

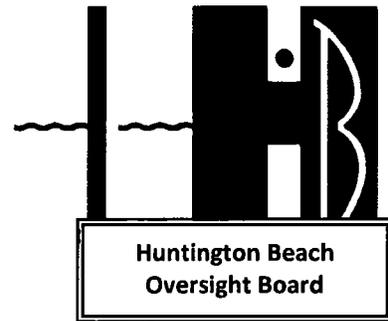
HUNTINGTON BEACH OVERSIGHT BOARD

of the Successor Agency of the former
City of Huntington Redevelopment Agency

Special Meeting Agenda

November 16, 2012

8:30 A.M. - Room B-8, Huntington Beach Civic Center,
2000 Main Street, Huntington Beach, CA 92648



BOARD MEMBERS: City of Huntington Beach appointee **Mayor Don Hansen**; County Board of Supervisors appointees **Lucy Dunn** and **Steve Bone**; Community Colleges Districts appointee **W. Andrew "Andy" Dunn**; Orange County Office of Education appointee **Carrie Delgado**; Former Huntington Beach Redevelopment Agency employee representative **Kellee Fritzal**; Special District – Orange County Sanitation District appointee **Joe Carchio**

CALL TO ORDER - 8:30 A.M.

ROLL CALL - Chair Hansen, Vice Chair L. Dunn, Bone, A. Dunn, Delgado, Fritzal and Carchio

PLEDGE OF ALLEGIANCE - To be announced.

SUPPLEMENTAL COMMUNICATIONS - Announced by Board Secretary.

PUBLIC COMMENTS: *This is the portion of the meeting for any member of the public to address the Oversight Board on any matter not on the agenda that is within the subject matter jurisdiction of the board. The Brown Act, with limited exception, does not allow the board or staff to discuss issues brought forth under Public Comments. Comments should be limited to 3 minutes per person.*

BUSINESS

1. Approval and Adoption of the November 9, 2012 Minutes

Recommended Board Action:

Approve and adopt the Oversight Board minutes of the special meeting of November 9, 2012, as written and on file in the Office of the Secretary of the Board.

2. Adopt Resolution Approving and Authorizing the Transmittal of the Low and Moderate Income Housing Fund Due Diligence Housing Review

Recommended Action: Motion to:

- a) Convene the Public Comment Session; and

This agenda contains a brief general description of each item the Oversight Board will consider. The City Clerk has on file copies of written documentation relating to each item of business on this Agenda available for public inspection. Contact the City Clerk's Office at (714) 536-5227 or view the Agenda and related materials on the City's website at <http://www.huntingtonbeachca.gov>. Materials related to an item on this Agenda submitted to the Oversight Board after distribution of the Agenda Packet are available for public inspection in the City Clerk's Office at 2000 Main Street, Huntington Beach, California during normal business hours. Such documents may also be available on the City's website subject to staff's ability to post documents before the meeting.

Special Accommodations

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at (714) 536-5227. Notification 48 hours prior to the meeting will enable City staff to make reasonable arrangements to ensure accessibility. (28 CFR 35.102.35.104 ADA Title II)

- b) Approve "A Resolution of the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Huntington Beach Approving and Authorizing the Transmittal of the Low and Moderate Income Housing Fund Due Diligence Review."

MEMBER REPORTS/ANNOUNCEMENTS

ADJOURNMENT - The next special meeting is scheduled for Friday, November 16 2012 at City Hall, 2000 Main Street, Civic Center Lower Level, Room B-8.

Special Meeting Minutes
City of Huntington Beach Oversight Board of the Successor Agency
of the Former City of Huntington Beach Redevelopment Agency

Thursday, November 8, 2012
4:30 PM - Room B-7
Civic Center, 2000 Main Street
Huntington Beach, California 92648

An audio recording of this meeting is archived at
<http://www.huntingtonbeachca.gov/OversightBoard>

CALL TO ORDER - 4:33 P.M.

ROLL CALL

PRESENT: Chair Hansen, Bone, Fritzal, and Carchio
ABSENT: Vice Chair L. Dunn, A. Dunn, Delgado

PLEDGE OF ALLEGIANCE - Led by Chair Hansen

SUPPLEMENTAL COMMUNICATIONS

Pursuant to the Brown "Open Meetings" Act, Acting Secretary Robin Lugar announced one supplemental communication received after distribution of the agenda packet:

A communication dated June 30, 2012 and entitled *Independent Accountants' Report on Applying Agreed-Upon Procedures pursuant to AB 1484 (Low and Moderate Income Housing Fund) (Due Diligence Report)*.

