section 34179.5 for the Low and Moderate Income Housing Funds of the Agency. The County Finance Agency has verified all information with the establishment of assets and liabilities per the agreed upon procedures report issued on December 17, 2012, pursuant to Health and Safety Code section 34182.

As shown on Attachment B, the entire amount to be remitted is due to unallowable asset transfers from the former RDA to the City and its component unit (the City's Housing Authority). The Successor Agency disagrees with the amount to be remitted primarily because

Housing Due Diligence Report for the Santa Clara Successor Agency Wednesday, December 19, 2012 Page 2 of 2

the Housing Authority has expended or committed the vast majority of the transferred cash, as shown in the reconciliation on Attachment B. However, as explained in greater detail in the comprehensive AUP report, these are not allowable offsets, although a portion of the amounts may be recovered on future ROPS.

The amount to be remitted to the Auditor-Controller for distribution to taxing entities pursuant to Health and Safety Code section 34179.6 is shown in Attachment B as \$63,179,968 as of June 30, 2012, plus interest earned on the entire amount from June 30, 2012, through the date of remittance.

Respectfully submitted,

Vinod K. Sharma, C.P.A. Director of Finance County of Santa Clara

Attachments:

Attachment A – Agreed-Upon Procedures and Findings

Attachment B - Summary of Balances Available for Allocation

Attachment C – Asset Transfers

Attachment C1 – Description of Disbursements

Attachment A – Agreed-Upon Procedures and Findings Low and Moderate Income Housing Funds

The agreed-upon procedures, as it relates to the Low and Moderate Income Housing Funds of the former Agency and the Successor Agency, and findings are as follows:

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on or about 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.

Finding: We obtained from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on or about February 1, 2012 and agreed the assets listed to the recorded balances reflected in the accounting records of the Successor Agency. The Successor Agency reported no assets that were transferred from the former redevelopment agency to the Successor Agency on or about February 1, 2012

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.

Finding: The State Controller's Office has not completed its review of transfers required under both Sections 34167.5 and 34178.8, nor issued its report regarding such review.

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.

Finding: We obtained a listing prepared by the Successor Agency of transfers from the former redevelopment agency to the City of Santa Clara (City) for the period from January 1, 2011 through January 31, 2012 and noted that the former Agency transferred assets in the amount of \$136,899,997, of which \$59,782,871 represented cash assets to the Housing Authority of the City of Santa Clara, a component unit of the City. See Attachment C for the listing of the assets transferred with descriptions of the purpose and in what sense the transfer was required by one of the former Agency's enforceable obligations or other legal requirements.

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.

Finding: We obtained a listing prepared by the Successor Agency of transfers from the former redevelopment agency to the City and noted that the Successor Agency did not list any transfers to the City for the period from February 1, 2012 through June 30, 2012.

Attachment A – Agreed-Upon Procedures and Findings Low and Moderate Income Housing Funds

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.

Findings: As described in Attachment C, at June 30, 2012 cash in the amount of \$63,179,968 was not required by enforceable obligations or other legal requirements, and therefore, should be remitted to the County Auditor-Controller for disbursement to taxing entities. As summarized in Attachment C1, the Successor Agency and/or the Housing Authority of the City of Santa Clara listed obligations and expenditures in the amount of \$17,716,867 representing enforceable obligations for the period June 28, 2011 through June 30, 2012 that may be included in future Recognized Obligation Payment Schedules and subject to the approval by the State and the Oversight Board. The Successor Agency applied the amount of \$17,716,867 against the cash to be remitted to the County Auditor-Controller for disbursement to taxing entities of \$63,179,968 as discussed in Procedure 10.

At June 30, 2012 the Housing Authority of the City of Santa Clara has cash available in the amount of \$35,212,462 to remit to the County Auditor-Controller for disbursement to taxing entities. See reconciliation of the cash balance available at June 30, 2012.

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.

Finding: The State Controller's Office has not completed its review of transfers required under both Sections 34167.5 and 34178.8 nor issued its report regarding such review.

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.

