

**OVERSIGHT BOARD OF THE SUCCESSOR AGENCY
TO THE ONTARIO REDEVELOPMENT AGENCY**

AGENDA

THURSDAY, OCTOBER 25, 2012 AT 10:00 AM

**COMMUNITY CONFERENCE ROOMS #1 & #2
CITY HALL, 303 EAST "B" STREET, ONTARIO, CA, 91764**

Call to order:

Roll Call

Pledge of Allegiance

Public Comment

Approval of Minutes for the Regular Meeting of August 23, 2012

1. A Resolution Approving the Due Diligence Review for the Low and Moderate Income Housing Fund.

RESOLUTION NO. _____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE
SUCCESSOR AGENCY TO THE ONTARIO
REDEVELOPMENT AGENCY, APPROVING THE DUE
DILIGENCE REVIEW FOR THE LOW AND MODERATE
INCOME HOUSING FUND

Oversight Board Member Comments

Adjournment

**OVERSIGHT BOARD OF THE SUCCESSOR AGENCY
TO THE ONTARIO REDEVELOPMENT AGENCY**

MINUTES

THURSDAY, AUGUST 23, 2012

(Not Official Until Approved)

A meeting of the Oversight Board of the Successor Agency to the Ontario Redevelopment Agency was held on Thursday, August 23, 2012 in the Community Conference Rooms at Ontario City Hall, 303 East "B" Street, Ontario, CA.

Notice of said meeting was duly given in the time and manner prescribed by law.

CALL TO ORDER

Chairman Al Boling called the Oversight Board Meeting to order at 10:00 a.m., and requested the Assistant City Clerk to call the roll.

PRESENT: Board Members: Al Boling, Don Bertucci, Alex Espinoza,
 Gene Koopman, Mary Jane Olhasso,
 and Anita Undercoffer

ABSENT: Board Members: Jamie Richardson

Also present were: Economic Development Director John Andrews, Legal Counsel to the Successor Agency Elizabeth Hull, Redevelopment Manager Charity Hernandez and Assistant City Clerk Vicki Kasad.

The Pledge of Allegiance was led by Chairman Boling.

PUBLIC COMMENTS

None.

1. Approval of Minutes

Approved Minutes for the Regular Meetings of June 28, 2012 and July 26, 2012.

MOTION: Moved by Board Member Bertucci, seconded by Vice Chair Olhasso to approve the minutes of June 28, 2012 and July 28, 2012, as presented. The foregoing motion carried by unanimous vote with Richardson absent.

2. A Resolution Approving a Maintenance Services Agreement between the Successor Agency to the Ontario Redevelopment Agency and Brickman Corporation.

Economic Development Director Andrews explained that this was a recommendation for a Professional Services Agreement with Brickman Corporation for Landscape and Property Maintenance on properties that were formerly Agency owned, and now City owned. Board Member Bertucci inquired what happens with the cost for these properties in the future. Economic Development Director indicated that it is anticipated that through property dispositions and developments the properties would be taken off the list for maintenance and the contract costs adjusted accordingly. Board Member Koopman inquired if Brickman was the low bidder. Staff indicated that they would have to report back as contracts are awarded based on responsiveness and cost. Mr. Koopman further inquired if this company had been doing the work in the past, which Mr. Andrews confirmed. Mr. Koopman indicated that it would be nice to see the other bidders' information included in future reports. Chairman Boling inquired if the contract had been reviewed with respect to previous contracts for consistency. Economic Development Director Andrews confirmed that they had been reviewed.

MOTION: Moved by Board Member Koopman, seconded by Board Member Espinoza to adopt Resolution No. OOB-009 approving a Maintenance Services Agreement with Brickman Corporation for the on-going maintenance of real property formerly held by the Redevelopment Agency. The foregoing motion carried by unanimous vote with Richardson absent.

RESOLUTION NO. OOB-009

**A RESOLUTION OF THE OVERSIGHT BOARD OF THE
SUCCESSOR AGENCY OF THE ONTARIO REDEVELOPMENT
AGENCY APPROVING A MAINTENANCE SERVICES
AGREEMENT WITH BRICKMAN CORPORATION**

3. A Resolution Approving a Professional Services Agreement between the Successor Agency to the Ontario Redevelopment Agency and Keyser-Marston Associates, Inc.