PUBLIC COMMENTS - (Limited to 3 minutes per person): None.

BUSINESS

1) Received Due Diligence Review of the Low and Moderate Income Housing Fund Balance/Convene Public Comment Session pursuant to AB 1484 requirements

Finance Director Lori Ann Farrell explained the steps necessary to conduct a Due Diligence Review pursuant to Assembly Bill 1484 and Health and Safety Code Section 34179.5.

The public comment session was convened, and no public comments were received.

Member Carchio and Director Farrell discussed process if objections are received.

Chair Hansen, Member Bone and Director Farrell discussed the Independent Accountants' concurrence of City ROPS obligations for the current fiscal year and beyond.

Deputy City Manager Hall and Director Farrell offered support for the Independent Accountants' Report, and discussed the importance of review and adoption of the report prior to December 1.

A motion was made by Carchio, second Bone to receive Due Diligence Report to review for adoption at the next meeting scheduled for Friday, November 16, 2012 at 8:30 A.M. in Room B-8, Huntington Beach Civic Center, 2000 Main Street, Huntington Beach, California. The motion carried by the following roll call vote:

AYES: Chair Hansen, Bone, Fritzal, and Carchio
NOES: None
ABSENT: Vice Chair L. Dunn, A. Dunn, Delgado

MEMBER REPORTS/ANNOUNCEMENTS: None.

ADJOURNMENT: The next special meeting is scheduled for Friday, November 16, 2012 at 8:30 A.M. in Room B-8, Huntington Beach Civic Center, 2000 Main Street, Huntington Beach, California.

AGENDA REPORT
**Oversight Board of the Successor Agency to the
Redevelopment Agency**

MEETING DATE: November 16, 2012

SUBJECT/ACTION: Review and Approval of the Low and Moderate Income Housing Fund Due Diligence Review

RECOMMENDED ACTION: Motion to:

Approve "A Resolution of the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Huntington Beach Approving and Authorizing the Transmittal of the Low and Moderate Income Housing Fund Due Diligence Review."

BACKGROUND:

Pursuant to Assembly Bill 1484 and Health and Safety Code Section 34179.5, each successor agency must contract with County-approved auditors to conduct a Due Diligence Review (DDR) to determine the unobligated balances in the former redevelopment agency's Low and Moderate Income Housing Fund as of June 30, 2012, which are considered available for transfer to taxing entities. The CPA firm of Vavrinek, Trine, Day & Co., LLP (VTD) was retained by the Huntington Beach Successor Agency to conduct this review.

The unobligated balances are determined by taking the total value of assets, cash and cash equivalents in the Housing Fund and subtracting non-cash assets such as real property and loans receivable and "Restricted Assets", which include funds restricted for enforceable obligations, and amounts needed to satisfy obligations on the Recognized Obligation Payment Schedule ("ROPS") for the current fiscal year. The amount available for allocation to taxing entities also includes the value of assets transferred after January 1, 2011 through June 30, 2012, by the former redevelopment agency or the successor agency to the City, another public agency or private person if an enforceable obligation for that transfer did not exist. The DDR documents the Restricted Assets and provides the respective amounts, sources and purposes for which the Restricted Assets should be retained.

The Board received the DDR at their meeting of November 8, 2012, and also convened a public comment session at that meeting. The process requires that at least five business days after the public comment meeting, the Oversight Board hold a second meeting to vote on the approval of the DDR. As such, the Board is now asked to vote to approve the DDR at the November 16, 2012 meeting.

DISCUSSION:

After the Board's approval of the DDR, the State Department of Finance (DOF) will review the DDR and must notify the Oversight Board and the Successor Agency if it disagrees with VDT's Due Diligence Review and determines that some or all of the Restricted Assets are deemed available for distribution to the taxing agencies. The DOF must provide the Oversight Board and the Successor Agency an explanation of its basis for overturning or modifying any authorizations of the Oversight Board. The Successor Agency then has the option to meet and confer with DOF to discuss any adjustment DOF has made to the DDR. If DOF determines, following the meet and confer, that funds are available for distribution to the taxing agencies, the Successor Agency will have five business days to transmit those funds to the County Auditor-Controller. By December 1, 2012, the county auditor-controller must provide DOF a report specifying the amount submitted by each successor agency from their Housing Fund.

