To: Members of the Inglewood Oversight Board

From: Los Angeles County Consultants

RE: Analysis of Agenda for the October 2 Oversight Board Meeting:

Public Meeting on Due Diligence Review

This analysis of the Due Diligence Review for all other funds of the Successor Agency of the City of Inglewood (excluding the Low and Moderate Income Housing Fund) was prepared by the Los Angeles County Consultants. Please note that this analysis is based on information available on October 1, 2013 and is not a legal opinion.

Consideration of the Results of Due Diligence Review (DDR)

The Due Diligence Review (DDR) for all other funds (non-housing DDR) was required to be approved by the Oversight Board by January 15, 2013, per Health & Safety Code §34179.6. The Oversight Board must hold a public comment session at least five business days before it holds an approval vote for the DDR, per §34179.6(b). The Oversight Board public comment session is scheduled to be held on October 2. The Oversight Board is anticipated to consider approval of the DDR on October 17.

Per §34179.6(c), the Oversight Board "may adjust any amount provided in the review to reflect additional information and analysis" and "may request from the successor agency any material it deems necessary to assist in its review and approval of the [DDR]."

The DDR reports the outcome of eleven agreed-upon procedures. This review notes specific procedures where determinations may require clarification and/or additional information before the Oversight Board takes action.

Procedure 1

This procedure relates to §34179.5(c)(1) and is the dollar value of assets transferred from the former RDA to the Successor Agency on or about February 1, 2012.

 The DDR states that the former RDA transferred assets totaling \$14.9 million to the Successor Agency (excluding the LMIHF). No supporting documentation is provided in the DDR for this amount.

Suggest Oversight Board request supporting information on these assets be provided as soon as possible and be included as an attachment to the DDR.

Procedure 2

This procedure relates to §34179.5 (c)(2) and is the dollar value of assets and cash transferred from the former RDA or the successor agency to the City after January 1, 2011 and through June 30, 2012. It requires information on the purpose of each transfer and documentation of any enforceable obligation that required the transfer. The results of this procedure are used in Procedure #10 to add back the sum of transfers that were not supported by an enforceable obligation.

• The DDR indicates that the State Controller's Office has not completed its review of the §34167.5 and §34178.8 transfers and that the accounting firm conducted all of the steps required under this procedure. The DDR references the attachment labeled Exhibit B, which lists all information required

- under this procedure. The DDR states that the accounting firm traced each transfer to supporting documentation, noting no exceptions.
- Exhibit B presents financial data for the period January 1, 2011 and through June 30, 2012. However, the first two columns of financial data present information as of September 30, 2010 and September 30, 2011, which are not typical fiscal year reporting periods in California, which are as of June 30.
- The Agency filed annual reports with the California State Controller Office (SCO) for FY 2009/10 and FY 2010/11, which are reported by the SCO to be as of June 30 each year. (Please refer to the attached Statement of Revenues and Expenditures reported to the California State Controller Office for FY 2009/10 and FY 2010/11.) These Statement of Revenues and Expenditures indicate that the Agency's ending equity for FY 2009/10 was \$209,756,126 and \$204,651,801 for FY 2010/11.
- Exhibit B indicates the ending equity was \$204,651,801 as of September 30, 2010, which is the same amount as reported to the SCO as of FY 2010/11 (rather than as of FY 2009/10). The ending equity as of September 30, 2011 was \$14,615,809. The significant reduction in ending equity as of September 30, 2011 appears to be primarily the result of "Transfers to the City" of \$187.5 million.
- Exhibit D and F are provided as supporting documentation related to assets that were transferred to the City of Inglewood. Exhibit D and F are consistent with each other, but the amounts listed in Exhibit D and F do not appear to directly correspond with Exhibit B. These Exhibits also do not appear to indicate what items are enforceable obligations. Exhibit D indicates that the real property amount was approved by DOF but the other amounts have not been approved, including \$91.8 million in cash transferred to the City.

Suggest Oversight Board request the following:

- Describe why the balances in the first two columns on Exhibit B are shown as of September 30 instead of June 30 for FY 2009/10 and FY 2010/11 and reconcile these amounts with what was reported to the SCO.
- Provide an explanation and documentation for the "Transfers to the City" of \$187.5 million and indicate how these transferred funds to the City are taken into account in the DDR.
- Describe how Exhibits B, D and F relate to one another, specifically documenting all of the assets that were transferred to the City and which of these are subject to enforceable obligations

Procedure 3

This procedure relates to §34179.5(c)(3) and addresses assets transferred from the former RDA or Successor Agency to any entity other than the City, occurring between January 1, 2011 and June 30, 2012. The results of this procedure are used in Procedure #10 to add back the sum of transfers that were not supported by an enforceable obligation.