Economic Development Director Andrews explained that this was a recommendation for a Professional Services Agreement with a company known for doing economic analysis for redevelopment agencies and cities relative to development proposals. He explained that as part of the requirements of the new redevelopment regulations, the Successor Agency will bring forth recommendations for the disposition of properties and/or their development. He

further explained that Keyser-Marston provides independent review of anticipated development costs, and confirms the validity of any assumptions used in the development agreements. He indicated that Keyser Marston has a track record of being extremely valuable and useful to public agencies as they evaluate property development plans.

MOTION: Moved by Vice Chair Olhasso, seconded by Board Member Bertucci to adopt Resolution No. OOB-010 approving a Professional Services Agreement with Keyser-Marston Inc. for on-going real estate and economic/fiscal analysis services. The foregoing motion carried by unanimous vote with Richardson absent.

RESOLUTION NO. OOB-010

A RESOLUTION OF THE OVERSIGHT BOARD OF THE
SUCCESSOR AGENCY OF THE ONTARIO REDEVELOPMENT
AGENCY APPROVING A PROFESSIONAL SERVICES
AGREEMENT WITH KEYSER MARSTON ASSOCIATES, INC.

4. A Resolution Approving a Recognized Obligation Payment Schedule for the time period from January 1, 2013 through June 30, 2013.

Economic Development Director Andrews explained that this item was the Recognized Obligation Payment Schedule (ROPS) for the period January 2013 through June 2013. He explained that staff had gone through the schedule to provide details on anticipated future costs and using the new state form include past obligations and costs. Vice Chair Olhasso noted that some of the contracts which were previously included as past obligations, had now been scrubbed from the template on a go forward basis. Economic Development Director Andrews indicated that reporting prior obligations was a requirement for this process based on the new format. He further indicated that September 1, 2012 is the deadline to submit to the State, and noted that staff did send a draft to the State on Monday, followed by Council action on Tuesday to give it Successor Agency approval. Vice Chair Olhasso commented that the project name “debt obligation” was a little confusing, but since this was a Department of Finance form, we had to use it. She requested a status update on the Guasti and Piemonte projects. Economic Development Director Andrews indicated that there are Owner Participation Agreements with Pannatoni for Piemonte and Oliver McMillan for Guasti, and those were listed as obligations under a cooperation agreement approved in February of last year. He indicated that they had been carried forward to this report, noting that the prior ROPS were approved by the Department of Finance on May 30. He commented that staff anticipates that there will be some questions from the Department of Finance

about those two projects and possibly others; and noted that staff is moving forward and will respond to Department of Finance questions as they arise.

MOTION: Moved by Vice Chair Olhasso, seconded by Board Member Undercoffer to adopt Resolution No. OOB-011 approving a Recognized Obligation Payment Schedule for the time period from January 1, 2013 through June 30, 2013. The foregoing motion carried by unanimous vote with Richardson absent.

RESOLUTION NO. OOB-011

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE ONTARIO REDEVELOPMENT AGENCY APPROVING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE TIME PERIOD FROM JANUARY 1, 2013, THROUGH JUNE 30, 2013, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177(I)

