

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY OF SAN JOSE

MEMORANDUM

TO: OVERSIGHT BOARD	FROM: DEBRA FIGONE EXECUTIVE OFFICER
SUBJECT: SEE BELOW	DATE: October 5, 2012

SUBJECT REPORT ON OUTSTANDING AUDITIES AND REPORTING  
REQUIREMENTS

At the August 23, 2012 Oversight Board meeting Successor Agency staff provided a Report on Outstanding Audits and Reporting Requirements. Attached, for your information, is an updated version of the Report.

The Report on Outstanding Audits and Reporting Requirements includes the following:

- Recognized Obligation Payment Schedule (ROPS) 1 – “Overpayment”
- State Department of Finance (DOF) Review of Housing Assets
- ROPS 3/Administrative Budget
- County Auditor Controller Review of Assets and Liabilities
- State Controller - Asset Transfer Assessment
- Due Diligence Review (DDR) – Housing
- DDR – Non Housing (Successor Agency)
- Redevelopment Agency & Successor Agency Annual Audit
- Insufficiency of Funds Report
- ROPS 4
- Property Management Plan



DEBRA FIGONE  
EXECUTIVE OFFICER

For more information, contact Richard Keit, Managing Director, Successor Agency, at 408-79-1849

Attachments

## SUCCESSOR AGENCY OUTSTANDING AUDITS/REPORTING REQUIREMENTS

As of October 5, 2012

AUDIT	DUE	STATUS
* DOF Review of ROPS 1 "Overpayment"	8/1	Submitted to DOF by the 8/1 deadline. Attached response from DOF dated 8/27 states that, while it will not impose penalties or offset sales tax, it will not void the invoice sent by County Auditor Controller and that the outstanding invoice may prevent DOF from issuing Finding of Completion. County Auditor Controller has confirmed that it will not void the invoice. Staff continues to work with County and State to resolve.
DOF Review of Housing Assets	8/1	Submitted to DOF on 8/1. On 8/31, DOF sent the attached letter registering its objections to three items. On 9/4, the City requested a meet and confer to discuss the disputed items. DOF has provided a new form that must be filled out prior to scheduling of the meeting. Housing Department staff is now preparing this form.
ROPS 3/Administration Budget	9/4	Approved by the Oversight Board on 8/23. Submitted to DOF on 8/31 with notes detailing outstanding disputes between the SA and the County. County Auditor Controller filed formal objections to specific ROPS 3 items with the DOF before the 10/1 deadline. SA staff is now responding to questions from DOF.
County Auditor-Controller Review of Assets and Liabilities	10/1	Draft report received from the County on 9/14.
* State Controller's Office Asset Transfer Assessment	N/A	Preliminary findings being reviewed by State Controller's Office management. Draft Asset Transfer Report was anticipated in mid-September, but we have no indication from the State Controller's Office of a distribution date for the draft report. Once the draft report is received, the SA will have 15 day review period after which the State Controller will release the final report.
* Due Diligence Review- Housing	10/1	Entrance conference with auditor (BPM) conducted on 9/10. Contract with BPM signed on 9/26. Per statute, the report must be completed on 10/1, reviewed by the Oversight Board at a public hearing and then approved by the Oversight Board at a subsequent meeting. The report must then be submitted to DOF by 10/15. On 9/28, SA staff notified DOF that the report would be delayed. SA staff now expect a draft report by 10/17, with comments back

AUDIT	DUE	STATUS
* Due Diligence Review- Non Housing	12/1	to BPM by 10/22, and final report issuance by 10/24. SA staff plan to hold the first public hearing on 11/8, with final Oversight Board approval scheduled on 11/15. Must be reviewed by Oversight Board and submitted to DOF by 12/15. Contract with BPM signed on 9/26. Commence fieldwork 10/26; Draft report to SA 11/16; Comments back from SA 11/30; Issue final report 12/7. Public hearing 12/6 with final Oversight Board approval to be scheduled 12/13/2012.
Annual Audit—Macias Gini	11/8	Macias Gini began the annual financial audit of the former RDA for the period 7/1/11-1/31/12 and the SA for the period 2/1/12 - 6/30/12 on 7/9. The audit is due to City Council Committee on 11/8 with a presentation on 11/15.
Insufficiency of Funds Report	12/1	Due to County Auditor-Controller by 12/1/2012. Not yet started.
ROPS 4	3/3	Due to DOF 3/3/2013. Not yet started.
Property Management Plan	N/A	Can be submitted once Finding of Completion is obtained. Not yet started.