- The DDR indicates that the State Controller's Office has not completed its review of the §34167.5 and §34178.8 transfers.
- The DDR states that the Successor Agency represented that no transfers were made from the former redevelopment agency or the Successor Agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012 and the period February 1, 2012 through June 30, 2012, respectively.

Procedure 4

This procedure relates to HSC Section 34179.5 (c)(4) and requires the independent accounting firm to obtain a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in order to determine if the total of revenues, expenditures, and transfers fully account for the changes in equity from the previous fiscal period. Specifically, it should provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the SCO for the 2009–10 fiscal year.

• The DDR indicates that the accounting firm performed this procedure and found no exceptions, with the information being presented in Exhibit B. As described above in Procedure 2, the amounts reported for each fiscal year do not directly correspond with what is shown in Exhibit B.

Suggest Oversight Board request the following:

 Explain differences between what is included in the DDR Exhibit B versus the attached SCO reports for FY 2009-10 and FY 2010-11.

Procedure 5

This procedure relates to §34179.5(c)(5)(A) and requires the accounting firm to list all assets of all other funds and accounts as of June 30, 2012.

• The DDR attachment labeled Exhibit B includes the listing of assets as of June 30, 2012, and shows a cash balance of \$21.1 million for all other funds.

Procedure 6

This procedure relates to §34179.5(c)(5)(B) and is a listing of the amounts that are legally restricted as to their purpose and cannot be provided to taxing entities. These could include the proceeds of bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.

- The DDR states that the accounting firm obtained legal documentation for the listed items and traced each transfer to supporting documentation as required by Procedure 6. The DDR attachment labeled Exhibit E lists \$96.5 million in legally restricted assets, all related to bonds.
- In addition to what's listed in Exhibit E, Exhibit A lists another line item for \$6.8 million labeled "Restricted for payment of enforceable obligation (RPTTF) Received from County in June 2012." However, the DDR does not appear to discuss anything about this item or provide supporting documentation.

Suggest Oversight Board request supporting documentation on "Restricted for payment of enforceable obligation (RPTTF) – Received from County in June 2012."

Procedure 7

This procedure relates to §34179.5(c)(5)(C) and requires an itemized statement of the values of any assets that are not cash or cash equivalents. Under Procedure 7(A), the Successor Agency is to provide 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. The accounting firm then needs to "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, and note any differences."

• The DDR attachment labeled Exhibit C lists assets as of June 30, 2012 that are not liquid or otherwise available for distribution, totaling \$37.6 million, which includes buildings and land held for resale.

Suggest Oversight Board request supporting documentation on the properties that are considered non-liquid assets. (The Oversight Board may want to request an inventory of non-housing properties, as this will be helpful in its review for the Long Range Property Management Plan.)

Procedure 8

This procedure relates to §34179.5(c)(5)(D) and requires an itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, or pay bond debt services payments, the accounting firm should obtain from the Successor Agency an itemized schedule of asset balances as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations, approved ROPS, bond debt service payment schedules, and assumptions of forecasts for revenues and expenditures.

- The DDR indicates that the accounting firm obtained from the Successor Agency an itemized schedule of asset balances as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations. According to the DDR, as shown in Exhibit G, the only items that are dedicated or restricted for funding and paid after June 30, 2012 are items from ROPS I (as well as from ROPS II and III discussed below in Procedure 9).
- As described above under Procedure 6, some portion of the ROPS I obligations could be included in the \$6.8 million line item for "Restricted for payment of enforceable obligation (RPTTF) Received from County in June 2012.
- The results indicate that there are no dedicated or restricted balances other than those listed elsewhere in the DDR.

Suggest Oversight Board request clarification regarding whether any ROPS I obligations are included in the \$6.8 million line item "Restricted for payment of enforceable obligation (RPTTF) – Received from County in June 2012."

Procedure 9

This procedure relates to §34179.5(c)(5)(E) and addresses amounts that must be retained to satisfy obligations that will be placed on the ROPS for the current fiscal year.