5. A Resolution Approving the Sale of Real Property from the City of Ontario to Sea Partners, LLC.

Economic Development Director Andrews detailed the location of the real property under discussion at the south-west corner of Holt and Bon View. He explained that it is a long vacant site acquired by the Redevelopment Agency over ten years ago, and although the City and RDA attempted to market it to various users, they were never able to get past initial discussions. He advised that Brent Ogden, with Sea Partners had developed other projects in the City, such as the center at 6th Street and Mountain Avenue, as well as others throughout Southern California. Economic Development Director Andrews indicated that Sea Partners had brought an opportunity to develop a free standing Dollar General retail store. He noted that the biggest challenge for this project is the site configuration, as the access is very tight and restricted. He advised that the agreed upon sale price was \$5.25 per square foot. He presented site plans and elevations for the proposed project, and noted that Sea Partners is prepared to start construction later this year. Economic Development Director Andrews advised that this matter was presented to the City Council and unanimously approved on Tuesday, August 21, 2012. He advised that after Oversight Board consideration the next step is for the Resolution to be forwarded to the Department of Finance, with a report that the land sale proceeds will be transmitted at the close of escrow. Board Member Undercoffer questioned the agreement date, listed as February 15, 2012 in the agenda report, noting that it should have been done before 2011. Legal Counsel Hull indicated that was a typographical error and should state February 15, 2011, which was prior to the adoption of AB26.

MOTION: Moved by Board Member Bertucci, seconded by Board Member Koopman to adopt Resolution No. OOB-012 approving the sale of real property owned by the City of Ontario to Sea Partners, LLC. The foregoing motion carried by unanimous vote with Richardson absent.

RESOLUTION NO. OOB-012

A RESOLUTION OF THE OVERSIGHT BOARD OF THE
SUCCESSOR AGENCY OF THE ONTARIO REDEVELOPMENT
AGENCY APPROVING THE SALE OF REAL PROPERTY
OWNED BY THE CITY OF ONTARIO TO SEA PARTNERS, LLC.

6. Oversight Board Member Comments.

Board Member Bertucci noted that the Chaffey Joint Union High School District took action at the end of July to put Measure P to a vote to allow for improvements at all district high schools to make them the best facilities that can be provided and improve infrastructure and technology.

Board Member Espinoza indicated that he signed the Argument in Favor of Measure P, and stressed the future needs of the schools which could be addressed if Measure P passes.

Economic Development Director Andrews noted that there is the possibility of a need for a special meeting in October. Legal Counsel Hull clarified that it is a due diligence matter which would require consideration at two meetings. Mr. Andrews also noted the possibility of another separate Disposition and Development Agreement which could require a special meeting in September. He indicated that staff would do their best to provide early notice if these meetings are required.

7. Adjournment

Chairman Boling adjourned the Oversight Board meeting at 10:21 a.m. to the next regularly scheduled meeting of September 27, 2012.

Respectfully submitted:

OVERSIGHT BOARD SECRETARY

APPROVED:

AL C. BOLING, CHAIRMAN
ONTARIO OVERSIGHT BOARD

**OVERSIGHT BOARD
FOR THE SUCCESSOR AGENCY
TO THE ONTARIO REDEVELOPMENT AGENCY**

*STAFF REPORT
AGENDA ITEM 1*

Meeting Date: October 25, 2012

Subject: Low and Moderate Income Housing Due Diligence Review/Report.

Recommended Action:

That the Oversight Board of the Successor Agency to the Ontario Redevelopment Agency approve and adopt the attached Due Diligence Review of the Low and Moderate Income Housing Funds required pursuant to Health and Safety Code Section 34179.5.

Background:

On October 18, 2012, the Oversight Board met to take public comment on the Due Diligence Review of the Low and Moderate Income Housing Funds prepared pursuant to Health and Safety Code Section 34179.5. No members of the public spoke on the item.

AB 1484 requires that the Successor Agency hire a licensed accountant to complete a Due Diligence Review of unobligated balances in the Low and Moderate Income Housing Fund ("LMIHF") and other funds for the former Ontario Redevelopment Agency ("Agency"). A copy of the LMIHF Due Diligence Review ("DDR") was to be submitted to the Oversight Board, County Auditor Controller, State Controller's Office and the Department of Finance ("DOF") by October 1, 2012. Due to the delay in finalizing procedures of this review between the DOF and audit firms the report was distributed on October 4, 2012.

The purpose of the audit review is to determine the unobligated balances available for transfer to taxing entities, by undertaking a review of all assets of the former Agency and Successor Agency, including all transfers, cash balances, enforceable obligations, and assets, from January 1, 2011 to present.

Since the public comment session has already taken place, pursuant to Health and Safety Code §34179.6(c), the Oversight Board must formally approve the Due Diligence Report for submission to DOF. Upon receipt by DOF, DOF will review the DDR and issue a final determination on the transfer of unobligated funds to the County Auditor-Controller.