Finding: We obtained a listing prepared by the Successor Agency of transfers from the former redevelopment agency to any other public agency or to private parties and noted that the Successor Agency did not list any transfers for the period from January 1, 2011 through January 31, 2012.

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.

Finding: We obtained a listing prepared by the Successor Agency of transfers from the Successor Agency to any other public agency or to private parties and noted that the Successor Agency did not list any transfers during the period from February 1, 2012 through June 30, 2012.

Attachment A – Agreed-Upon Procedures and Findings Low and Moderate Income Housing Funds

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.

Findings: The procedure is not applicable. The Successor Agency did not list any transfers of assets to any other public agency or to private parties for the period January 1, 2011 to June 30, 2012.

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.

Finding: This procedure pertains to the Successor Agency as a whole as such this procedure will be addressed in the agreed-upon procedures report that is due on December 15, 2012, pursuant to guidance provided by the Department of Finance.

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.

Finding: We obtained from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 and agreed the assets listed to the recorded balances reflected in the accounting records of the Successor Agency. The Successor Agency reported no assets of the Low and Moderate Income Housing Fund held by the Successor Agency at June 30, 2012.

Attachment A – Agreed-Upon Procedures and Findings Low and Moderate Income Housing Funds

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.

Finding: We noted the Successor Agency did not have asset balances of the Low and Moderate Income Housing Fund held by the Successor Agency on June 30, 2012 and thus did not have asset balances that are restricted.

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.

Attachment A – Agreed-Upon Procedures and Findings Low and Moderate Income Housing Funds

- 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.

Finding: We noted the Successor Agency did not have asset balances of the Low and Moderate Income Housing Fund held by the Successor Agency on June 30, 2012 and thus did not have asset balances that are not liquid or otherwise available for distribution.

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.
- 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.

Attachment A – Agreed-Upon Procedures and Findings Low and Moderate Income Housing Funds

- 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.
- 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.
- 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.

Finding: We noted the Successor Agency did not have asset balances of the Low and Moderate Income Housing Fund held by the Successor Agency on June 30, 2012 and thus did not have asset balances that need to be retained to satisfy enforceable obligations. As such the procedures listed are not applicable.

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.

Finding: We noted the Successor Agency does not have cash balances as of June 30, 2012 that need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule for the period of July 1, 2012 through June 30, 2013.

Attachment A – Agreed-Upon Procedures and Findings Low and Moderate Income Housing Funds

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).

Finding: See Attachment B for the results of this procedure for the Low and Moderate Income Housing Fund. As described in Attachment C, at June 30, 2012 cash in the amount of \$63,179,968 was not required by enforceable obligations or other legal requirements, and therefore, should be remitted to the County Auditor-Controller for disbursement to taxing entities.

As discussed at Procedure 2, the Housing Authority of the City of Santa Clara has cash available in the amount of \$35,212,462 at June 30, 2012. As described in Attachment B, the Successor Agency believes that the amount to be remitted to the County Auditor-Controller for disbursement to taxing entities should also factor the following activities:

- 1) Obligations and expenditures on enforceable obligations during the period from June 28, 2011 to June 30, 2012 that may be included in future Recognized Obligation Payment Schedules in the amount of \$17,716,867;
- 2) Loan disbursed from the Housing Authority of the City of Santa Clara to City / Successor Agency in the amount of \$5,900,000:
- 3) Balances denied by the DOF in which the City had requested to initiate the Meet and Confer process to object the DOF's denial in the amount of \$17,060,859; and
- 4) Balances denied by the DOF in which the City has not requested to initiate the Meet and Confer process but subsequently decided to object the DOF's denial in the amount of \$6,907,667.

See the computation of the amount to be remitted to the County Auditor-Controller for disbursement to taxing entities of \$63,179,968 and the computation of the amount to be remitted to the County for disbursement to taxing entities as calculated by the Successor Agency of \$15,594,575 at Attachment B.

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.

Finding: No exceptions noted as a result of this procedure.