\* Required to receive Finding of Completion



DEPARTMENT OF  
**FINANCE**  
OFFICE OF THE DIRECTOR

EDMUND G. BROWN JR. - GOVERNOR  
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

August 27, 2012

Mr. Richard Keit, Managing Director  
City of San Jose  
Successor Agency to the Redevelopment Agency  
200 E Santa Clara St., 14th Floor  
San Jose, CA 95113

Dear Mr. Keit

This letter is a follow-up to our July 20, 2012 letter in which the Department of Finance (Finance) asked the Successor Agency (Agency) to submit information related to the July billing dispute.

Finance contacted the Agency on July 20, 2012, regarding a discrepancy between the amount the Agency was billed on July 9, 2012 by the County Auditor-Controller (CAC) pursuant to Health and Safety Code (HSC) section 34183.5 (b) (2) (A) and the amount the Agency subsequently remitted to them on July 12, 2012. In our letter, Finance requested that the Agency provide any information that would justify the underpayment by July 31, 2012.

Finance has completed its review of the material submitted and its assessment of the Agency's situation. While Finance does not have the statutory authorization to reduce the amount the Agency has been billed by the CAC, we do not intend to pursue either the civil penalties or the Sales and Use Tax offsets that may be levied when an Agency fails to pay the billed amount.

However, please be advised that pursuant to HSC section 34179.7, as a result of not paying the demand amount, Finance may be prohibited from issuing a Finding of Completion to the Agency. Receiving a Finding of Completion can allow a Successor Agency to do several things, including expend "stranded" bond proceeds for specified purposes, repay loans from the city to the former RDA that currently are not recognized as Enforceable Obligations, and transfer land to the city so that it may be used for the purposes identified in the original redevelopment plan.

We thank you for providing all requested information and for working cooperatively with our staff as they conducted their review. If you have any questions or concerns regarding this matter, please contact Justyn Howard, Assistant Program Budget Manager, at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: County Auditor-Controller



DEPARTMENT OF  
**FINANCE**

EDMUND G. BROWN JR. • GOVERNOR

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

August 31, 2012

Ms. Leslye Corsiglia, Director of Housing  
City of San Jose  
200 East Santa Clara Street  
12<sup>th</sup> Floor, Housing Department  
San Jose, CA 95113

Dear Ms. Corsiglia:

Subject: Housing Assets Transfer Form

Pursuant to Health and Safety Code (HSC) section 34176 (a) (2), the City of San Jose 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 the items reviewed and the application of law, Finance is objecting to the following assets or transfer of assets identified on your Form:

- Exhibit C, Item 4 and Exhibit D, Item 8 – The loan agreement for Eden Housing was entered into on June 29, 2011; however, HSC section 34163(b) prohibits a successor agency from entering into a contract with any entity for any purpose after June 27, 2011.
- Exhibit D, Items 1176 through 1195 – These are rehabilitation loan receivables entered into after June 27, 2011. HSC section 34163(b) prohibits a successor agency from entering into loans, agreements, or contracts with any entity for any purpose after June 27, 2011.
- Exhibit G, Item 1 – A reported \$56 million deferred receivable related to a Supplemental Educational Revenue Augmentation Fund loan out of the successor agency's low and moderate income housing fund. The Santa Clara Auditor-Controller's Office has provided Finance with a preliminary objection determination. According to the Auditor-Controller's Office, the above loan was funded using successor agency TAB proceeds which are currently in repayment from the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items 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.