Fiscal Impact:

Pursuant to the Due Diligence Review no funds are available from the LMIHF to be remitted to the County of San Bernardino for disbursement to the affected taxing entities.

Attachments:

Due Diligence Review of the Low and Moderate Income Housing Fund



**Successor Agency
of the Former Redevelopment Agency
of the City of Ontario**

**Due Diligence Review
of the Low and Moderate Income Housing Fund
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(3)
and Sections 34179.5(c)(5) through 34179.5(c)(6)
of Assembly Bill No. 1484 of 2012**

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Successor Agency
of the Former Redevelopment Agency
of the City of Ontario

Due Diligence Review
of the Low and Moderate Income Housing Fund
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(3)
and Sections 34179.5(c)(5) through 34179.5(c)(6)
of Assembly Bill No. 1484 of 2012

• Brandon W. Burrows, CPA
• David E. Hale, CPA, CFP
 A Professional Corporation
• Donald G. Slater, CPA
• Richard K. Kikuchi, CPA
• Susan F. Matz, CPA
• Shelly K. Jackley, CPA
• Bryan S. Gruber, CPA
• Deborah A. Harper, CPA

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES

To the Successor Agency of the
Former Ontario Redevelopment Agency
City of Ontario, California

We have performed the procedures enumerated in Attachment A for the Low and Moderate Housing Fund, which were agreed to by the California State Controller's Office and the State of California Department of Finance (State Agencies) solely to assist you in ensuring that the dissolved redevelopment agency is complying with Assembly Bill 1484, Chapter 26, Section 17's amendment to health and safety code 34179.5. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Management of the successor agency is responsible for providing all the information obtained in performing these procedures. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

As stated above, the scope of this engagement was limited to performing the procedures identified in Attachment A, which specified the "List of Procedures for the Due Diligence Review" obtained from the California Department of Finance Website.

The results of the procedures performed are identified in Attachment B1 through B11.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of a certified opinion as to the appropriateness of the results of the procedures performed. 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 the Successor Agency.

This report is intended solely for the information and use of the Successor Agency Oversight Board, the Successor Agency and the applicable State Agencies, 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.

Lance, Soll & Lunghard, LLP

Brea, California
September 17, 2012

List of Procedures for Due Diligence Review for the Low and Moderate Housing Fund

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.
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.
 - 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.
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.
 - 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.
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

List of Procedures for Due Diligence Review for the Low and Moderate Housing Fund (Continued)

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.
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 listing should be attached as an exhibit to the appropriate AUP report.
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.

List of Procedures for Due Diligence Review for the Low and Moderate Housing Fund (Continued)

- c. Other assets considered to be legally restricted:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.
 - d. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.
7. Perform the following:
- 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.
8. Perform the following:
- 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.

List of Procedures for Due Diligence Review for the Low and Moderate Housing Fund (Continued)

- 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.
- 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.

SCHEDULE A (Continued)

List of Procedures for Due Diligence Review for the Low and Moderate Housing Fund (Continued)

- 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.
- 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.
- 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).
- 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.

Procedure 1
List of Assets Transferred from the Former Redevelopment Agency to the Successor Agency
Low and Moderate Housing Fund
As of February 1, 2012

ATTACHMENT B1

<u>Asset</u>	<u>Balance at 2/1/2012</u>
Cash with Fiscal Agent	<u>\$ 935,872</u>
Total Assets transferred:	<u>\$ 935,872</u>

Procedure 2

ATTACHMENT B2

Listing of Transfers (excluding payments for goods and services) to the City
Low and Moderate Housing Fund
For the Period from January 1, 2011 through June 30, 2012