ATTACHMENT B - LOW AND MODERATE INCOME HOUSING FUND ASSETS TRANSFERRED TO THE SUCCESSOR AGENCY THAT ARE AVAILABLE TO DISTRIBUTE TO AFFECTED TAXING ENTITIES

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$	-
Add the amount of any assets transferred to the city or other parties for which an enforceable	*	
obligation with a third party requiring such transfer and obligating the use		
of the transferred assets did not exist (procedures 2 and 3)		63,179,968
Less assets legally restricted for uses specified by debt		
covenants, grant restrictions, or restrictions imposed by other		
governments (procedure 6)		, -
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		-
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)		-
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as		
directed by the California Department of Finance		
Amount to be remitted to the County Auditor-Controller for disbursement to taxing entities	S	63,179,968

		Notes
Amount to be remitted to county for disbursement to taxing entities as calculated above	\$ 63,179,968	Based on calculation above
ess: Obligations and expenditures subject to inclusion on future ROPS	(17,716,867)	See details at Attachment C1.
ess: Loan from Housing Authority to City / Successor Agency	(5,900,000)	See discussion at Attachment C1, item #18. Amount represents the total loan amount.
less: Balances denied by the DOF in which the City has requested to initiate the Meet and Conferrocess to object the DOF's denial.	(17,060,859)	See details at Attachment C1.
ess: Balances denied by the DOF in which the City has not requested to initiate the Meet and confer process.	(6,907,667)	See discussion at Attachment C1, item #9 Amount represents total remaining encumbrance plus amount disbursed from June 28, 2011 to June 30, 2012
Imount to be remitted to the County Auditor-Controller for disbursement to taxing entities per City of Santa Clara	\$ 15,594,575	

Attachment C - Low and Moderate Income Housing Funds
Asset Transfers to the Housing Authority of the City of Santa Clara for the Period of January 1, 2011 through January 31, 2012

			Book value of	Describe the purpose of the transfer and specify the enforceable obligation	
		Date of	asset at date of	or other legal requirement requiring such transfer and the date of such	
Asset Description	Name of the recipient	Transfer	transfer	requirement.	Finding
GASB 31 Unrealized Gain/Loss Aget Rec Accrued Int-Bank	Housing Authority of the City of Santa Clara	3/8/2011 3/8/2011 3/8/2011 3/8/2011 3/8/2011 3/8/2011 3/8/2011	1,100,604 69,815 12,004,765 341,182 56,496,990	of Costs Associated with Certain Redevelopment Agency Funded Low and	The transfers between the former Agency and the Housing Authority of the City of Santa Clara on March 8, 2011 under the Cooperation Agreement dated February 8, 2011 summarized are subject to review by the State Controller's Office (SCO). The SCO will make the final determination as to the enforceability of the obligations under the Cooperation Agreement.
	Total Housing Assets Transferred on March 8, 2011 Loss non-liquid assets		136,899,997 (77,117,126)	_	
	Total cash transferred on March 8, 2011		\$ 59,782,871	=	
	`	Transaction			
	•	Date	Cash Balance	Description	·
Summary of cash activity from Add: Cash received by Housing	n March 8, 2011 through June 30, 2012:	3/8/2011 3/8/11 - 6/27/11 3/8/11 - 6/27/11 3/8/11 - 6/27/11 3/8/11 - 1/31/12	(1,445,217) 2,844,280 687,678	Total cash transferred from the former Agency to the Housing Authority of the County of Santa Clara (Housing Authority) Less allowable cash expenditures for the period 3/8/11 through 6/27/11 (See details at Attachment C1) Transfer of 20% set-aside property fax increment to the Housing Authority. Cash received on interest from cash and investments. Program income received by the Housing Authority before dissolution.	
		6/28/11 - 6/30/12 6/28/11 - 6/30/12	3,085,698	Transfer of 20% set-aside property tax increment to the Housing Authority. The Housing Authority subsequently transferred back the cash received to the Agency. Cash received on interest from cash and investments Successor Agency and Oversight Board approved transfer from Housing Authority to Successor Agency on 5-22-2012 in the amount of \$3,082,026 to pay debt sorvice payment on ROPS I due May 25, 2012 to fiscal agent. Difference between what is on books and agenda report is due to a County error on the tax increment remittance that was correct in August 2012. Transfer made to avoid default on all	
Less: Return of cash previously	received by the Housing Authority of Santa Clara	1/23/12	(3,085,698)		
•	Authority for which an enforceable obligation with a		63,179,968	- · · · · ·	•
Total amount disbursed from Jun Other program income and recor			(28,309,492) 341,986		
Deficit of cash to be remitted to	County Auditor-Controller for disbursement to taxing entities at June 30, 2012		(27,967,506)	·	
Cash held by the Housing Autho	rity of the City of Sania Clara at June 30, 2012 per accounting records	:	\$ 35,212,462		•

