AGENDA

City of El Cajon
Successor Agency – Oversight Board
8:00 a.m., Wednesday, January 16, 2013

BOARD MEMBERS:

SAHAR ABUSHABAN
Chancellor of the California Community Colleges Representative

SCOTT BUXBAUM
County Board of Education Representative

GLORIA CHADWICK
Grossmont Healthcare District Representative

JIM GRIFFIN
County Board of Supervisors Representative

MICHAEL GRIFFITHS
City of El Cajon

MANJEET RANU
(Former RDA/MMPEG Employee) City of El Cajon

DEBRA TURNER-EMERSON
County Board of Supervisors Representative

O.B. LEGAL COUNSEL:
Meyers Nave

SUCCESSOR AGENCY STAFF:

DOUGLAS WILLIFORD
Executive Director/ City Manager

MORGAN FOLEY
General Counsel

JENNY FICACCI
Acting OB Secretary/Housing Manager

HOLLY REED-FALK
Financial Operations Manager

VICTORIA DANGANAN
Senior Accountant

RON LUIS VALLES
Administrative Secretary

Meeting Location: El Cajon Police Station
Community Room #161
100 Civic Center Way, El Cajon, CA 92020

I. CALL TO ORDER & PLEDGE OF ALLEGIANCE:

II. ROLL CALL:

III. AGENDA CHANGES:

IV. PUBLIC COMMENT: (This is the opportunity for a member of the public to address the Oversight Board on any item of business within the jurisdiction of the Board that is not on the agenda. Under State law no action can be taken on items brought forward under Public Comment, except to refer the item to the staff for administrative action or to place it on a future agenda.)

V. ACTION ITEMS:

1. Approval of Action Minutes – November 21, 2012, meeting

2. Approval of Promissory Note to obligate the City of El Cajon acting as Successor Agency to repay a loan from the City of El Cajon.

VI. OTHER ITEMS FOR CONSIDERATION:

VII. STAFF COMMUNICATIONS:
1. Successor Agency – Financial Statements end June 30, 2012
2. Upcoming work program

VIII. BOARD REPORTS/COMMENTS:

IX. ADJOURNMENT:

We endeavor to be in total compliance with the Americans with Disabilities Act. If you require assistance or auxiliary aids in order to participate at Oversight Board meetings, please contact staff at (619) 441-1741 as far in advance of the meeting as possible.

DRAFT SUMMARY MINUTES

City of El Cajon
Successor Agency – Oversight Board
Meeting - Wednesday, November 21, 2012
El Cajon Police Station Community Room #161
100 Civic Center Way, El Cajon, CA 92020

BOARD PRESENT: Sahar Abushaban, Gloria Chadwick, Jim Griffin, Michael Griffiths, Manjeet Ranu, and Debra Turner-Emerson (Chair)

BOARD ABSENT: Scott Buxbaum

LEGAL COUNSEL: George Eiser III, representing law firm of Meyers Nave

STAFF PRESENT: Jenny Ficacci, Holly Reed-Falk, and Ron Luis Valles

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CALL TO ORDER AND PLEDGE OF ALLEGIANCE:

The meeting was called to order at 8:01 a.m. by TURNER-EMERSON.

PUBLIC COMMENT:

No public comment. No member of the public was present.

ACTION ITEM NO. 1: APPROVAL OF SUMMARY MINUTES – November 8, 2012

GRIFFIN made a motion, seconded by RANU, to approve the minutes, with the correction that RANU abstained from the October 11, 2012 minutes approval due to absence at that meeting. **Motion carried 4-0 (ABUSHABAN and CHADWICK abstained due to absence at November 8, 2012, meeting; BUXBAUM, absent).**

ACTION ITEM No. 2: DUE DILIGENCE REVIEW – ALL OTHER FUND AND ACCOUNT BALANCES

FICACCI summarized the staff report.

