

OVERSIGHT BOARD FOR SUCCESSOR AGENCY
TO THE CITY OF MONTCLAIR REDEVELOPMENT AGENCY

AGENDA

City Council Chambers
Montclair Civic Center
5111 Benito Street
Montclair, CA

Regular Meeting
Wednesday, October 10, 2012
6:00 p.m.

As a courtesy, please silence your cell phones, pagers, and other electronic devices while the meeting is in session. Thank you.

William Ruh – Chairman, Montclair Mayor Paul Eaton Appointee
Tenice Johnson – Vice Chairperson, County of San Bernardino Citizen Appointee
Terry Catlin – Inland Empire Utilities Agency Appointee
Kim Erickson – Chaffey Community College District Appointee
Janet Kulbeck – City of Montclair Employee Organization Appointee
John Richardson – County of San Bernardino Appointee
Kim Stallings – Ontario-Montclair School District Appointee

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I. PRELIMINARY MATTERS

- A. Call to Order
- B. Roll Call

II. PUBLIC COMMENT

Any person wishing to address the Oversight Board on any matter, whether or not it appears on this agenda, is requested to complete a "Speaker Request" form, available at the door. The form should be completed and submitted to the Secretary prior to the beginning of this meeting or prior to an individual agenda item being heard by the Oversight Board. Each speaker will be afforded five minutes to address the Oversight Board. No action will be taken on any item not listed on the agenda pursuant to the Ralph M. Brown Act.

III. APPROVAL OF MINUTES

- A. Minutes of the Special Oversight Board Meeting of August 27, 2012

IV. BUSINESS ITEMS

- A. Consider Adoption of Resolution No. 12-14, a Resolution of the Oversight Board for the Successor Agency to the City of Montclair Redevelopment Agency Approving the Housing Due Diligence Audit Review Completed by Teaman, Ramirez & Smith, Inc., Pursuant to Sections 34179.5 and 34179.6 of the Health and Safety Code

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V. COMMUNICATIONS

- A. Staff
B. Chairman and Members

VI. ADJOURNMENT

The above actions of the Oversight Board shall not become effective for three business days, pending any request for review by the DOF. If DOF requests review of the above Board actions, it will have ten days from the date of the request to approve the Oversight Board action or return it to the Oversight Board for reconsideration; and the action, if subject to review by DOF, will not be effective until approved by DOF.

The next regularly scheduled Oversight Board meeting will be held on November 14, 2012, at 6:00 p.m. in the City Council Chambers.

Reports, backup materials, and additional materials related to any item on this Agenda distributed to the Successor Agency Board after distribution of the Agenda packet are available for public inspection in the Office of the Secretary located at 5111 Benito Street, Montclair, California, between 7:00 a.m. and 6:00 p.m., Monday through Thursday.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Secretary at (909) 625-9416. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35.102-35.104 ADA Title II)

I, Yvonne L. Smith, Secretary, hereby certify that I posted, or caused to be posted, a copy of this Agenda not less than 72 hours prior to this meeting on the bulletin board adjacent to the south door of Montclair City Hall on October 4, 2012.

AGENDA REPORT

SUBJECT: CONSIDER ADOPTION OF RESOLUTION NO. 12-14, A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE CITY OF MONTCLAIR REDEVELOPMENT AGENCY APPROVING THE HOUSING DUE DILIGENCE AUDIT REVIEW COMPLETED BY TEAMAN, RAMIREZ & SMITH, INC., PURSUANT TO SECTIONS 34179.5 AND 34179.6 OF THE HEALTH AND SAFETY CODE	DATE: October 10, 2012 SECTION: BUSINESS ITEMS ITEM NO.: A FILE I.D.: OBO050 DEPT.: OVERSIGHT BOARD
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REASON FOR CONSIDERATION: Pursuant to Health and Safety Code Section 34179.5(a) as amended by AB 1284, the Successor Agency was required to employ a licensed accountant, approved by the County Auditor-Controller, to conduct a due diligence audit review for the Low- and Moderate-Income Housing Fund to determine the unobligated balance in the Housing Fund available for transfer to the affected taxing agencies.