The Oversight Board is asked to vote to approve the Due Diligence Review of the former Huntington Beach Redevelopment Agency's Low and Moderate Income Housing Fund prepared by the county-approved auditors, VTD, a firm of licensed CPAs.

As shown on the DDR, the Successor Agency provided legal documentation that formed the basis for the enforceable obligations supporting the transfer of the funds from the former Redevelopment Agency to the Low and Moderate Income Housing Asset Fund, such as the transfer of the SERAF loan receivable which was supported by HSC Section 34191.4(b)(2).

On January 9, 2012, the City adopted Resolution 2012-02, "A Resolution of the City Council of the City of Huntington Beach Under Part 1.85 of Division 24 of the Health and Safety Code Designating the Housing Authority to Perform the Housing Functions Previously Performed by the Huntington Beach Redevelopment Agency Subject to the Reservations Herein Stated." With the adoption of the Resolution, the City's Housing Authority assumed the housing functions, assets, and related rights, powers, liabilities, duties and obligations of the former Redevelopment Agency. All assets and liabilities of the former Redevelopment Agency were transferred to the Housing Authority's Low and Moderate Income Housing Asset Fund effective January 31, 2012.

The City's Housing Authority provided legal documentation to VTD identifying that the cash and cash equivalents transferred to the Low and Moderate Income Housing Asset Fund are obligated to fulfill low and moderate income housing requirements contractually agreed to or statutorily required prior to January 1, 2011. The enforceable obligations and supporting documentation are listed as follows:

- Resolution 2012-02, "A Resolution of the City Council of the City of Huntington Beach Under Part 1.85 of Division 24 of the Health and Safety Code Designating the Housing Authority to Perform the Housing Functions Previously Performed by the Huntington Beach Redevelopment Agency Subject to Reservations Herein Stated".

- Affordable Housing Agreement by and between the City of Huntington Beach Redevelopment Agency and BTDJM Phase II Associates, LLC executed October 4, 2010. The outstanding portion of the loan to be repaid with housing funds totals \$15,722,100.
- Owner Participation Agreement by and among the City of Huntington Beach and 21002 HB, LLC executed August 20, 2012, requiring a \$6,500,000 obligation for Very Low Income Units, with additional documentation.
- Official Statement for the Emerald Cove portion of the Lease Revenue Refunding Bonds, 2010 Series A, supported by the following additional documentation:
 - Agreement By and Between the Redevelopment Agency of the City of Huntington Beach and the City of Huntington Beach and related Promissory Note executed May 18, 2009, authorizing a loan for the repayment of the Emerald Cove portion of the Lease Revenue Refunding Bonds, Series A. The remaining balance of the Emerald Cove portion of the 2010 Series A bond as of June 30, 2012 is \$4,054,198.
- The following housing administration costs were disallowed on the ROPS for the January to June 2013 period on the basis of DOF's determination that they are obligations of the Housing Authority's Low and Moderate Income Housing Asset Fund pursuant to Health and Safety Code Section 34176(a)(1):
 - Contract for housing compliance monitoring inspection services executed July 20, 2010 with Amerinational Community Services Inc. in the amount of \$75,000.
 - Contract for housing legal services with Jessica Latham, Esquire in the amount of \$30,000.

Please note that the State Department of Finance (DOF) denied the enforceable obligation/encumbrance related to the Owner Participation Agreement with 21002 HB, LLC in the amount of \$6,500,000 reported on the Housing Asset Transfer Form, submitted in accordance with HSC 34176(a)(2), because the original OPA with the previous developer was terminated. The Housing Authority has requested a Meet and Confer to discuss this project in more detail as the statutory housing requirements for this project still remain and will be completed by the new developer.

The Housing Authority asserted that the cash and cash equivalents of \$4,959,144.64 are legally obligated pursuant to the aforementioned enforceable obligations and their related executed contracts, statutory requirements and agreements listed above.

The Housing Authority reported the loans receivable and land identified on Exhibit B on its Housing Asset Transfer Form submitted to the California Department of Finance (DOF) on August 1. The assets were approved by the DOF in accordance with HSC Section 34176 (e)(6), with the exception of the \$6,500,000 Pacific City encumbrance mentioned above.

The \$6,500,000 Pacific City obligation was also included on the ROPS III, which was submitted to DOF on August 27, 2012 and was subsequently disallowed by DOF.