GRIFFIN made a motion, seconded by CHADWICK, to adopt Resolution No. OB-08-12 approving the attached Due Diligence Review ("Report") for all other fund and account balances ("All Other Funds"); authorized transmission of the Report to the Department of Finance ("DOF"), County Auditor-Controller ("CAC"), State Controller's Office ("SCO") and required regulatory agencies by January 15, 2013; and authorized remittance of

$1,012,654 to the County Auditor-Controller for disbursement to affected taxing entities within five (5) business days of the DOF approval of the Report.
Motion carried 6-0 (BUXBAUM, absent).

ACTION ITEM No. 3: LONG RANGE PROPERTY MANAGEMENT PLAN

FICACCI summarized the staff report. She informed that extensive research was done in compiling the information for the 15 properties in the binder.

CHADWICK commended staff and noted that the packet was very thorough and interesting. She sought clarification on a site that was available for sale. FICACCI replied that Site 10 is addressed as 572-588 North Johnson Avenue. She informed that the City received a letter of intent from an adjacent automobile dealership about a year ago to acquire the property. Staff's recommendation is that the sale go directly to the dealership; secondly, it would be submitted to an interested parties list, and, finally the third option would be to use an approved broker.

GRIFFIN asked what is the commission rate for the brokers. FICACCI replied that there was a Request for Qualifications that was issued in May and several commercial brokers submitted responses, with the standard commission being six percent, while other commissions varied and included fee schedule sliding scales depending on amounts sold. She added that the selection of a broker will go back to City Council. [Due to AB 1484, the State Department of Finance has until April 2013, to make a decision regarding the City's plans to dispose of these properties. The selection of broker(s) will be made after the state makes its decision.]

In response to GRIFFIN, FICACCI said the offers would come to the Oversight Board for evaluation and approval.

Clarification was sought on the appraisals. FICACCI replied that the appraisals could be a substantial expense and a lengthy process. The details could be worked out with the Oversight Board and conducted in phases.

GRIFFIN asked TURNER-EMERSON if her non-profit had an interest in Site #12 at 115 Rea Avenue. She replied that St. Madeline's conducted an appraisal on the property with the intention of having a donor purchase the property.

TURNER-EMERSON and CHADWICK sought clarification from Legal Counsel on abstaining from voting due to potential conflicts of interest. EISER replied that board members could look at each situation individually and make a determination based on any action having a personal financial effect on the property. EISER added that receipt of income from a public entity does not constitute a basis for abstention. CHADWICK holds an elective public office and based on EISER's advice, concluded there was no need for her to abstain. TURNER-EMERSON receives income from the non-profit that is her employer and based on EISER's advice concluded that she should abstain from voting on the particular site.

GRIFFIN made a motion, seconded by GRIFFITHS, to adopt Resolution No. OB-09-12 approving the attached Long Range Property Management Plan ("The Plan") with such changes as may be directed by the Board; authorized transmission of the Report to the Department of Finance ("DOF") and required regulatory agencies not later than six months of receipt of a finding of completion by the Successor Agency; and authorizing transfer and disposal of properties as specified in the Plan upon receipt of, and in compliance with, the final approval by the DOF.
Motion carried 5-0 (TURNER-EMERSON, abstained due to potential conflict of interest to Site #12 located at 115 Rea Avenue; BUXBAUM, absent).

ACTION ITEM No. 4: AMENDMENT TO THE FISCAL YEAR 2012-13 SUCCESSOR AGENCY BUDGET AND APPROVAL OF THE AMENDED RECOGNIZED OBLIGATION PAYMENT SCHEDULE ("ROPS") FOR THE PERIOD JANUARY 1, 2013, TO JUNE 30, 2013

REED-FALK presented the staff report.