Attachment Cl. - Low and Moderate Income Housing Funds Description of Disbursements and Enforceable Obligations for the Period of Murch 8, 2011 through June 30, 2012

	T	1			T			T			
Description of the Enforceable Obligation 910-9110 CIP Housing Administration and Grants to Non-Profit Housing Service Providers	Encumbered balance per Cooperation Agreement dated 3/8/2011 2,436,000	records	June 27, 2011	Obligations and expenditures subject to inclusion on future ROPS	June 28, 2011 to June 30, 2012	and Confer with the State per City	City identified as specific enforceable obligation NVA	Findings 3-year contract signed between the former Agency and seven third parties during FY 2010 with renewable options for FY 2011 and FY 2012. Renewal expost from	Obligations listed on the ROPS/ EOPS? NO		City's response to HAT Form objection No objection to DOF's objection
								third parties received by the City during November 2010 for the extension for the FY 2012 contract tents. Tool gram amount for FY 2012 contract tents. Tool gram amount for FY 2012 contract considered allowable. Based on City's accounting records, the total administrative cost and gunts incurred before une 28, 2011 to St 1885,599. The S428,652 administrative costs incurred since June 28, 2011 to st 1885,599. The S428,652 administrative costs incurred since June 28, 2010 are not considered an enforceable obligation ontest they are directly related to the administration of enforceable housing obligations.			
910-9159 CIP First Time Homebuyers Fanneing Program	3,800,520	2,411,741	320,000	_	1,048,455	3,460,196	Secondary mortgage iones, fauds obligated by Operating Agreements with primary mortgage lenders, JP Morgan Classe (WAMU) and Neighborhood Housing Services Silicon Valley	Persuant to Operating Agreements between the former Agency and two primary interings lenders. JP Motigan Classe (WAMU) and Neighborhood Hosaing Services Silicon Aulley dated before II/2011. No specific terms (lend to persuant or total amount committed) stated on the Operating Agreement. It appears that amount entermbered will be dependent on project specific agreement with third party but not the Operating Agreements. No project specific agreement between former Agency and shirt party was provided.	NO	Objected by DOF - item #8	Meet and Confer #5
910-9160 and 915-9301 CIP BAREC Senior Housing	19.999,000	8,010,911		11,666,211	11,691,861	8,036,561	Land sequisition and development of housing subject to the Perchasse and Sale Agenemen between RDA and CA. Dept. of General Services (75-2005), Development Agreement between City of SC, RDA, CA Dept. of General Services and Genmen this Wischester, LLC (619-2007), and Fairs Americant to Perchasse and Sale Agreement (47-41-4011), Land Insufer (Grant Deed) completed 12-21-2011 Ube respirement impractical without budget appropriations.	Forstunit to Purchase and Sale Agreement (PSA) between Agency and State Department of General Services (State) dated July S, 2005, the meximum purchase price for the land exploition was \$11.566, 215. The Instantial dishuments of Guille and acquisition was \$11.566, 215. The Instantial dishuments of Guille and Acquisition was \$11.566, 215. The Instantial dishuments of Guille and City, former RDA, State, and a third party survered into a Development and Agreement. As prosefile committoest uncontained that the Agreement of	NO	Objected by DOF - item #2 and =6	Meet and Confer #1 and #4