Pursuant to HSC 34176(a)(2) and HSC 34177(m), the Housing Authority is appealing all denied items through the meet-and-confer process for the Housing Asset Transfer Form and the ROPS III. The meet and confer session for the ROPS III is scheduled for November 28, 2012 but the meet and confer session for the Housing Asset Transfer Form has not yet been scheduled. The assets noted above have not been added to the Summary of Balances Available for Allocation to Affected Taxing Entities.

Based on the Successor Agency's and VTD's review, the Successor Agency has no unobligated cash or cash equivalents to return to the taxing agencies.

A second, similar review of all other funds (non-housing) from the former redevelopment agency held by the Successor Agency is to be completed by December 15, 2012. This will determine other potential unobligated balances available for transfer to taxing entities. Upon full payment of the amounts determined in both Due Diligence Reviews, if any, DOF is to issue to the Successor Agency, within five business days, a finding of completion.

RESOLUTION NO. 2012-05

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY
TO THE REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH
APPROVING AND AUTHORIZING THE TRANSMITTAL OF THE
LOW AND MODERATE INCOME HOUSING FUND DUE DILIGENCE REVIEW

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

Health & Safety Code Section 34179.5(a) requires the 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 for the Low and Moderate Income Housing Fund ("Due Diligence Review") to determine the unobligated balances available for transfer to taxing entities; and

The Successor Agency, with the approval of the Orange County Auditor-Controller, contracted with Vavrinek, Trine, Day and Co., LLP to perform the Due Diligence Review; and

Section 34179.6(a) provides that the Due Diligence Review shall be submitted to the Orange County Auditor-Controller's Office, the County Administrative Officer, the State Controller's Office, and the State Department of Finance at the same time that it is submitted to the Oversight Board for review; and

Pursuant to Health and Safety Code Section 34179.6(b), upon receipt of the Due Diligence Review, and at least five business days before the Oversight Board considers the approval of the Due Diligence Review, the Oversight Board must hold a public comment session (the "Public Comment Session") at which time the public has an opportunity to hear and be heard on the results of the Due Diligence Review; and

The Oversight Board must consider the opinions, if any, offered by the County Auditor-Controller on the results of the Due Diligence Review; and

On November 8, 2012, the Oversight Board held the Public Comment Session pursuant to Health and Safety Code Section 34179.6(b) and has considered the opinions, if any, offered by the County Auditor-Controller on the results of the Due Diligence Review; and

Pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board must review, approve and transmit to the State Department of Finance and the County Auditor-Controller, the determination of the amount of cash and cash equivalents in the Low and Moderate Income Housing Fund available for disbursement to taxing entities as determined according to the method provided in Section 34179.5. Section 34179.6(c) provides that the Oversight Board may adjust any amount provided in the Due Diligence Review to reflect additional information and analysis; and

The Oversight Board now desires to approve the Low and Moderate Income Housing Fund Due Diligence Review that is attached to this Resolution and authorize its transmittal; and

The Oversight Board may direct staff of the Successor Agency to perform work in furtherance of the Oversight Board's duties and responsibilities; and

All other legal prerequisites to the adoption of this Resolution have occurred.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS by the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Huntington Beach that:

1. The Oversight Board hereby finds and determines that the foregoing recitals are true and correct.

2. The Oversight Board has received and heard all oral and written objections to the Due Diligence Review and the determination of the amount of cash and cash equivalents in the Low and Moderate Income Housing Fund available for disbursement to taxing entities and all such oral and written objections are hereby overruled.

3. The Oversight Board hereby approves the Low and Moderate Income Housing Fund Due Diligence Review.

4. Based upon the Due Diligence Review, the Oversight Board hereby determines that the amount of the cash and cash equivalents in the Low and Moderate Income Housing Fund of the Successor Agency that is available for distribution to the taxing agencies is zero.

5. The staff of the Successor Agency is hereby directed to transmit to the State Department of Finance and the County Auditor-Controller on behalf of the Oversight Board written notice and information regarding the actions taken by this Resolution and specifically the determination of the amount of cash and cash equivalents in the Low and Moderate Income Housing Fund that are available for distribution to taxing entities as determined by the Due Diligence Review. Such notice to the State Department of Finance shall be provided by electronic means and in a manner of the Department's choosing.

7. The staff of the Successor Agency is hereby authorized to execute and record such documents and instruments and to do any and all other things which they may deem necessary or advisable to effectuate this Resolution and any such actions previously taken are hereby ratified.