GRIFFITHS made a motion, seconded by GRIFFIN, to adopt Resolution No. OB-10-12 amending the Fiscal Year 2012-13 Budget for the Successor Agency to increase the Linda Way / Chambers Senior Residences (Line 32) project by $649,568 and the Weiland Development Co (Line 30) by $12,814; approved the Amended Recognized Obligation Payment Schedule for the period January 1, 2013, to June 30, 2013; authorized the Chair to execute the approved ROPS for submission to the County Auditor Controller ("CAC"), the State Department of Finance ("DOF"), the County Administrative Officer ("CAO"), the State Controller's Office ("SCO"), and to post on the Successor Agency website upon approval by the Oversight Board; and authorized the Successor Agency staff to carry out activities necessary to meet approved obligations outlined in the ROPS, including re-entering into third party service agreements for continuation of projects pursuant to City of El Cajon adopted policies, procedures and practices, in place.
Motion carried 6-0 (BUXBAUM, absent).

STAFF COMMUNICATIONS:

FICACCI presented a revised 2013 Calendar of Events that corrected dates for City Hall closures for the months of September and December 2013. This did not affect any Oversight Board meeting dates that were previously approved.

She also noted that depending on the Department of Finance's responses and when they are received, the December 19, 2012, Oversight Board meeting might be cancelled. The board will be notified by email. [By a show of hands, all board members present, indicated they would be available to attend the December meeting if it is held.]

BOARD REPORTS/COMMENTS:

There were none.

ADJOURNMENT:

GRIFFIN made a motion, seconded by GRIFFITHS, to adjourn the meeting of the El Cajon Successor Agency Oversight Board at 8:47 a.m. this 21st day of November, 2012, to 8:00 a.m., December 19, 2012, in the Police Station's Community Room, 100 Civic Center Way, El Cajon, California.
Motion carried 6-0 (BUXBAUM, absent).

APPROVED:

____
Debra Turner-Emerson, Chairperson

ATTEST:

____
Jennifer Ficacci, Oversight Board Acting Secretary

AGENDA REPORT

CITY OF EL CAJON SUCCESSOR AGENCY OVERSIGHT BOARD
January 16, 2013, Meeting

SUBJECT: APPROVAL OF PROMISSORY NOTE TO OBLIGATE THE CITY OF EL CAJON ACTING AS SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY TO REPAY A LOAN FROM THE CITY OF EL CAJON TO FUND PROJECT MANAGEMENT AND ADMINISTRATIVE COSTS OF THE SUCCESSOR AGENCY

RECOMMENDED ACTION: That the Oversight Board adopt the proposed Resolution to:

1. Approve the Promissory Note ("Note") to acknowledge the receipt of a loan from the City of El Cajon, to the City of El Cajon acting as Successor Agency to the former El Cajon Redevelopment Agency, in the amount of $662,382, in order to fund project management and administrative costs incurred on behalf of the Successor Agency;
2. Find that the approved Promissory Note is an enforceable obligation and should be included on the next Recognized Obligation Payment Schedule for reimbursement; and
3. Authorize the City Manager of the City of El Cajon, or such person designated by the City Manager, acting in the capacity of chief executive officer for the Successor Agency, to execute the Promissory Note on behalf of the Successor, and direct the Secretary of the Oversight Board to deliver copies of the executed note to the County Auditor Controller, the State Department of Finance, the County Administrative Officer, the State Controller's Office, and to post on the Successor Agency website upon approval by the Oversight Board.

BACKGROUND: On October 11, 2012, the Successor Agency Oversight Board approved the Due Diligence Review report ("DDR") for the Low and Moderate-Income Housing Fund, which estimated $1,336,712 to be remitted to the County Auditor-Controller for distribution to the Affected Taxing Entities ("ATE'S"), and the report was submitted to the California Department of Finance ("DOF") same day.

On November 9, 2012, staff received notice from the DOF denying several amounts outlined in the DDR, including the retention of funds to pay enforceable obligations for the Linda Way/Chambers Senior Residences Project ($649,568) and the Weiland Development Company Homebuyers Project ($12,814) because they were not listed on the Recognized Obligations Payment Schedule ("ROPS") submitted August 15, 2012.