- Exhibit G includes approved ROPS II and ROPS III expenditures paid after June 30, 2012 along with ROPS I expenditures. However, the DDR findings do not take in to account that the Successor Agency received approximately \$7.9 million on January 2, 2013 for ROPS III. Thus, the expenditures related to ROPS III should not likely be deducted from the cash balance.
- Some of the ROPS II and ROPS III items listed in Exhibit G appear to be missing an appropriate description, have been disallowed in RPTTF or listed multiple times as shown below:
 - o Description for "Admin, Expenses disallowed in RPTTF" states "I will follow up with the detail."
 - o "Disposition-AB26 Implementation" is listed three times.
- The DDR states that the Successor Agency believes future revenues from RPTTF will be sufficient to pay enforceable obligations as they become due.

Suggest Oversight Board request that the amount reserved for obligations in the ROPS III period be reversed because the Agency received about \$7.9 million on January 2, 2013 to pay for these obligations (unless further information is provided to substantiate the need for these funds).

Suggest Oversight Board obtain additional clarification regarding items that do not have an appropriate description, were disallowed in RPTTF or listed multiple times.

Procedure 10

This procedure relates to §34179.5(c)(6) and is a computation of the balance available for allocation to affected taxing entities. This procedure requires the accounting firm to include a summary schedule detailing the computation of the amount of cash balance available for distribution to affected taxing entities.

- Refer to DDR attachment labeled Exhibit A, which states that the amount to be remitted to the County for disbursement to taxing entities is \$7,969,242.
- Table 1 summarizes the DDR results in Procedure #10 and indicates those items that likely require clarification, modification or where additional supporting documentation is needed to substantiate the amount that should be added to the Successor Agency's cash balance. A change in any of the line items will affect the final calculation of the cash available for distribution to taxing entities by the Auditor-Controller.

Table 1
DDR Analysis Based on Procedure 10

Procedure	Results	Totals	Comments from Review
	From Non-Housing DDR		
5	Successor Agency Assets as of 6/30/12	\$21,060,925	
2,3	Asset Transfers to City or Third Parties Where Enforceable Obligation Did Not Exist	\$129,480,625	Additional clarification needed regarding how Exhibits B, D and F relate to one another and how the "Transfers to the City" of \$187.5 million in ending equity as of September 30, 2011 shown in the SCO report is taken into account in the DDP
6	Less: Restricted Assets as of 6/30/12	(\$103,346,113)	report is taken into account in the DDR. Additional supporting documentation needed regarding \$6.8 million line item "Restricted for payment of enforceable obligation (RPTTF) – Received from County in June 2012"
7	Less: Non-liquid Assets	(\$37,607,987)	Additional clarification needed regarding properties that are considered non-liquid assets.
8	Less: Deduction for Dedicated or Restricted Assets (ROPS I Obligations)	(\$500,893)	Additional clarification needed to determine whether any ROPS I obligations are included in "Restricted for payment of enforceable obligation (RPTTF) – Received from County in June 2012."
9	Less: Assets that need to be retained due to insufficient prop tax for ROPS II & ROPS III Obligations	(\$1,117,315)	Amount likely overstated by \$623,395 because January 2013 ROPS III payment to Successor Agency needs to be added to cash balance.
10	Amount Available for Distribution to Affected Taxing Entities (ATEs)	(\$7,969,242)	Based on above, amount may need to be recalculated.

Table 4 - Statement of Revenues and Expenditures - Fiscal Year 2009 - 10 Detail by Project Area