8. The Oversight Board does not intend, by adoption of this Resolution, to waive any constitutional, legal and/or equitable rights of the Oversight Board, the Successor Agency or the City under law and/or in equity by virtue of the adoption of this Resolution and actions approved and taken pursuant to this Resolution and, therefore, reserves all such rights of the Oversight Board, the Successor Agency and the City under law and/or in equity.

9. This Resolution shall take effect upon the date of its adoption.

PASSED AND ADOPTED by the Oversight Board to the Successor Agency to the Redevelopment Agency of the City of Huntington Beach, California at a special meeting thereof held on the 16th day of November, 2012 by the following vote, to wit:

Chairperson

REVIEWED AND APPROVED:

INITIATED AND APPROVED:

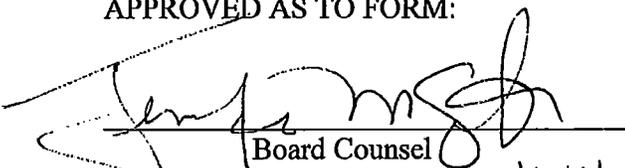


Executive Director



Deputy Executive Director

APPROVED AS TO FORM:



Board Counsel 11.14.12

**City of Huntington Beach
Redevelopment Successor Agency**

**Independent Accountants' Report on Applying
Agreed-Upon Procedures pursuant to
AB 1484 (Low and Moderate Income Housing Fund)**

June 30, 2012



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Oversight Board of the
City of Huntington Beach Redevelopment Successor Agency
Huntington Beach, California

We have performed the Agreed-Upon Procedures enumerated in Exhibit A, which were agreed to by the California State Controller's Office, the California Department of Finance, the County Auditor-Controller, and the City of Huntington Beach Redevelopment Successor Agency (Successor Agency) to determine the Successor Agency's Low and Moderate Income Housing Fund's unobligated balances that are available for transfer to taxing entities, solely to assist you in ensuring that the Successor Agency is complying with its statutory requirements with respect to *Health and Safety Code* Section 34179.5. Management of the Successor Agency is responsible for the accounting records pertaining to statutory compliance pursuant to *Health and Safety Code* Section 34179.5. This Agreed-Upon Procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Exhibit A and Exhibits B through B-1 identify the procedures and findings.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Exhibit A and Exhibits B through B-1. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Successor Agency Oversight Board, the Successor Agency, the California State Controller's Office, the California Department of Finance, and the County Auditor-Controller, and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California,
November 7, 2012

**CITY OF HUNTINGTON BEACH REDEVELOPMENT SUCCESSOR AGENCY
EXHIBIT A
AGREED UPON PROCEDURES
PURSUANT TO AB 1484 - LOW AND MODERATE INCOME HOUSING FUND**

Our findings and procedures are as follows:

A. Low and Moderate Income Housing Fund of the Successor Agency

For the Low and Moderate Income Housing Fund, the following procedures were performed:

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

Findings – We noted that all assets of the former redevelopment (RDA) Low and Moderate Income Housing Funds were transferred to the City of Huntington Beach Low/Moderate Housing Asset Fund, a governmental fund of the City. Accordingly, no amounts were transferred to the Successor Agency. Further, management asserted that the transfer was performed on January 31, 2012, with balances effective on that date.

We noted that the assets of the former RDA Low and Moderate Income Housing Fund in the amount of \$46,611,749.45 were transferred to Fund 352 – Low/Moderate Income Housing Asset Fund, effective January 31, 2012. We agreed the amounts to account balances established in the accounting records without exception. The total assets transferred they consisted of cash and cash equivalents, land, supplemental education revenue augmentation fund (SERAF) advance to the RDA and loans receivables.

We noted the housing activities and assets (assets and functions, rights, powers, duties, and obligations) of the former RDA were transferred to the Authority on January 9, 2012. We obtained resolution number 2012-02 authorizing the City Housing Authority (Authority) to maintain the housing assets and functions of the former RDA. The City of Huntington Beach formerly accepted the Housing assets and functions on January 9, 2012, through Resolution No. 01. We noted the assets transferred were those in Fund 352, as described above.

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

**CITY OF HUNTINGTON BEACH REDEVELOPMENT SUCCESSOR AGENCY
EXHIBIT A
AGREED UPON PROCEDURES
PURSUANT TO AB 1484 - LOW AND MODERATE INCOME HOUSING FUND**

- 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 Successor Agency asserted the State Controller's Office has not completed a review of transfers required under both *Health and Safety Code* (HSC) Sections 34167.5 and 34178.8. The Successor Agency also asserted no transfers were made from the former RDA or the Successor Agency to the City for the period from February 1, 2012 through June 30, 2012.