On November 21, 2012, the Oversight Board approved an amendment to the Fiscal Year 2012-13 Successor Agency budget and the Amended Recognized Obligation Payment Schedule ("ROPS") for the period January 1, 2013, to June 30, 2013, to increase the estimated payment of enforceable obligations for the Weiland Development Company Homebuyers Project and Chambers Senior Residences, L.P. budgets by $12,814 and $649,568 respectively to cover actual or anticipated enforceable obligation project expenditures due to faster than anticipated construction schedules.

Staff participated in a meet and confer session with DOF representatives on December 6, 2012. As a result of that meet and confer process, the DOF issued a final determination letter on December 15, 2012, as amended, stating the amounts to be remitted by the Successor Agency now totals $2,038,628.

DOF's mandate to remit funds previously expended has created an "advance" situation outlined in the Cooperation Agreement approved by the Oversight Board on April 26, 2012, and the City on May 8, 2012. As a method for repayment, DOF recommended that the Successor Agency obtain a loan from the City to cover enforceable obligations, execute a promissory note in favor of the City in the amount of the loan (the "Promissory Note"), and place this Successor Agency obligation to the City on a subsequent ROPS for reimbursement, subject to approval by the Oversight Board.

In order to fund the balance of the payment demanded by the DOF, staff is seeking authorization for the Successor Agency to execute the Promissory Note for the principal amount borrowed from the City ($662,382), as authorized under the Cooperation Agreement previously approved by the Oversight Board and City, at an interest rate equal to the Local Agency Investment Fund - LAIF rate, currently 0.35%, until paid.

The City Council authorized execution of the Promissory Note, under terms outlined in this report, at its regularly scheduled meeting held on January 8, 2013.

FISCAL IMPACT: The requested action will approve the Promissory Note between the City of El Cajon acting as Successor Agency to the former El Cajon Redevelopment Agency and the City of El Cajon, in favor of the City of El Cajon, in order to reimburse the City for actual enforceable obligation payments expended beyond the amounts approved in ROPS III during Fiscal Year 2012-13. The Promissory Note will be included on the next ROPS for reimbursement through Redevelopment Property Tax Trust Fund monies.

ATTACHMENTS:
1. Proposed Resolution
2. Proposed Promissory Note between the City El Cajon acting as Successor Agency to the former El Cajon Redevelopment Agency and the City of El Cajon.
3. California Department of Finance – Low and Moderate Income-Housing Fund Due Diligence Review letter dated December 15, 2012.
4. California Department of Finance – Low and Moderate Income-Housing Fund Due Diligence Review letter dated December 21, 2012, REVISED.

Prepared by:

Jenny Ficacci,
Housing Manager

Reviewed by:

Holly Reed-Falk,
Financial Operations Manager

Approved by:

Douglas Williford
Executive Director/City Manager

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RESOLUTION NO. OB-01-13

A RESOLUTION APPROVING A PROMISSORY NOTE TO OBLIGATE THE CITY OF EL CAJON ACTING AS SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY TO REPAY A LOAN FROM THE CITY OF EL CAJON TO FUND PROJECT MANAGEMENT AND ADMINSTRATIVE COSTS OF THE SUCCESSOR AGENCY

WHEREAS, the Oversight Board authorized execution of a "Cooperation Agreement For Reimbursement Of Costs And City/Successor Operations Loan" at its April 26, 2012, meeting as a mechanism for the City to allocate and be reimbursed for staff time, administrative and direct project costs relating to the payment of Enforceable Obligations approved by the Oversight Board in each administrative budget and Recognized Obligation Payment Schedule ("ROPS"); and

WHEREAS, on October 11, 2012, the Successor Agency Oversight Board approved the Due Diligence Review report ("DDR") for the Low and Moderate-Income Housing Fund, which estimated $1,336,712 to be remitted to the County Auditor-Controller for distribution to the Affected Taxing Entities ("ATE'S"), and the report was submitted to the California Department of Finance ("DOF") same day; and

WHEREAS, On November 9, 2012, staff received notice from the DOF denying several amounts outlined in the DDR, including the retention of funds to pay enforceable obligations for the Linda Way/Chambers Senior Residences Project ($649,568) and the Weiland Development Company Homebuyers Project ($12,814) because they were not listed on the Recognized Obligations Payment Schedule ("ROPS") submitted August 15, 2012; and