Los Angeles Cont'd

	Inglewood Redevelopment	Irwindale Community Redevelopment			
	Agency	Agency			
	Merged Redevelopment Project Area	Industrial Development Project Area	Nora Fraijo Project Area	Parque Del Norte Project Area	Agency Total
Revenues	1 10,000 7 11 00	7100			
Tax Increment	\$23,405,330	\$20,526,170	\$14,065	\$7,603	\$20,547,838
Special Supplemental Subvention	_	_	_	_	_
Property Assessments	_	_	_	_	_
Sales and Use Tax	_	_	_	_	_
Transient Occupancy Tax Interest Income	2,113,607		_	_	580,979
Rental Income	86,291	793,554	_	_	793,554
Lease Revenue	-	-	_	_	-
Sale of Real Estate	2,153,396	_	_	_	_
Gain on Land Held for Resale	· · · · -	_	_	_	_
Federal Grants	_	_	_	_	_
Grants from Other Agencies	_	_	_	_	_
Bond Administrative Fees		-	_	_	-
Other Revenues	597,135	28,164			28,164
Total Revenues	\$28,355,759	\$21,928,867	\$14,065	\$7,603	\$21,950,535
Expenditures					
Administrative Costs	\$3,589,645	\$1,213,265	\$6,230	\$6,229	\$1,225,724
Professional Services	1,104,319	1,332,203	_	_	1,332,203
Planning, Survey, and Design	_	_	_	_	_
Real Estate Purchases Acquisition Expense	_	43,356	_	_	43,356
Operation of Acquired Property	230,004	30,445	_	_	30,445
Reloaction Costs/Payments	230,004	17,175	_	_	17,175
Site Clearance Costs	_	1,179	_	_	1,179
Project Improvement/Construction Costs	815,266	2,470,530	_	_	2,470,530
Disposal Costs	_	13,425	_	_	13,425
Loss on Disposition of Land Held for Resale	_	· —	_	_	· —
Decline in Value of Land Held for Resale	_	_	_	_	_
Rehabilitation Costs/Grants	_	258,987	_	_	258,987
Interest Expense	7,823,797	5,429,877	_	_	5,429,877
Fixed Asset Acquisitions	_	_	_	_	_
Subsidies to Low and Moderate Income House	sing 200	_	_	_	_
Debt Issuance Costs Other Expenditures	4,934,925	10,454,763	2,295	1,263	10,458,321
Debt Principal Payments	4,304,320	10,434,703	2,233	1,200	10,430,321
Tax Allocation Bonds	3,460,000	3,385,000	_	_	3,385,000
Revenue Bonds	-	390,000	_	_	390,000
City/County Loans	174,421	3,000,000	_	_	3,000,000
Other Long-Term Debt	26,042	· · · -	_	_	· -
Total Expenditures	\$22,158,619	\$28,040,205	\$8,525	\$7,492	\$28,056,222
Excess of Revenues Over (Under)					
Expenditures	\$6,197,140	\$(6,111,338)	\$5,540	\$111	\$(6,105,687)
Other Financing Sources (Uses)					
Proceeds of Long-Term Debt	_	_	_	_	_
Proceeds of Refunding Bonds	_	_	_	_	_
Payment to Refunding Bond Escrow Agent	_		_	_	
Advances from City/County	_	3,000,000	_	_	3,000,000
Sale of Fixed Assets Miscellaneous/Other Financing Sources (Use	_	601 456	_	_	C01 AEC
Tax Increment Transfers In	4,681,066	681,456 4,334	_	_	681,456 4,334
Tax Increment Transfers to Low and Moderat	, ,	4,354	2,813	 1,521	4,334
Income Housing Fund	4,001,000		2,010	1,021	т,оот
Operating Transfers In	19,971,022	8,854,337	_	_	8,854,337
Operating Transfers Out	19,971,022	8,854,337	_	_	8,854,337
Total Other Financing Sources (Uses)	\$—	\$3,685,790	\$(2,813)	\$(1,521)	\$3,681,456
Excess of Revenues and Other Financing					
Sources Over (Under) Expenditures and					
Other Financing Uses	\$6,197,140	\$(2,425,548)	\$2,727	\$(1,410)	\$(2,424,231)
Equity, Beginning of Period	\$207,434,737	\$98,160,359	\$(33,740)	\$(23,264)	\$98,103,355
Adjustments (Net)	(3,875,751)	- · · · · -	_	· <u>-</u>	_
Equity, End of Period	\$209,756,126	\$95,734,811	\$(31,013)	\$(24,674)	\$95,679,124
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^{*} See Appendix A for Additional Information.*

Table 4 - Statement of Revenues and Expenditures - Fiscal Year 2010 - 11 Detail by Project Area