In January, the former RDA transferred all Low and Moderate Income Housing Assets to the Authority in accordance with 34176(a)(1) and Resolution 2012-02. A listing of the housing assets transferred is included in Exhibit B of the AUP report. We noted the assets include loans receivable, SERAF loans receivable, cash and cash equivalents, and land.

For each asset listed on Exhibit B, we obtained the legal document that formed the basis for the enforceable obligation supporting the transfer. We noted the transfer of the SERAF loan receivable was supported by HSC Section 34191.4(b)(2). The City provided documentation and has asserted that the cash and cash equivalents were supported by the following:

- Resolution 2012-02, "A Resolution of the City Council of the City of Huntington Beach Under Part 1.85 of Division 24 of the Health and Safety Code Designating the Housing Authority to Perform the Housing Functions Previously Performed by the Huntington Beach Redevelopment Agency Subject to Reservations Herein Stated".
- Official Statement for the Emerald Cove portion of the Lease Revenue Refunding Bonds, 2010 Series A, supported by the following additional documentation:
 - Agreement By and Between the Redevelopment Agency of the City of Huntington Beach and the City of Huntington Beach and related Promissory Note executed May 18, 2009, authorizing a loan for the repayment of the Emerald Cove portion of the Lease Revenue Refunding Bonds, Series A. The remaining balance of the Emerald Cove portion of the 2010 Series A bond as of June 30, 2012 is \$4,054,198.
- Affordable Housing Agreement by and between the City of Huntington Beach Redevelopment Agency and BTDJM Phase II Associates, LLC executed October 4, 2010. The outstanding portion of the loan to be repaid with housing funds totals \$15,722,100.
- Owner Participation Agreement by and among the City of Huntington Beach and 21002 HB, LLC executed August 20, 2012, requiring a \$6,500,000 obligation for Very Low Income Units, supported by the following additional documentation:
 - June 14, 2004 City Council Approved Findings and Conditions of Approval for Pacific City Project (Tentative Tract Map No. 16338/ Conditional Use Permit No. 02-20/ Special Permit No. 02-04/ Coastal Development Permit No. 02-12/ Master Plan – Pacific City Mixed Use Project) (*see Conditions of Approval – Tentative Tract map No. 16338, Condition of Approval 2.b.*)
 - The Five Year Implementation Plan 2005-2009 for the Huntington Beach Project ("Merged Project Area") (*see Table III on page 22*)
 - Ten Year Housing Compliance Plan 2005-14 (*see Table 5(a) on page 9 and Table 7 on page 13*)
 - Affordable Housing Plan dated June 16, 2006, appended as Attachment No. 4 to the Owner Participation Agreement by and among Redevelopment Agency of the City of Huntington Beach, the City of Huntington Beach and Makallon Atlanta Huntington Beach, LLC

**CITY OF HUNTINGTON BEACH REDEVELOPMENT SUCCESSOR AGENCY
EXHIBIT A
AGREED UPON PROCEDURES
PURSUANT TO AB 1484 - LOW AND MODERATE INCOME HOUSING FUND**

- Notice of Action dated July 25, 2012 relating to Entitlement Plan Amendment No. 12-005 and Development Agreement No. 12-001 (Amendments to Conditional Use Permit No. 02-20/ Tentative Tract map No. 16338 and to Enter Into a Development Agreement – Pacific City) (*see Attachment No. 1 – Findings and Conditions of Approval – Entitlement Plan Amendment No. 12-005*).
- The following housing administration costs were disallowed on the ROPS for the January to June 2013 period as they are obligations of the Housing Authority's Low and Moderate Income Housing Asset Fund pursuant to Health and Safety Code Section 34176(a)(1):
 - Contract for housing compliance monitoring inspection services executed July 20, 2010 with Amerinational Community Services Inc. in the amount of \$75,000.
 - Contract for housing legal services executed March 6, 2012 with Jessica Latham, Esquire in the amount of \$30,000.

Subsequently, the State Department of Finance (DOF) denied the enforceable obligation/encumbrance related to the Owner Participation Agreement with 21002 HB, LLC in the amount of \$6,500,000 reported on the Housing Asset Inventory form, submitted in accordance with HSC 34176(a)(2). The City has asserted that the cash and cash equivalents of \$4,959,144.64 is legally obligated pursuant to the aforementioned enforceable obligations and their related executed contracts and agreements listed above.