WHEREAS, on November 21, 2012, the Oversight Board approved an amendment to the Fiscal Year 2012-13 Successor Agency budget and the Amended Recognized Obligation Payment Schedule ("ROPS") for the period January 1, 2013 to June 30, 2013, to increase the estimated payment of enforceable obligations for the Weiland Development Company Homebuyers Project and Chambers Senior Residences, L.P. budgets by $12,814 and $649,568, respectively to cover actual or anticipated enforceable obligation project expenditures due to faster than anticipated construction schedules; and

WHEREAS, staff participated in a meet and confer session with DOF representatives on December 6, 2012. At that time, DOF determined not to accept the Amended ROPS III, including the increased enforceable obligations for the Weiland Development Company Homebuyers Project and the Linda Way/Chambers Senior Residences Project; DOF suggested that the enforceable obligations for these projects instead be addressed by the Successor Agency requesting a loan from the City, which could then be repaid by placement on a subsequent ROPS. As a result of that meet and confer process, the DOF issued a final determination letter on December 15, 2012, as amended, stating the amounts to be remitted by the Successor Agency now totals $2,038,628, which included transmission of funds held by the Successor Housing Agency to pay remaining Linda Way/Chambers Senior Residences Project ($649,568) and Weiland Development Company Homebuyers Project ($12,814) enforceable obligations; and

WHEREAS, the Oversight Board of the Successor Agency of the former El Cajon Redevelopment Agency held a regularly scheduled meeting on January 16, 2013, at which time it considered approval of a Promissory Note ("Note") entered into between the City of El Cajon acting as Successor Agency to the former El Cajon Redevelopment Agency and the City of El Cajon, in favor of the City of El Cajon in order to reimburse the City for previously expended enforceable obligation costs incurred for the Weiland Development Company Homebuyers Project and the Linda Way/Chambers Senior Residences Project; and

WHEREAS, the City of El Cajon as Successor Agency requested a determination that said Promissory Note become an enforceable obligation for inclusion on the next Recognized Obligation Payment Schedule for reimbursement;

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE FORMER CITY OF EL CAJON REDEVELOPMENT AGENCY, AS FOLLOWS:

A. The Oversight Board finds that:

1. The recitals above are true and correct and have been incorporated herein by reference.

2. Approval of the amended Promissory Note is exempt from the California Environmental Quality Act (CEQA) under Section 15061 (b) (3) (General Rule) of the CEQA Guidelines because the proposed amendments will not cause a significant adverse physical change to the environment either directly or indirectly.

B. The Oversight Board hereby acknowledges the making of a loan from the City of El Cajon (the "City"), to the City of El Cajon acting as Successor Agency to the former El Cajon Redevelopment Agency (the "Successor Agency") in the amount of $662,382, in order to fund project management and administrative costs incurred on behalf of the Successor Agency;

C. The Oversight Board hereby approves that certain Promissory Note in the principal amount of $662,382 (the "Note"), with interest thereon at a rate not to exceed the interest earned by the City on its accounts with the Local Agency Investment Agency from time to time, until the entire principal and accrued interest is paid in full, which principal amount represents the amount of a loan to the Successor Agency by the City, under terms and conditions set forth in the Note.

D. The Oversight Board hereby finds that the Note, in the form and content attached hereto as Exhibit "A" and incorporated herein by this reference, subject to any minor conforming, technical, or clarifying changes approved by the Oversight Board legal counsel, is an enforceable obligation and should be included on the next Recognized Obligation Payment Schedule ("ROPS") for reimbursement; and

E. The Oversight Board hereby approves that the City Manager of the City, or such person designated by the City Manager, acting in the capacity of chief executive officer for the Successor Agency, execute the Note on behalf of the Successor Agency, and directs that the Secretary of the Oversight Board delivers copies of the executed Note to the County Auditor Controller, the State Department of Finance, the County Administrative Officer, the State Controller's Office, and to post on the Successor Agency website upon approval by the Oversight Board.