910-9163 CIP Sacco Surplus Site Mogroe/San Tonnes Expressway Housing Project	4,579,000	4,559,610	9,503	-	4,492	4,564,102	Grant Deed from RDA to HA for affordable housing development subject to enforceable obligation of Agreement For Functions of Roal Property between RDA and County of Santa Clara (12-14-2004)	Pursuant to an Agroment for Purchase of Real Property between the Agency and the County of Starta Clara (Coonty) and the Ornat Deed recorded on January 11, 2005, the Agency purchased a property from the County. As stated on the Agreement for Purchase of Real Property between the Agency and the County, the County desired to sell the property to be utilized for affordable housing purpose, and the Agency expressed to the County the desire to purchase the property utilizing its Affordable Housing Fand. There's nothing stated in the agreement that requires the Agency to countif finds for the development of affordable housing. The Agency to countif finds for the development of affordable housing. The Agency did not enter into agreement with a third party ns of June 28, 2011.	NO	Objected by DOF - item #5	Meet and Confer #3
910-9172 CIP First Time Homebuyer Program for Condeminium Conversions	1,000,000	1,000,000			-	1,000,000	Funds appropriated for mortgage financing for renters displaced by condominium conversion projects.	There was not an executed contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation.	МО	Objected by DOF - item #12	Meet and Confer#6
910-9182 CIP Bill Wilson Center - The Commona Project		577,501	141,719	1,258,497	680,996		Acquisition and major relabilitation of an existing 28-auxi spartment facility subject to a Friel Gamet (In-10-2005). Afford House Gamitt (4+17-2001). In Amend (6-23- 2009), and 2nd Amend (1-30-2010).	Fursuant to Affordable Housing Loan Agreement dated April 17, 2007, the Ageasy agreed to loan up to \$3,500,000 to the laint party. Purmant to First American to Head Affordable Housing Loan Agreement dated June 22, 400,000. Agreement dated the second to Second American to the Affordable Housing Loan Agreement dated March 30, 2010, the Agency agreed to June and additional Second Agreement dated March 30, 2010, the Agency agreed to Joans and additional Self-100 to the stirk opensy; which laining the total loan amount to \$4.707,\$55. Based on the Agency accounting records, as of Waresh 8, 2011, in total loan disburmonent made was \$5,367,349 and ranabing unfailurated from commitment of \$1,400,216 is evaluated and enforceable abiligation.	но	Objected by DOF - item #4	Meet and Confer #2
	910-9159 CIP First Time Homebuyers Financing Program 910-9169 and 915-9301 CIP BAREC Senior Housing 910-9163 CIP Sacco Surplus Site Monro/Sun Toruss Expressivay Housing Project	Description of the Enforceable Obligation Description of the Enforceable Obligation Plo-9110 CIP Hossing Administration and Grants to Non-Profit Hossing Service Providers 2,436,000 910-9159 CIP First Time Homebuyers Fauncing Program 3,800,520 910-9160 and 915-9301 CIP BAREC Senior Housing 19,599,000 910-9163 CIP Succes Strplus Site Monroe/San Tornes Expressivay Housing Project 4,579,000 910-9172 CIP First Time Homebuyer Program for Conduminium Conversions 1,000,000	Balance ar Copperation Agreement data State Program State Program Prog	balance per Coopwrift of 6790.012 per obligation Providers Coopwrift of 6790.012 per obligation Agreement dated 3/78/2011 created obligation 1910-9110 CIP Housing Administration and Grants to Non-Profit Housing Service Providers 2,435,000 2,271,403 188,559 10-9159 CIP First Time Homebuyers Francing Program 3,805,520 2,411.741 320,000 10-9159 CIP First Time Homebuyers Francing Program 1910-9159 CIP First Time Homebuyers Francing Program 1910-9163 CIP Sacoo Surplus Site Mostroe/Sun Toruss Expressivary Housing Project 4,579,000 4,535,610 9,505 9,505 910-9163 CIP Sacoo Surplus Site Mostroe/Sun Toruss Expressivary Housing Project 1,000,000 1,000,000 1,000,000 - 1	belance pse belance at CapPart of	Date: Indicate part Date: Indicate part	Palice P	Duteription of the Enforcement Company of Co	believe at the Exception Colored and Excepti	Name or of forested particular of Extraction Against the Extraction	Particular of the Politherian of