BACKGROUND: The Dissolution Act, Parts 1.8 and 1.85 of the California Health and Safety Code, as modified by the Supreme Court's opinion in California Redevelopment Association, *et al.* v. Ana Matosantos, *et al.*, Case No. S194861 and as amended by Assembly Bill 1484 and effective June 27, 2012, in particular Section 34719.5, require each successor agency to retain a licensed accountant for the purposes of determining the unobligated fund balances available for transfer to the taxing agencies. Two due diligence reviews are required, one relates to housing assets and obligations and the other relates to nonhousing assets and obligations. This accountant's report, included in the agenda packet, pertains to the Low- and Moderate-Income Housing Fund ("LMIHF").

The Housing Due Diligence Audit Review had to be submitted to the Oversight Board, the County Auditor-Controller (CAC), the State Controller's Office (SCO), and State Department of Finance (DOF) by October 1, 2012. Successor Agency staff in Montclair submitted the document by email to the Oversight Board, County, and State agencies on September 27, 2012. The Oversight Board has until October 15, 2012 to complete a public comment session, review public comments, and consider the results/opinions offered, if any, by the CAC and then review, approve, and transmit the report again to the CAC, SCO, and DOF. A review related to nonhousing assets and obligations will be similarly conducted and is due by December 15, 2012.

The Successor Agency selected and the County Auditor-Controller ("CAC") approved Teaman, Ramirez & Smith, Inc., an accounting firm with experience and expertise in local government accounting, to conduct the due diligence reviews to determine the unobligated balances available for transfer to taxing entities related to housing and nonhousing assets and obligations in order to ascertain unobligated cash or cash equivalent balances that would be available for transfer to local taxing entities.

Prepared by: <u>M. STAATS</u>	Reviewed and Approved by: <u>M. STAATS</u>
Proofed by: <u>Gordon L Smith</u>	Presented by: _____

Teaman, Ramirez & Smith, Inc., could not commence work on the due diligence audit review until the review standards were developed and issued by the DOF as below described.

In July and August of this year, members of the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants ("CalCPA"), along with the SCO and the DOF, developed the review standards/agreed-upon procedures. On August 30, 2012, the DOF posted the standards/procedures; and Teaman, Ramirez & Smith, Inc., began work on the housing due diligence review.

Pursuant to Section 34179.5 of the Health and Safety Code, the due diligence audit review requires the independent accountant to reconcile assets, balances, and liabilities with previous reports made to the State. Further, this review includes valuation of cash and cash equivalents (such as Local Agency Investment Fund deposits), and obligations. "At a minimum, the [due diligence] review required by this section shall include the following: ... '[a]n itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment.' ..."

The review and report occurs as to housing assets between August and November 2012 and as to nonhousing assets between November 2012 and April 2013. The review process entails several steps in order to be completed as required, and the penalty for failure to pay or transfer will result in the DOF causing the equivalent amount(s) to be deducted from sales and use taxes and/or property taxes due to the City as the sponsoring community.

Key dates include the following for both reviews:

DUE DILIGENCE REVIEW SCHEDULE AND DEADLINES		
	<i>Housing Review</i>	<i>Nonhousing Review</i>
Due Diligence Review Due From Successor Agency to Oversight Board, CAC, OSC, and Department of Finance	October 1, 2012	December 15, 2012
Oversight Board Deadline to Conduct Hearing, Review, Approve, and Submit Due Diligence Review	October 15, 2012	January 15, 2012
DOF Deadline to Issue a "Finding of Completion"	November 9, 2012	April 1, 2013
Successor Agency Deadline to Request a Meet and Confer with DOF about Reviews	Five Days of DOF Action, no later than November 16, 2012	Five Days of DOF Action, no later than April 6, 2013
Successor Agency Deadline to Make Transfers to County Auditor Controller based on DOF Findings	November 28, 2012	April 10, 2013

The Housing Due Diligence Audit Review is included in the agenda report and made a part of Resolution No. 12-14. Teaman, Ramirez & Smith, Inc., reviewed cash and noncash balances, expenditures, revenues, and transfers prior to and following dissolution on February 1, 2012. In general, the activities noted in the report reflect transactions associated with the former Agency in the course of implementation of its affordable housing responsibilities.

It should be noted that Teaman, Ramirez & Smith, Inc., found the assets objected to by DOF (the property at 4113 Kingsley Street and \$1 million loan to the Montclair Housing Corporation) to be enforceable housing obligations.