We noted the City reported the loans receivable and land identified on Exhibit B on its Housing Asset Transfer Schedule submitted to the California Department of Finance (DOF) on August 1. The assets were approved by the DOF in accordance with HSC Section 34176 (e)(6), with the exception of encumbrance mentioned above.

The Successor Agency has asserted that it is appealing all denied items through the meet-and-confer process in accordance with HSC 34176(a)(2). The assets noted above have not been transferred back to the Successor Agency nor have they been added to the Summary of Balances Available for Allocation to Affected Taxing Entities, pending the outcome of the meet-and-confer.

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

**CITY OF HUNTINGTON BEACH REDEVELOPMENT SUCCESSOR AGENCY
EXHIBIT A
AGREED UPON PROCEDURES
PURSUANT TO AB 1484 - LOW AND MODERATE INCOME HOUSING FUND**

- 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 City asserted the State Controller's Office has not completed a review of transfers required under both HSC Sections 34167.5 and 34178.8. The Successor Agency asserted no transfers were made from the former RDA or the Successor Agency to any other public agency or to private parties for the period from February 1, 2012 through June 30, 2012.

The City asserted there were four (4) loans that were disbursed during the period January 1, 2011 through January 31, 2012. These loans were approved and executed prior to January 1, 2011; however, due to delays in the escrow closing process, the loan funds were disbursed subsequent to January 1, 2011. The loans were for down payment assistance programs and fell within the criteria established for use of Low and Moderate Income Housing Funds. The City reported these loans to the Department of Finance on the Housing Asset Transfer Form. The loan receivables were transferred to the Authority as noted in procedure #2.

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.

Findings – Procedure #4 is not applicable to the Low and Moderate Income Housing Fund.

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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.

Findings – As further described in procedure #1 and #2, the former RDA transferred Low and Moderate Income Housing assets directly to the Authority. Accordingly, the Successor Agency maintains no assets of the former RDA Low and Moderate Income Housing Fund as of June 30, 2012.

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. 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).

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- 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.

Findings – As further described in procedure #1 and #2, the former RDA transferred Low and Moderate Income Housing assets directly to the Authority. Accordingly, the Successor Agency maintains no assets of the former RDA Low and Moderate Income Housing Fund as of June 30, 2012.

7. Perform the following procedures:

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

Findings – As further described in procedure #1 and #2, the Successor Agency asserted that the Low and Moderate Income Housing Fund does not have assets that are not liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) as of June 30, 2012. As such, the procedures noted above were not performed.

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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.
 - 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.

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- 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.

Findings – As further described in procedure #1 and #2, the former RDA transferred assets to the City's Low/Moderate Income Housing Asset Fund. Accordingly, the Successor Agency maintains no assets of the former RDA Low and Moderate Income Housing Fund. As such, the procedures noted above were not performed.

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.

Findings – The Successor Agency asserted that cash balances as of June 30, 2012, do not need to be retained to satisfy obligations on the ROPS for the period of July 1, 2012 through June 30, 2013, of the Low and Moderate Income Housing Fund all assets were transferred to the Low and Moderate Housing Asset Fund as described in procedure #1. As such, the procedures noted above were not performed.

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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).

Findings – We have included a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. See Exhibit B-1.

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.

Findings – The Successor Agency provided a management representation letter. No exceptions were noted.

City of Huntington Beach Redevelopment Successor Agency
 Low and Moderate Income Housing Fund
 Schedule of Asset Transfers to the City, County, or City and County, and Other Public Agencies or Private Parties