Attachment CI - Low and Moderate Income Housing Funds Description of Disbursoments and Enforceable Obligations for the Period of March 8, 2011 through June 30, 2012

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· #	Description of the Enforceable Obligation	Encumbered balance per Cooperation Agreement dated 3/8/2011	Encumbered balance at 6/30/2012 per City's accounting records	Cash disbursed on enforceable obligations through June 27, 2011	Obligations and expenditures subject to inclusion on future ROPS	Total amount disbursed from June 28, 2011 to June 30, 2012	Amount subject to Meet and Confer with the State per City	City identified as specific enforceable obligation	Findings	Obligations listed on the ROPS/ EOPS?	Housing Asset Transfer Form (HAT) objection by DOF?	City's response to HAT Form objection
7	910-9186 CIP Downtown Housing	8,500,000	7,158,618	-	-	-	-	Funds appropriated for affordable housing development to be located in the University Project Area.	There was not an executed contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation.	NO	N/A	N/A.
8	915-5308 CIP Deventown Housing		4,000,000	-	-		-	Funds appropriated for offordable housing development to be located in the University Project Area.	There was not an executed contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation.	NO	N/A	N/A
9	910-9187 CIP ROEM Senior Housing Project 2525 El Camino Real	7,000,000	2,638	92,334	157,091	6,905,029	-	Financing for prodevelopment, land acquisition and construction of a 48-unit apartment project, project introduction to Counsil (Jun 12, 2011), Pride Losa Gamet (Apr 19, 2011), Acquist Losa Gamet (July 12, 2011), Acquist Losa Gamet (July 12, 2011), AHA (Jan 24, 2012).	Pursuant to Fredevelopment Lean Agreement dated April 19, 2011, the Agency agreed to loan up to \$23/425 to the third party. Pursuant to the Acquisition Loan Agreement Stated July 12, 2011, the Auditority agreed to loan the little 795, 379.500 for site acquisition and additional predevelopment costs. The agreement slot inthree committed the Authority of ann additional fluids up to \$7,000,000. The Acquisition Loan Agreements uns entered into after June 28, 2011 and Joes not constitute an enforceable obligation of the Agency.	МО		No objection to DOF's objection
10	916-9188 CIP Charilies Housing Acquisition-Rehab Project	4,000,000	4,000,000	-	-	-	-	Funds appropriated for costs associated with acquisition and rehabilitation of an existing apartment facility in substandard condition.	There was not an executed contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation.	NO.	N/A	N/A
11	915-9300 CIP Unallocated for difference between Cash and Unspent Appropriations	-	653,309	-	-	-	-	N/A	There was not an executed contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation.	МО	N/A	N/A
12	915-9302 CIP Purelasse Old Fire Station #6 Site Meantagne Habitat for Humunity	391,000	376,856	400	-	4,833	•	federal HOME funding predicated on HA financing and site transfer. Use requirement as affordable housing impractical without budgeted appropriations.	Pursuant to a HOME Capital Loan Agreement between the City of Santa Clara and the third party dated August 17, 2010. As such, this did not constitute an enforceable obliquiou of the Agency, During the period March 8, 2011 to June 28, 2011, the Agency dishussed \$1.433 pursuant to the 2011 Cooperation Agreement between the City and the Agency, which is considered an allowable pre-freeze expenditure.	NO	DOF - item #7	No objection to DOFs objection
13	915-9365 CIP Neighborhood Conservation & Improvement Program (NCIP)	1,263,950	619,393	94,254		470,645		Grants to homeowners for needed home repairs, including housing rehabilitation for handicup accessibility.	party entered into before Jone 28, 2011 in place to substantiate the Agency's obligation. During the period March 8, 2011 to June 28, 2011, the Agency disbursed finade purposant to the Cooperation Agreement between the City and the Agency, which is considered as allowable pre-freeze expenditure.	NO	N/A	N/A
14	915-9306 CIP 1430 El Camino Real Housing Project Presidio	3,860,000	33,015	398,446	4,455,636	4,422.621	- .	Pride Lang Gamul between RDA and CORB Affordable Housing LLC (5.1-10), Acquisition Lang Gamul (2-8- 11), and Affordable Housing Laun Gamul (3-30-11).	Persuan to Alfordable Housing Lan Agreement dated May 11, 2010, the Agency agreed 10 loan y 10 520,0000 to the brief party. Prenants no Acquisition, Loan Agreement dated February 3, 2011, the Agency agreed to loan up to \$1,240,000 to the third party. The agreement also Enther committed the Agency to loan additional finds up to a total (all inclusive) maximum of \$3,000,000. As of June 28, 2011, \$598,446 was distincted. The Agency disbursed an additional Agency and the Agency	NO	N/A	N/A
15	915-9369 CIP Acquisition of City Housing	2,000,000	2,000,000	-	_		-	Funds appropriated for sequisition of four single-family homes currently owned by the City and used for affordable housing purposes through existing lease agreements.	There was not an excented contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation.	МО	N/A	N/A
15	ChilMortgage FTHB overpayment	-	50,000	-	•	-	-	Unidentified overpayment by Citi Mortgage on First Time Honte Bayer Program. Overpayment by Citi Mortgage and is nEDA Housiag made via wire on 2750% and this obligation needs to be resolved and refunded. Investigation process is on going with Citi Mortgage.	There was not an executed contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation. Based on the City's reaction and the documents provided, the third party overpaid \$50.000 to the former Agency in August 2008 and as of the report date, the investigation is still in process.	NO	N/A	N/A
17	Accounts Payable	•	45		-	-	-	N/A	There was not an executed contract or agreement between the Agency and the third party entered into before June 28, 2011 in place to substantiate the Agency's obligation.	ИО	N/A	N/A