FISCAL IMPACT: The primary findings of the Housing Due Diligence Audit Review include the following:

1. Total Low- and Moderate-Income Housing Fund balance held by the Housing Successor Agency, the Montclair Housing Authority, on June 30, 2012: **\$25,099,686**
2. Asset deductions from total Housing Funds legally restricted for uses specified by covenants and/or grant restrictions: **(\$16,899,865)**
3. Asset deductions that are not cash or cash equivalents: **(\$120,373)**
4. Balances needed to satisfy Recognized Obligation Payment Schedules: **(\$1,208,865)**
5. Balance of Low- and Moderate-Income Housing Fund assets remaining with Successor Agency as of June 30, 2012, available for disbursement to the taxing agencies: **\$6,870,583**

As the Oversight Board is aware, this is the second of two meetings conducted on the Housing Due Diligence Review. The first meeting was conducted on October 2, 2012, to receive any public comments on the Review. The Oversight Board may review the public comments and the opinions offered, if any, from the public and the CAC. During its review, the Oversight Board may adjust the amounts and request supporting materials to facilitate its determinations. Following Oversight Board consideration of the Housing Due Diligence Audit Review, but no later than October 15, 2012, the Housing Due Diligence Audit Review is to be resubmitted to the CAC and the DOF for review and final determination.

RECOMMENDATION: Staff recommends the Oversight Board adopt Resolution No. 12-14 approving the Housing Due Diligence Audit Review completed by Teaman, Ramirez & Smith, Inc., pursuant to Sections 34179.5 and 34179.6 of the Health and Safety Code.

RESOLUTION NO. 12-14

**A RESOLUTION OF THE OVERSIGHT BOARD
FOR THE SUCCESSOR AGENCY TO THE CITY OF
MONTCLAIR REDEVELOPMENT AGENCY APPROV-
ING THE HOUSING DUE DILIGENCE AUDIT
REVIEW COMPLETED BY TEAMAN, RAMIREZ &
SMITH, INC., PURSUANT TO SECTIONS 34179.5
AND 34179.6 OF THE HEALTH AND SAFETY CODE**

WHEREAS, Assembly Bill 1X 26 (AB 26) was signed by the Governor on June 28, 2011 and upheld as constitutional by the California Supreme Court. On June 27, 2012, the Governor signed Assembly Bill 1484 (AB 1484). AB 26 and AB 1484 (together called the Dissolution Bills) eliminated California Redevelopment agencies statewide, established successor agencies to pay, perform, and effectuate the enforceable obligations of the former redevelopment agencies and to wind down the affairs of the former redevelopment agencies; and

WHEREAS, Health and Safety Code Section 34179.5 (a) as amended by AB 1484 and in furtherance of subdivision (d) of Section 34177 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 to determine the unobligated balances available for transfer to the affected taxing agencies; and

WHEREAS, the Successor Agency, with the approval of the County of San Bernardino Auditor-Controller, contracted with Teaman, Ramirez & Smith, Inc., to perform the Due Diligence Audit Review for the Low and Moderate Income Housing Fund and have completed and issued the review that is attached ; and

WHEREAS, Section 34179.5 (a), as amended by AB 1484, also provides that the Due Diligence Audit Review for the Low and Moderate Income Housing Fund shall be submitted by October 1, 2012 to the County of San Bernardino Auditor-Controller's Office, the State Controller's Office, and the State Department of Finance at the same time that it submits the Due Diligence Review to the Oversight Board. The Successor Agency for the City of Montclair Redevelopment Agency submitted the completed Review to the Oversight Board, County and State by email on September 27, 2012; and

WHEREAS, the Oversight Board has convened a public comment session on October 2, 2012 which was at least five business days before the Oversight Board holds the approval vote specified in Section 34179.6 (c); and

WHEREAS, Section 34179.6 (c), as amended by AB 1484, requires by October 15, 2012 that the Oversight Board shall review, approve, and transmit to the County of San Bernardino Auditor-Controller, the State Controller, and the State Department of Finance the determination of the amount of cash and cash equivalents that are available for disbursement to the taxing agencies as determined by the Low and Moderate Income Housing Fund Due Diligence Audit Review and according to the method provided in Section 34179.5; and

WHEREAS, the Oversight Board now desires to approve the Low and Moderate Income Housing Fund Due Diligence Audit Review; and

WHEREAS, all legal prerequisites to the adoption of this Resolution have occurred.

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board of the Successor Agency to the City of Montclair Redevelopment Agency does hereby find and determine as follows:

Section 1. That the foregoing recitals are true and correct.

Section 2. The Oversight Board hereby accepts the Low and Moderate Income Housing Fund Due Diligence Audit Review and has received the results of the review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund, to comply with AB 1484 and the Health and Safety Code Section 34179.6 (a).