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
<u>From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012:</u>			
7/01/10 to 6/30/11 CAP Allocation	LR	\$ 743,507	Y
01/01/11 to 06/30/11 Internal service allocation - Equipment Services	LR	12,204	Y
01/01/11 to 06/30/11 Internal service allocation - Information Services	LR	30,576	Y
01/01/11 to 06/30/11 Internal service allocation - Risk Liability	LR	1,197	Y
01/01/11 to 06/30/11 Internal service allocation - Unemployment Insurance	LR	1,022	Y
Adjustment to 7/01/10 to 6/30/11 CAP Allocation	LR	63,375	Y
7/01/11 to 1/31/12 CAP Allocation	LR	371,277	Y
07/01/11 to 01/31/12 Internal service allocation - Equipment Services	LR	14,156	Y
07/01/11 to 01/31/12 Internal service allocation - Information Services	LR	29,203	Y
07/01/11 to 01/31/12 Internal service allocation - Risk Liability	LR	1,140	Y
∞ 07/01/11 to 01/31/12 Internal service allocation - Unemployment Insurance	LR	1,228	Y
Sub-total:		<u>1,268,885</u>	
<u>From Successor Agency to City for February 1, 2012 through June 30, 2012:</u>			
None to report			
Sub-total:		<u>-</u>	
Total Transfers to City for 1/1/2011 through 6/30/2012:		<u>\$ 1,268,885</u>	

Procedure 3

ATTACHMENT B3

**Listing of Transfers (excluding payments for goods and services) to Other Public Agencies or Private Parties
Low and Moderate Housing Fund
For the Period from January 1, 2011 through June 30, 2012**

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
<u>From former Redevelopment Agency to other public agencies or private parties for January 1, 2011 through January 31, 2012:</u>			
OHA's developer fee for acquisition, rehab and relocation of ineligible tenants at 307-311 W Francis	LR	\$ 74,365	Y
Set Aside grant to OHA for rehab of 307-311 W. Francis St. for the purpose of the development of low and moderate income housing within the project areas of the Agency	LR	788,128	Y
Set Aside grant to OHA for rehab of 305 N Begonia for the purpose of the development of low and moderate income housing within the project areas of the Agency	LR	215,933	Y
Set Aside grant to OHA for rehab of 223 N Begonia for the purpose of the development of low and moderate income housing within the project areas of the Agency	LR	415,785	Y
Set Aside grant to OHA for rehab of 222 N Begonia for the purpose of the development of low and moderate income housing within the project areas of the Agency	LR	312,892	Y
6 Set Aside grant to OHA for rehab of 228 N Begonia for the purpose of the development of low and moderate income housing within the project areas of the Agency	LR	489,184	Y
Set Aside grant to OHA for rehab of 216 N Begonia for the purpose of the development of low and moderate income housing within the project areas of the Agency	LR	172,679	Y
Set Aside grant to OHA for rehab of 209 N Begonia for the purpose of the development of low and moderate income housing within the project areas of the Agency	LR	268,320	Y
Set Aside grant to OHA for rehab of 217 N Begonia for the purpose of the development of low and moderate income housing within the project areas of the Agency	LR	194,885	Y
Set Aside grant to OHA for rehab of 231 N Begonia for the purpose of the development of low and moderate income housing within the project areas of the Agency	LR	327,267	Y
OHA's developer fee for acquisition, rehab and relocation of ineligible tenants at 217,228 & 305 Begonia	LR	59,156	Y
ORA's FY 10/11 financial assistance to the Authority for the purposes of planning, undertaking, construction and operation of the projects	LR	744,374	Y
Adjustment to ORA's FY 10/11 financial assistance to the Authority for the purposes of planning, undertaking, construction and operation of the projects.	LR	645,012	Y
ORA's 7/1/11-1/31/12 financial assistance to the Authority for the purposes of planning, undertaking, construction and operation of the projects	LR	533,937	Y

Procedure 3

ATTACHMENT B3

Listing of Transfers (excluding payments for goods and services) to Other Public Agencies or Private Parties**Low and Moderate Housing Fund****For the Period from January 1, 2011 through June 30, 2012**

Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
Adjustment to ORA's FY 09/10 financial assistance to the Authority for the purposes of planning, undertaking, construction and operation of the projects	LR	4,028,297	Y
Acquisition 113 South Vine Avenue	LR	421,591	Y
Settlement and relocation payment re: 113 South Vine Avenue	LR	432,000	Y
Debt Service- 2002 Housing Set Aside Loan	EO	329,893	Y
2002 Revenue Bonds - PA#1 Debt Service: Housing Set Aside Portion	EO	319,094	Y
2002 Revenue Bonds - Cimarron Debt Service: Housing Set Aside Portion	EO	51,372	Y
Debt Service - 2002 Housing Set Aside Loan	EO	395,623	Y
Debt Service - 2002 Housing Set Aside Loan	EO	329,893	Y
Debt Service - 2002 Housing Set Aside Loan	EO	319,409	Y
	Sub-total:	<u>11,869,089</u>	
<u>From Successor Agency to other public agencies or private parties for February 1, 2012 through June 30, 2012</u>			
Obligated funds transferred to OHA as function of LMIHF is now assumed by the OHA.	LR	21,616,858	Y
OHA's developer fee for acquisition, rehab and relocation of ineligible tenants at 217,228 & 305 Begonia	EO	104,934	Y
	Sub-total:	<u>21,721,792</u>	
Total Transfers to other public agencies or private parties for 1/1/2011 through 6/30/2012:		<u>\$ 33,590,881</u>	

Procedure 4

ATTACHMENT B4

Summary of the financial transactions of Redevelopment Agency and Successor Agency

Low and Moderate Housing Fund

Per schedule attached to List of Procedures for Due Diligence Review

NOT APPLICABLE TO THE LOW AND MODERATE HOUSING FUND DUE DILIGENCE REVIEW

Procedure 5

ATTACHMENT B5

Listing of All Assets (excluding all assets held by the entity that assumed the housing function)

Low and Moderate Housing Fund

As of June 30, 2012

Asset				Amount
Cash with fiscal agent				
11342-266	2002 TAB Cimarron Set Aside	\$	498,167	
11343-266	2002 TAB PA#1 Set Aside		437,705	
11376-266	2002 Hsg Set Aside FNMA Hsg Acct		1	
TOTAL CASH WITH FISCAL AGENT:				935,873
Other Assets				
11321-266	Deferred cost of issuance - 2002 FNMA		295,490	
TOTAL OTHER ASSETS:				295,490
TOTAL ASSETS AT 6/30/2012:			\$	<u>1,231,363</u>

Procedure 6
Listing of Assets that are restricted
Low and Moderate Housing Fund
As of June 30, 2012

ATTACHMENT B6

Item #	Description	Documentation Referenced	Amount	Purpose	Legal Documentation Obtained? (Y/N)
1	Cash with fiscal Agent				
	a) 2002 TAB Cimarron Set Aside	11342-266	\$ 498,167	Held in trust by fiduciary per bond restrictions	Y
	b) 2002 TAB PA#1 Set Aside	11343-266	437,705	Held in trust by fiduciary per bond restrictions	Y
	c) 2002 Hsg Set Aside FNMA Hsg Acct	11376-266	1	Held in trust by fiduciary per bond restrictions	Y
		TOTAL:	\$ 935,873		

Procedure 7
Listing of Assets That Are Not Liquid or Otherwise Available for Distribution
Low and Moderate Housing Fund
As of June 30, 2012

ATTACHMENT B7

<u>Item #</u>	<u>Description</u>	<u>Reference</u>	<u>Amount</u>	<u>Value Method</u>	<u>Variance Noted? (Y/N)</u>
1	Other				
	a) Deferred cost of issuance - 2002 FNMA	11321-266	<u>\$ 295,490.00</u>	Amortized cost	Y a
TOTAL RESTRICTIONS OF NON-CASH ITEMS			<u><u>\$ 295,490.00</u></u>		

Footnotes:

a) The balance represents the unamortized cost of issuance and municipal bond insurance at 6/30/12. This cost is amortized over the remaining life of the bond issue.