Attachment C1 - Low and Moderate Income Housing Funds Description of Disbursements and Enforceable Obligations for the Period of March 8, 2011 through June 30, 2012

#	Description of the Enforceable Obligation	Encumbered balance per Cooperation Agreement dated 3/8/2011	Encumbered balance at 6/30/2012 per City's accounting records	on enforceable obligations	Obligations and expenditures subject to inclusion on future ROPS	disbursed from June 28, 2011	subject to Meet	City identified as specific enforceable obligation	Findings	Obligations listed on the ROPS/ EOPS?		City's response to HAT Form objection
18	Lozu from Housing Authority in City / Successor Agency	-	3,384,422	-		2,515,578		The supunit of the City Advances shall be determined based on the each flow shortfall of the Stocossor Agency and shall be made at such times as to ensure that purpose the by the Guecessor Agency are made in a timely fashion. Loan up to \$3.9% Form Housing Authority to City to Successor Agency approved by Successor Agency and Oversight Board on \$5-22-2012. Loan to avoid default on all TABs for May 2012 payment. Also, loan was used to make trave-up payment to Compt Auditor-Controller in	On May 28, 2012, the Oversight Board approved a toon from the Horsing Authority is the (GN)Nencessor Agency for up in \$5) sollion to pay the enforceable obligations of the Stocessor Agency. As of the report date, the full was 50,000,000 approved loan amount was disbursed to the CityStocessor Agency. As of the report date, the full spous 50,000,000 approved loan amount was disbursed to the CityStocessor Agency to pay for enforceable obligations per City's assertion. The loan disbursement is not considered an enforceable obligation for housing, but instead expectants a cash flow ioun from the Housing Authority to the CityStocessor Agency. The Successor Agency disbursement of the cash received through this loan will be considered althowable for stage of the non-bouring assets given that it's used to pay enforceable obligations listed on the ROPS. The repayment of this loan was disallowed by DOF on ROPS III.	NO	N/A	N/A
	Total	S 58.829.470	S 41.112.462	\$ 1,445,217	\$ 17,716,867	\$ 28,309,492	\$ 17,060,859					