Section 3. Adoption of this Resolution is not intended to and shall not constitute a waiver by the Successor Agency of any rights the Successor Agency may have to challenge the effectiveness and/or legality of all or any portion of the Dissolution Bills through administrative or legal proceedings.

Section 4. The Chair, or designee, is hereby authorized and directed to make any and all changes to the determination of the amount of cash and cash equivalents that are available for disbursement to the taxing agencies as determined by the review to reflect information and analysis of the Oversight Board.

Section 5. The Oversight Board hereby approves the Low and Moderate Income Housing Fund Due Diligence Audit Review prepared by Teaman, Ramirez & Smith, Inc., with changes approved by the Oversight Board, if any.

Section 6. This Resolution shall take effect immediately upon its adoption.

Section 7. The Secretary of the Oversight Board shall certify as to the adoption of this Resolution.

APPROVED AND ADOPTED this XX day of XX, 2012.

Chairman

ATTEST:

Secretary

I, Yvonne L. Smith, Secretary of the Oversight Board for the Successor Agency to the City of Montclair Redevelopment Agency, DO HEREBY CERTIFY that Resolution No. 12-14 was duly adopted by the Redevelopment Agency Board of Directors at a regular meeting thereof held on the XX day of XX, 2012, and that it was adopted by the following vote, to-wit:

AYES: XX
NOES: XX
ABSTAIN: XX
ABSENT: XX

Yvonne L. Smith
Secretary

MINUTES OF THE SPECIAL MEETING OF THE OVER-SIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE CITY OF MONTCLAIR REDEVELOPMENT AGENCY HELD ON MONDAY, AUGUST 27, 2012, AT 6:31 P.M. IN THE CITY COUNCIL CHAMBERS, 5111 BENITO STREET, MONTCLAIR, CALIFORNIA

Vice Chairperson Johnson led those assembled in the Pledge.

I. PRELIMINARY MATTERS

A. Call to Order

Chairman Ruh called the meeting to order at 6:31 p.m.

B. Roll Call

Present: Chairman Ruh; Vice Chairperson Johnson; Board Members Catlin, Erickson, and Richardson; Deputy City Manager/ Executive Director of Economic Development Staats; Finance Director Parker; Successor Agency Special Counsel McEwen; Secretary Smith

Absent: Board Member Kulbeck (excused); Board Member Stallings (excused)

II. PUBLIC COMMENT - None

III. APPROVAL OF MINUTES

A. Minutes of the Special Oversight Board Meeting of May 9, 2012

B. Minutes of the Regular Oversight Board Meeting of June 13, 2012

C. Minutes of the Special Oversight Board Meeting of July 25, 2012

Moved by Board Member Richardson, seconded by Vice Chairperson Johnson, and carried to approve the above three items.

IV. BUSINESS ITEMS

A. Consider Receiving and Filing a Report Regarding Former Redevelopment Agency Nonhousing Assets

Successor Agency Special Counsel McEwen clarified that until sometime next spring, the Successor Agency is on hold related to property disposal pursuant to AB 1484, which added a section to

the Government Code indicating that the provision related to real property disposition has been stayed pending the Department of Finance's issuance of a certificate of completion to the Successor Agency and its adoption of a property management plan.

Finance Director Parker stated that before a certificate of completion could be issued, the Successor Agency must complete two more audits, one of which, due October 1, 2012, the California Society of Certified Public Accountants has only today defined the standards for; staff will do its best to find a competent independent audit firm to complete the report by that date.

Deputy City Manager/Executive Director of Economic Development Staats asked if the audit will require two Oversight Board meetings prior to its approval.

Finance Director Parker answered, "Yes. Once that report is issued, we will have to have the pre-meeting public review session followed by a five-day waiting period before the Oversight Board holds a vote for the audit's approval."

Moved by Board Member Catlin and seconded by Board Member Richardson to receive and file a report regarding former Redevelopment Agency nonhousing assets.

B. Consider Adoption of Resolution No. 12-12, a Resolution of the Oversight Board for the Successor Agency to the City of Montclair Redevelopment Agency Approving a Recognized Obligation Payment Schedule for January 1, 2013, Through June 30, 2013, Pursuant to California Health and Safety Code Section 34179, Division 24, Part 1.85, and Authorizing Posting and Transmittal Thereof

Board Member Richardson asked for clarification between the Redevelopment Property Tax Trust Fund (RPTTF) estimate of \$12,241,934 and the actual expenditure of \$7,636,995.