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PASSED AND ADOPTED by the Oversight Board of the Successor Agency of the former El Cajon Redevelopment Agency at a regularly scheduled meeting held this 16th day of January 2013, by the following vote to wit:

AYES :
NOES :
ABSENT :

____
Debra Turner-Emerson, Chairperson

ATTEST:

____
Jennifer Ficacci, Oversight Board Acting Secretary

PROMISSORY NOTE
(Variable Interest)

$662,382.00 El Cajon, California
______________, 2013

FOR VALUE RECEIVED, the CITY OF EL CAJON, solely in its capacity as the SUCCESSOR AGENCY TO THE EL CAJON REDEVELOPMENT AGENCY, a public body, corporate and politic ("Borrower") promises to pay to the CITY OF EL CAJON, a charter city and municipal corporation in the state of California ("Lender") at 200 Civic Center Way, El Cajon, California 92020, or at such other address as Lender may direct from time-to-time in writing, the amount of Six Hundred Sixty-two Thousand Three Hundred Eighty-two Dollars ($662,382.00) (the "Note Amount"). All sums payable hereunder shall be payable in lawful money of the United States of America.

1. Interest Rate. The loan shall bear interest on an adjustable rate, to be equivalent to the rate of interest that the Lender would otherwise have received on its investments with the Local Agency Investment Fund ("LAIF"), from the date of disbursement by Lender until paid.

2. Installments. Borrower promises to pay the Note Amount in one or more installments (each, an "Installment") from Redevelopment Property Tax Trust Fund ("RPTTF") monies received by Borrower from the County Auditor-Controller's office for enforceable obligation project expenditures listed on a Recognized Obligations Payment Schedule ("ROPS") approved by the California Department of Finance ("DOF") in the following manner: On or about June 2, 2013, or such date as the Borrower next receives payment of RPTTF monies based on a DOF-approved ROPS the Borrower shall pay to the Lender the Note Amount, plus interest accrued through the date of this first Installment, with the payment first applied to interest accrued and the balance applied to the payment of principal. Should the first Installment of RPTTF funds be insufficient to pay the entire Note Amount, the unpaid balance shall continue to accrue interest and the balance of the Note Amount, plus interest accrued through the date of payment, shall be due at the second Installment, which shall be on or about January 2, 2014, or such date as the Borrower receives its next payment of RPTTF funds from the County Auditor-Controller's office. The Note Amount, including accrued interest, may be prepaid without penalty.

3. Acceleration. At its option, Lender may determine that Borrower is in default and may, consequently, accelerate the maturity of all installments, making the

unpaid balance of the Note Amount due immediately without presentment for payment or any notice, if Borrower fails to pay an installment when due.

4. Borrower Assignment Prohibited. In no event shall Borrower assign or transfer any portion of this Promissory Note without the prior express written consent of Lender, which consent may be given or withheld at Lender's sole discretion.

5. Non-Waiver. Failure or delay in giving any notice required hereunder shall not constitute a waiver of any default or late payment, nor shall it change the time for any default or payment.

6. Successors Bound. This Promissory Note shall be binding upon the parties hereto and their respective successors and assigns.

Executed the date set forth above.

"BORROWER"

CITY OF EL CAJON, solely in its capacity as the SUCCESSOR AGENCY TO THE EL CAJON REDEVELOPMENT AGENCY, a public body, corporate and politic

By:____________________________________
Douglas Williford, City Manager

ATTEST:

____
Kathie J. Rutledge, CMC, City Clerk

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

December 15, 2012

Ms. Jenny Ficacci, Successor Agency and Housing Manager
City of El Cajon
200 Civic Center Way
El Cajon, CA 92020

Dear Ms. Ficacci:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes Finance's original Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) determination letter dated November 9, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the El Cajon Successor Agency (Agency) submitted an oversight board approved LMIHF DDR to the California Department of Finance (Finance) on October 12, 2012. Finance issued a LMIHF DDR determination letter on November 9, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer Session was held on December 6, 2012.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance is revising some of the adjustments made in our previous DDR determination letter. Specifically, we are revising the following adjustments:

- Funding for certain Recognized Obligation Payment (ROPS) III items totaling $37,358 was denied in Finance's letter in October 9, 2012. Subsequently, the Agency requested a Meet and Confer session regarding the disputed obligations. Upon review, Finance determined that these items were enforceable obligations. Specifically, Finance determined these items are specific project related costs for projects currently under construction. Specific project costs are not part of the administrative cost allowance and may be listed separately as an enforceable obligation. Therefore, the Agency will be allowed to retain the $37,358 and the amount of LMIHF to be distributed to the taxing entities will be reduced by the same amount.

However, Finance continues to believe some of the adjustments made to the DDR's stated balance of LMIHF available for distribution to the taxing entities is appropriate. HSC section 34179.6 (d) authorizes Finance to make these adjustments. We maintain the adjustments continue to be necessary for the following reasons:

- The Agency contends the retention of $689,023 is necessary to fund the construction for the Chambers Senior Residence project, which is ahead of schedule and will now be expended by December 31, 2012. During the Meet and Confer process, the Agency included a revised ROPS and Oversight Board Resolution approving the expenditure.

However, Finance is not accepting revised ROPS pursuant to HSC section 34177 (m) which states that ROPS for this period were due no later than September 1, 2012. Therefore, the Agency must abide by the ROPS III submitted to Finance on August 15, 2012.

HSC provides successor agencies with various methods to address short term cash flow issues. These may include requesting a loan from the city to cover enforceable obligations pursuant to HSC section 34173 (h). Repayment of these loans can be put on subsequent ROPS. The Agency should seek counsel from its oversight board to determine the solution most appropriate for its situation. Since the Agency has alternatives to address short term cash flow shortages, Finance deems it is not necessary for Agency to retain the requested funds.

- Funds retained for the Weiland Development Company in the amount of $12,814 was denied because on ROPS II Finance only approved payments in the amount of $200,000. The additional $12,814 was not approved; therefore, Finance continues to deny the retention of this amount. Again, the Agency can seek a loan pursuant to HSC 34171 (h) to cover any shortfalls in cash.

The Agency's LMIHF balance available for distribution to the affected taxing entities has been revised to be $2,038,628 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	1,336,712
Finance Adjustments		
Add:		
Expenditure not supported by ROPS:		12,893
Requested retained balance not supported:		689,023
Subtract:		
ROPS III items approved in meet and confer		(37,358)
Total LMIHF available to be distributed:	$	2,038,628

This is Finance's final determination of the LMIHF balances available for distribution to the taxing entities. HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, the successor agency is required to take diligent efforts to recover such funds. A failure to recover and remit those funds may result in offsets to the other taxing entity's sales and use tax allocation or to its property tax allocation. If funds identified for transmission are in the possession of a private entity, HSC 34179.6 (h) (1) (B) states that any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter and Finance's Housing Assets Transfer letter dated August 23, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Zach Stacy, Manager or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,

For

STEVE SZALAY
Local Government Consultant

cc: Ms. Victoria Danganan, Senior Accountant, City of El Cajon
Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego County
Ms. Tracy Sandoval, Assistant Chief Financial Officer, San Diego County
California State Controller's Office

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DEPARTMENT OF FINANCE
CALIFORNIA

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

REVISED

December 21, 2012

Ms. Jenny Ficacci, Successor Agency and Housing Manager
City of El Cajon
200 Civic Center Way
El Cajon, CA 92020

Dear Ms. Ficacci:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the El Cajon Successor Agency (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) to the California Department of Finance (Finance) on October 12, 2012. Finance issued a LMIHF DDR determination letter on November 9, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer Session was held on December 6, 2012.