Procedure 8a

ATTACHMENT B8a

Listing of Assets (resources) that are dedicated or restricted for the funding of enforceable obligations

Low and Moderate Housing Fund

As of June 30, 2012

NO ASSETS DEDICATED OR RESTRICTED FOR THE FUNDING OF ENFORCEABLE OBLIGATIONS

Procedure 8b

ATTACHMENT B8b

Listing of Assets (resources) that need to be retained due to insufficient funding for the funding of enforceable obligations

Low and Moderate Housing Fund

As of June 30, 2012

NO ASSETS ARE REQUIRED TO BE RETAINED FOR THE FUNDING OF ENFORCEABLE OBLIGATIONS

Procedure 8c

ATTACHMENT B8c

Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for bond debt payments

Low and Moderate Housing Fund

As of June 30, 2012

NO ASSETS ARE REQUIRED TO BE RETAINED FOR BOND DEBT PAYMENTS

Procedure 9

ATTACHMENT B9

Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for future ROPS

Low and Moderate Housing Fund

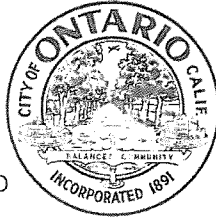
As of June 30, 2012

NO ASSETS ARE REQUIRED TO BE RETAINED FOR FUTURE ROPS

Procedure 10**ATTACHMENT B10****Summary of Low-Mod Balances Available for Allocation to Affected Taxing Entities**

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$	1,231,363
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)		
	To City	-
	To other parties	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)		(935,873)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		(295,490)
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)		-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)		-
61 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	\$	-

CITY OF



ONTARIO

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MAYOR PRO TEM

MARY E. WIRTES, MMC
CITY CLERK

ALAN D. WAPNER
JIM W. BOWMAN
DEBRA DORST-PORADA
COUNCIL MEMBERS

JAMES R. MILHISER
TREASURER

September 13, 2012

Lance, Soll & Lunghard, LLP
Certified Public Accountants
203 North Brea Boulevard, Suite 203
Brea, CA 92821-4056

We are providing this letter in connection with your performance of the Due Diligence Review of the Low and Moderate Housing Fund in accordance with Assembly Bill 1484 for the Successor Agency of the former Ontario Redevelopment Agency. We confirm that we are responsible for the complete and fair presentation of the previously mentioned review in conformity with the listed procedures of the Assembly Bill 1484 Due Diligence Review as published by the State Department of Finance on August 27, 2012. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

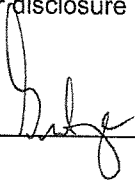
We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your review:

1. We have made available to you:
 - a. In accordance with 34179.5(c)(1), the dollar value of all assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.
 - b. In accordance with 34179.5(c)(2), the dollar value of all assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. We have also provided the documentation of any enforceable obligation that required the transfer.
 - c. In accordance with 34179.5(c)(3), the dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. We have also provided documentation of any enforceable obligation that required the transfer.
 - d. In accordance with 34179.5(c)(4), the expenditure and revenue accounting information and have identified 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 Controller for the 2009–10 fiscal year.

- e. In accordance with 34179.5(c)(5)(B), an itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.
 - f. In accordance with 34179.5(c)(5)(C), an itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value.
 - g. In accordance with 34179.5(c)(5)(D), 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. In addition, we have provided a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements.
 - h. In accordance with 34179.5(c)(5)(E), an itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.
2. There are no material transactions that have not been properly recorded in the accounting records underlying this Due Diligence Review.
 3. Management is not aware of any transfers (as defined by Section 34179.5) from either the former Redevelopment Agency or the Successor Agency to the City, other agencies or private parties for the period January 1, 2011 through June 30, 2012 that have not been identified in this report and related exhibits.
 4. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
 5. We have no knowledge of any fraud or suspected fraud affecting this Due Diligence Review involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on this Due Diligence Review.
 6. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
 7. When applicable, we have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us.
 8. We have identified to you any previous audits, attestation engagements, performance audits, state controller reports or other studies related to the objectives of this Due Diligence Review and whether related recommendations have been implemented.
 9. The Successor Agency of the former Ontario Redevelopment Agency has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.