Finance Director Parker stated, "Yes, the reason for that is the estimate relates to the first Recognized Obligation Payment Schedule (ROPS), which shows the bond debt due January through June 2012 and the bond debt due July through December 2012. Bonds function on a bond year, a 12-month period that is different from a fiscal year. All the taxes are pledged to repay those bonds until such time as enough money has accumulated to pay the debt service during that bond year. We claimed both amounts on the first ROPS, and that is why our expenditures are so much less. Luckily, the way this form works, if we had not made that large repayment on the Mission Boulevard Tax Allocation Notes, there would be a large negative balance that, in effect, would go as a reduction of what we need. The state is trying to claw back money as a result of that."

Board Member Richardson asked if the RPTTF has a balance since only \$7.6 million has actually been expended.

Finance Director Parker advised that the Successor Agency did not receive the full \$12.2 million, noting the Agency only received \$7 million for the January through June 2012 period and has spent that \$7 million in debt service "so we pretty much broke even. We received \$2.4 million in the June 2012 payment, and our debt service was \$2.5 million. We are still functioning off of reserves."

Board Member Richardson noted the County of San Bernardino is claiming more for bond debt service to make sure if there is more debt service, there will be no risk of default.

Finance Director Parker noted successor agencies are allowed to have a debt service reserve on hand to cover cash flow deficits. He stated that the Montclair Successor Agency has enough money on hand to fund that type of reserve at this time. He advised that the Montclair Successor Agency used about \$50,000 in reserves to pay the balance of debt service for July through December 2012, adding that the Successor Agency should be receiving approximately the same amount the next time but will have sufficient reserves to carry us forward, if necessary, unless payment amounts increase.

Concerning Summary Item G, "Obligations Funded by RPTTF," on the ROPS III notes, Board Member Richardson expressed his understanding that the amount should be the total tax increment revenue recognized by the Montclair Redevelopment Agency through June 30, 2012, rather than January 31, 2012, as indicated.

Finance Director Parker clarified that the state required that one of two amounts be used on Item G on the *Summary of Recognized Obligation Payment Schedule*, "Prior Period (January 1, 2012, to June 30, 2012) Estimated vs. Actual Payments": either the amount that was approved by DOF or the actual amount received. He stated, "The amount that DOF approved for us was \$14 million, which included everything. DOF has not given agencies any reconciliation to know how they came up with that number, and I am not going to claim \$14 million when we only received \$7 million. We are claiming the amount actually received, and the note indicates 'This amount represents total tax increment revenue recognized by redevelopment agency through January 31, 2012,' when the Montclair Redevelopment Agency physically went out of business."

Board Member Richardson asked if the Montclair Successor Agency received the extra \$7 million from pass-throughs.

Finance Director Parker answered, "The extra \$7 million when it was claimed was, in effect, additional debt service for the second

half of the year and also amounts that are going to be paid for out of the Low- to Moderate-Income Housing Fund and other items. The \$14 million that DOF approved was a total ROPS number and has no correlation to what we actually received in tax increment during that period."

Board Member Richardson thanked Finance Director Parker for the information.

Moved by Vice Chairperson Johnson and seconded by Board Member Catlin that Resolution No. 12-12, entitled, "**A Resolution of the Oversight Board for the Successor Agency to the City of Montclair Redevelopment Agency Approving a Recognized Obligation Payment Schedule for January 1, 2013, Through June 30, 2013, Pursuant to California Health and Safety Code Section 34179, Division 24, Part 1.85, and Authorizing Posting and Transmittal Thereof,**" be read by number and title only, further reading be waived, and it be declared adopted.

The Oversight Board waived the reading of the Resolution.

Resolution No. 12-12 was adopted by the following vote:

AYES: Richardson, Erickson, Catlin, Johnson, Ruh
NOES: None
ABSTAIN: None
ABSENT: Stallings, Kulbeck

C. Consider Adoption of Resolution No. 12-13, a Resolution of the Oversight Board for the Successor Agency to the City of Montclair Redevelopment Agency Approving the Successor Agency's Proposed Administrative Budget for January 31, 2013, Through June 30, 2013, Pursuant to California Health Section 34177(j)

Moved by Board Member Erickson and seconded by Board Member Catlin that Resolution No. 12-13, entitled, "**A Resolution of the Oversight Board for the Successor Agency to the City of Montclair Redevelopment Agency Approving the Successor Agency's Proposed Administrative Budget for January 31, 2013, Through June 30, 2013, Pursuant to California Health and Safety Code Section 34177(j),**" be read by number and title only, further reading be waived, and it be declared adopted.