Los Angeles Cont'd

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	Inglewood Redevelopment Agency	Irwindale Community Redevelopment Agency			
	Merged Redevelopment Project Area	Industrial Development Project Area	Nora Fraijo Project Area	Parque Del Norte Project Area	Agency Total
Revenues	1 Toject Airea	/ ii ca			
Tax Increment	\$21,116,535	\$17,732,933	\$13,998	\$12,838	\$17,759,769
Special Supplemental Subvention	_	_	_	_	_
Property Assessments	_	_	_	_	_
Sales and Use Tax Transient Occupancy Tax	_	_	_	_	_
Interest Income	796,993	107,903	_	_	107,903
Rental Income	324,960	895,335	_	_	895,335
Lease Revenue	_	_	_	_	_
Sale of Real Estate	_	_	_	_	
Gain on Land Held for Resale	_	4,844,874	_	_	4,844,874
Federal Grants Grants from Other Agencies	_	_	_	_	_
Bond Administrative Fees	_	_	_	_	_
Other Revenues	161,638	764	_	_	764
Total Revenues	\$22,400,126	\$23,581,809	\$13,998	\$12,838	\$23,608,645
Expenditures					
Administrative Costs	\$1,597,313	\$2,227,385	\$6,243	\$6,296	\$2,239,924
Professional Services	1,380,698	421,544	_	_	421,544
Planning, Survey, and Design Real Estate Purchases	966,333	_	_	_	_
Acquisition Expense	700,333	92,962	_	_	92,962
Operation of Acquired Property	230,000	-	_	_	-
Reloaction Costs/Payments	_	_	_	_	_
Site Clearance Costs		75,479	_	_	75,479
Project Improvement/Construction Costs	203,900	500,196	_	_	500,196
Disposal Costs Loss on Disposition of Land Held for Resale	_	_	_	_	_
Decline in Value of Land Held for Resale	_	_	_	_	_
Rehabilitation Costs/Grants	_	4,778	_	_	4,778
Interest Expense	7,679,449	5,161,365	_	_	5,161,365
Fixed Asset Acquisitions	_	_	_	_	_
Subsidies to Low and Moderate Income Housing Debt Issuance Costs	_	_	_	_	_
Other Expenditures	10,525,218	4,854,687	2,500	2,500	4,859,687
Debt Principal Payments	10,020,210	1,001,001	2,000	2,000	1,007,007
Tax Allocation Bonds	3,890,000	3,580,000	_	_	3,580,000
Revenue Bonds	_	405,000	_	_	405,000
City/County Loans	251,894	3,000,000	1,484,429	2,154,806	6,639,235
Other Long-Term Debt Total Expenditures	\$26,724,805	\$20,323,396			\$23,980,170
Excess of Revenues Over (Under)	\$20,724,003	Ψ20,323,370	Ψ1,475,172	Ψ2,103,002	Ψ23,700,170
Expenditures Other Financing Sources (Uses)	\$(4,324,679)	\$3,258,413	\$(1,479,174)	\$(2,150,764)	\$(371,525)
Proceeds of Long-Term Debt	_	_	_	_	_
Proceeds of Refunding Bonds	_	_	_	_	_
Payment to Refunding Bond Escrow Agent	_	_	_	_	_
Advances from City/County Sale of Fixed Assets	_	3,000,000	_	_	3,000,000
Miscellaneous/Other Financing Sources (Uses)	— (779,646)	(39,907,032)	_	_	(39,907,032)
Tax Increment Transfers In	4,223,307	(37,707,032)	_	_	(37,707,032)
Tax Increment Transfers to Low and Moderate	4,223,307	_	_	_	_
Income Housing Fund	10.4/5.004	/ 1/0 /10			/ 1/0 / 10
Operating Transfers In Operating Transfers Out	18,465,834 18,465,834	6,168,613 6,163,245	 2,800	 2,568	6,168,613 6,168,613
Total Other Financing Sources (Uses)	\$(779,646)	\$(36,901,664)	\$(2,800)	\$(2,568)	\$(36,907,032)
Excess of Revenues and Other Financing	7(117,040)	Ψ(σο, το 1,0στ)	Ψ(Z,000)	Ψ(<u>Σ,</u> 500)	+(00,701,002)
Sources Over (Under) Expenditures and					
Other Financing Uses	\$(5,104,325)	\$(33,643,251)	\$(1,481,974)	\$(2,153,332)	\$(37,278,557)
Equity, Beginning of Period	\$209,756,126	\$95,734,811	\$(31,013)	\$(24,674)	\$95,679,124
Adjustments (Net)	— *204 (54 221	(3,296,051)	-	-	(3,296,051)
Equity, End of Period	\$204,651,801	\$58,795,509	\$(1,512,987)	\$(2,178,006)	\$55,104,516

^{*} See Appendix A for Additional Information.*