| DATE OF TRANSFER | DESCRIPTION OF ASSETS | RECIPIENT | \$ VALUE OF ASSETS TRANSFERRED | \$ VALUE OF ASSETS NOT SUPPORTED | PURPOSE OF TRANSFER | SOURCE DOC BASIS FOR TRANSFER |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|--------------------------------|----------------------------------|----------------------------------------------------------------------|------------------------------------------------------------|
| 1/31/2012 | Land Improved with Low-Moderate Senior Housing Funds | Huntington Beach Housing Authority | \$ 885,000 | - | Transfer of Low-Mod Housing Fund Assets to the Housing Authority | City Resolution 12-002 and Housing Authority Resolution 01 |
| | Cash and Cash Equivalents | Huntington Beach Housing Authority | 4,959,144.64 | - | (a) Transfer of Low-Mod Housing Fund Assets to the Housing Authority | (b) |
| | SERAF Loans Receivable | Huntington Beach Housing Authority | 3,927,706.00 | - | Transfer of Low-Mod Housing Fund Assets to the Housing Authority | City Resolution 12-002 and Housing Authority Resolution 01 |
| | Loans Receivable, funded from the Low and Moderate Income Housing Fund, to homebuyers, homeowners, nonprofit or for profit developers and other parties that require occupancy by persons of low and moderate income. | Huntington Beach Housing Authority | 36,839,898.81 | - | Transfer of Low-Mod Housing Fund Assets to the Housing Authority | City Resolution 12-002 and Housing Authority Resolution 01 |
| TOTAL | | | \$ 46,611,749.45 | \$ - | | |

Period of Feb 1, 2012 through June 30, 2012

2/1/2012

Notes

(a) Refer to Procedure 2C for a listing of the enforceable obligations for which the City has asserted will be paid with Housing funds cash and cash equivalents.

(b) The City provided documentation and has asserted that the cash and cash equivalents were supported by the following:

Agreement By and Between the Redevelopment Agency of the City of Huntington Beach and the City of Huntington Beach and related Promissory Note executed May 18, 2009, authorizing a loan for the repayment of the Emerald Cove portion of the Lease Revenue Refunding Bonds, Series A.

Official Statement for the Emerald Cove portion of the Lease Revenue Refunding Bonds, 2010 Series A, supported by the following additional documentation:

- Agreement By and Between the Redevelopment Agency of the City of Huntington Beach and the City of Huntington Beach and related Promissory Note executed May 18, 2009, authorizing a loan for the repayment of the Emerald Cove portion of the Lease Revenue Refunding Bonds, Series A. The remaining balance of the Emerald Cove portion of the 2010 Series A bond as of June 30, 2012 is \$4,054,198.

Affordable Housing Agreement by and between the City of Huntington Beach Redevelopment Agency and BTDM Phase II Associates, LLC Affordable Housing Agreement dated August 20, 2012 by and between the City of Huntington Beach and 21002 HB, LLC, appended as Exhibit D to the Development Agreement dated August 20, 2012 by and between the City of Huntington Beach and 21002 HB, LLC supporting by the following additional documentation:

- June 14, 2004 City Council Approved Findings and Conditions of Approval for Pacific City Project (Tentative Tract Map No. 16338/Conditional Use Permit No. 02-20/Special Permit No. 02-04/ Coastal Development Permit No. 02-12/Master Plan - Pacific City Mixed Use Project) (see Conditions of Approval - Tentative Tract map No. 16338, Condition of Approval 2.b.)
- The Five Year Implementation Plan 2005-2009 for the Huntington Beach Project ("Merged Project Area") (see Table III on page 22)
- Ten Year Housing Compliance Plan 2005-14 (see Table 5(e) on page 9 and Table 7 on page 13)
- Affordable Housing Plan dated June 16, 2006, appended as Attachment No. 4 to the Owner Participation Agreement by and among Redevelopment Agency of the City of Huntington Beach, the City of Huntington Beach and Makalona Atlanta Huntington Beach, LLC
- Notice of Action dated July 25, 2012 relating to Entitlement Plan Amendment No. 12-005 and Development Agreement No. 12-001 (Amendments to Conditional Use Permit No. 02-20/Tentative Tract map No. 16338 and to Enter Into a Development Agreement - Pacific City) (see Attachment No. 1 - Findings and Conditions of Approval - Entitlement Plan Amendment No. 12-005)

The following housing administration costs were disallowed on the ROPS for the January to June 2013 period as they are obligations of the Housing Authority's Low and Moderate Income Housing Asset Fund pursuant to Health and Safety Code Section 34176(a)(1):

- Contract for housing compliance monitoring inspection services executed July 20, 2010 with Amerinational Community Services Inc. in the amount of \$75,000.
- Contract for housing legal services executed March 6, 2012 with Jessica Latham, Esquire in the amount of \$30,000.

**City of Huntington Beach Redevelopment Successor Agency
 Low and Moderate Income Housing Fund
 Summary of Balances Available for Allocation to Affected Taxing Entities**

Exhibit B-1

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 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) | - (a) |
| 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 2012-2013 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 County for Disbursement to Taxing Entities | \$ - |

(a) See Footnote referenced on Exhibit B.