The Oversight Board waived the reading of the Resolution.

Resolution No. 12-13 was adopted by the following vote:

AYES: Richardson, Erickson, Catlin, Johnson, Ruh
NOES: None
ABSTAIN: None
ABSENT: Stallings, Kulbeck

IV. COMMUNICATIONS

A. Staff

1. Deputy City Manager/Executive Director of Economic Development Staats announced that the San Bernardino County Auditor-Controller's Office (CAC) conducted an audit of the Montclair Successor Agency over two-and-one-half weeks. She advised that the initial conclusions of the audit indicate that the bond proceeds that were transferred to the City must be transferred back and the properties listed in Item A on tonight's agenda will need to be transferred back to the Successor Agency, noting these items were expected by staff. She noted there were no issues regarding expenditures since February 1, 2012.

Finance Director Parker advised that the CAC will be issuing two reports, one for the former Montclair Redevelopment Agency since its inception through February 1, 2012, and the other for the Montclair Successor Agency from February 2, 2012, to present. He noted the CAC was charged with finding any assets transferred from the former Redevelopment Agency or Successor Agency to other public entities and whether the assets should be returned. He advised that, fortunately, the former Redevelopment Agency did transfer unspent bond proceeds to the City of Montclair well before ABX1 26 was signed into law to be able to spend them in accordance with existing projects. The projects would have been shut down had the Redevelopment Agency not transferred the funds, but the City was able to complete those projects because of this foresight, he added. He noted the rest of the proceeds remain unspent and will be transferred back to the Successor Agency pursuant to the State Controller's Office requirements. He stated, "If, pursuant to **AB 1484**, the Successor Agency receives its certificate of completion, we would then be allowed to spend those proceeds for any authorized projects because these are pre-2011 proceeds. If that fails—if the Successor Agency does not receive a certificate of completion or if the law changes again where it is no longer allowed, those amounts would be due back to the bondholders to be paid off. The funds cannot go to the state or taxing entities—the bond issues would preclude that—and would have to be used to pay the principal on the bonds. We will accomplish the requisite transfers in accordance with the CAC's requirements once approved by the governing board of the City and other corresponding entities.

"The only other thing they wanted done relates to a sale of housing assets, which was authorized by law, for the \$12 million Mission Boulevard Tax Allocation note payment that is fully offset by an allowance for uncollectibles because as long

as those properties are used for the purpose intended—the affordability covenants are used and in place—the payments are forgiven. The CAC simply wants that recorded on the books.

"Overall, the audit came back very clean. There is nothing we tried to hide; the unspent bond proceed transfers were only done for purposes of being able to spend those proceeds in accordance with the bond requirements."

2. Deputy City Manager/Executive Director of Economic Development Staats advised that because of the requirement for the due diligence audit due on October 1 that will take the two meetings to accomplish—and at this point, staff is unsure if the audit will be completed by the deadline—it is difficult to predict when the next Oversight Board meeting will take place. She stated that staff will be in contact with Oversight Board Members regarding completion of the audit and the scheduling of the two meetings. She asked Finance Director Parker if there is a penalty for late submittal of the audit report.

Finance Director Parker indicated he is unaware of any penalty. He advised that the City's CPAs are very busy right now finishing up procedural reviews, municipal year-end audits, and federal single audits. He suggested the possibility of the due diligence audit not be completed by the October 1 deadline.

Board Member Richardson advised that for scheduling purposes, he will be gone the weeks of September 10 and September 16.

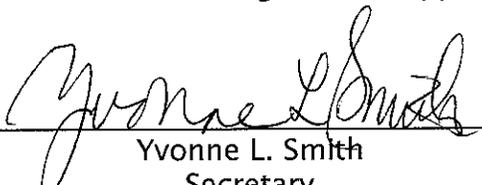
B. Chairman and Members

1. Chairman Ruh thanked Oversight Board Members for their continued service to this community and to the respective agencies they represent. He stated, "It is appreciated and it is a great form of public service."

V. ADJOURNMENT

At 7:00 p.m., Chairman Ruh adjourned the Oversight Board of Directors.

Submitted for Oversight Board approval,



Yvonne L. Smith
Secretary