10. We are responsible for compliance with the laws, regulations, provisions of contracts and grant agreements applicable to us, and all provisions related to the dissolution of the Redevelopment Agency in accordance with AB1X 26 and AB 1484.
11. There are no known violations of:
 - a. Laws and regulations,
 - b. Provisions of contracts and grant agreements,
 - c. Provisions related to the dissolution of the Redevelopment Agency in AB1X 26 and AB 1484 whose effects should be considered for disclosure in this Due Diligence Review.
12. All bank accounts and investments associated with this review have been properly reflected in the general ledger accounting records.
13. No events, including instances of noncompliance, have occurred subsequent to the performance of this Due Diligence Review and through the date of this letter that would require adjustment to or disclosure in the aforementioned Due Diligence Review.

Signed: _____



Signed: _____



Title: Administrative Services/Finance Director

Title: Fiscal Services Director

RESOLUTION NO. ____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE ONTARIO REDEVELOPMENT AGENCY, APPROVING THE DUE DILIGENCE REVIEW FOR THE LOW AND MODERATE INCOME HOUSING FUND

WHEREAS, Health and Safety Code Section 34179.5 requires the Successor Agency to the Ontario Redevelopment Agency (“Successor Agency”) to hire a licensed accountant, approved by the County Auditor-Controller, to conduct a Due Diligence Review to determine the unobligated balances available for transfer to taxing entities; and

WHEREAS, Lance Soll & Lunghard, LLP conducted a review of the Low and Moderate Income Housing Fund to meet the requirements of Section 34179.5, and prepared a Report on that review; and

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

WHEREAS, following receipt of the Report, the Oversight Board is required to convene a public comment session, to be held not less than 5 business days prior to the approval vote by the Oversight Board; and

WHEREAS, due to delays in the drafting of the Agreed Upon Audit Procedures and the ability of the auditor to complete the review the Successor Agency transmitted the draft Report to the required entities on October 4, 2012; and

WHEREAS, the Oversight Board held the required public comment session on October 18, 2012; and

WHEREAS, Section 34179.6 empowers the Oversight Board to authorize the Successor Agency to retain certain assets or funds, such as restricted funds, including bond or grant funds or cash funds that are required to fund an enforceable obligation, physical assets such as equipment or land; and funds to satisfy obligations that will be placed on the Recognized Obligation Payment Schedule for the current fiscal year; and

WHEREAS, an oversight board that makes that authorization must identify to the Department of Finance the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained; and

WHEREAS, the determination and authorization to retain funds and assets is then subject to the review and approval of the Department of Finance.

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

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. CEQA Compliance. The action of the Oversight Board to approve the Report on the Due Diligence Review, authorize the Successor Agency to retain certain assets and funds, and determine the cash and cash equivalents that are available for disbursement to the taxing entities does not commit the Oversight Board to any action that may have a significant effect on the environment. As a result, such action does not constitute a project subject to the requirements of the California Environmental Quality Act.

Section 3. Approval of Due Diligence Review Report. Following its review of the Report on the Due Diligence Review, and the public comments received during the public comment session held on the Due Diligence Review, and pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board hereby approves the Report and authorizes the Successor Agency to retain those assets and funds in the Report.

Section 4. Submittal to Department of Finance. The Oversight Board hereby directs staff to submit to the Department of Finance and the County Auditor Controller a copy of the Report and the information on the cash and assets the Oversight Board has determined should be retained by the Successor Agency and the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities, as set forth in the Report.

Section 5. Severability. If any provision of this Resolution or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution that can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The Oversight Board declares that the Oversight Board would have adopted this Resolution irrespective of the invalidity of any particular portion of this Resolution.

Section 6. Certification. The City Clerk of the City of Ontario acting on behalf of the Oversight Board as its Secretary, shall certify to the adoption of this Resolution.

Section 7. Effective Date. Pursuant to Health and Safety Code Section 34179(h), all actions taken by the Oversight Board may be reviewed by the State of California Department of Finance, and, therefore, this Resolution shall not be effective for five (5) business days, pending a request for review by the State of California Department of Finance.

PASSED, APPROVED AND ADOPTED this _____ day of October, 2012 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Oversight Board Chairperson

ATTEST:

Oversight Board Secretary