Finance issued a modified LMIHF DDR determination on December 15, 2012. This letter supersedes Finance's original LMIHF DDR determination letter dated December 15, 2012. It has come to our attention that although the adjusted LMIHF stated balance in Finance's December 15, 2012 letter was correct, there were calculation errors in the table. This letter will serve to provide clarification of those errors.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance revised some of the adjustments made in our previous DDR determination letter. Specifically, we revised the following adjustments:

- Funding for certain Recognized Obligation Payment (ROPS) III items totaling $37,358 was denied in Finance's letter in October 9, 2012. Subsequently, the Agency requested a Meet and Confer session regarding the disputed obligations. Upon review, Finance determined that these items were enforceable obligations. Specifically, Finance determined these items are specific project related costs for projects currently under construction. Specific project costs are not part of the administrative cost allowance and may be listed separately as an enforceable obligation. Therefore, the Agency will be allowed to retain the $37,358 and the amount of LMIHF to be distributed to the taxing entities will be reduced by the same amount.

However, Finance continues to believe some of the adjustments made to the DDR's stated balance of LMIHF available for distribution to the taxing entities is appropriate. HSC section

34179.6 (d) authorizes Finance to make these adjustments. We maintain the adjustments continue to be necessary for the following reasons:

- The Agency contends the retention of $689,023 is necessary to fund the construction for the Chambers Senior Residence project, which is ahead of schedule and will now be expended by December 31, 2012. During the Meet and Confer process, the Agency included a revised ROPS and Oversight Board Resolution approving the expenditure. However, Finance is not accepting revised ROPS pursuant to HSC section 34177 (m) which states that ROPS for this period were due no later than September 1, 2012. Therefore, the Agency must abide by the ROPS III submitted to Finance on August 15, 2012.

  HSC provides successor agencies with various methods to address short term cash flow issues. These may include requesting a loan from the city to cover enforceable obligations pursuant to HSC section 34173 (h). Repayment of these loans can be put on subsequent ROPS. The Agency should seek counsel from its oversight board to determine the solution most appropriate for its situation. Since the Agency has alternatives to address short term cash flow shortages, Finance deems it is not necessary for Agency to retain the requested funds.

- Funds retained for the Weiland Development Company in the amount of $12,814 was denied because on ROPS II Finance only approved payments in the amount of $200,000. The additional $12,814 was not approved; therefore, Finance continues to deny the retention of this amount. Again, the Agency can seek a loan pursuant to HSC 34171 (h) to cover any shortfalls in cash.

The Agency's LMIHF balance available for distribution to the affected taxing entities was revised to be $2,038,628 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities		
Available Balance per DDR:	$	1,336,712
Finance Adjustments		
Add:		
Expenditure not supported by ROPS:		12,893
Requested retained balance not supported:		689,023
Total LMIHF available to be distributed:	$	2,038,628

This is Finance's final determination of the LMIHF balances available for distribution to the taxing entities. HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, the successor agency is required to take diligent efforts to recover such funds. A failure to recover and remit those funds may result in offsets to the other taxing entity's sales and use tax allocation or to its property tax allocation. If funds identified for transmission are in the possession of a private entity, HSC 34179.6 (h) (1)

(B) states that any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter and Finance's Housing Assets Transfer letter dated August 23, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Zach Stacy, Manager or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,

For

STEVE SZALAY
Local Government Consultant

cc: Ms. Victoria Danganan, Senior Accountant, City of El Cajon
Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego County
Ms. Tracy Sandoval, Assistant Chief Financial Officer, San Diego County
California State Controller's Office

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Successor Agency to the El Cajon Redevelopment Agency

Basic Financial Statements and Independent Auditor's Report

For the year ended June 30, 2012

Successor Agency to the El Cajon Redevelopment Agency

Basic Financial Statements

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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To the Oversight Board
Successor Agency of the El Cajon Redevelopment Agency

Independent Auditor's Report

We have audited the basic financial statements of the Successor Agency of the El Cajon Redevelopment Agency (the Successor Agency), as of and for the period of inception, February 1, 2012 through June 30, 2012, which collectively comprise the Successor Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Successor Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Notes A and H to the financial statements, the former Redevelopment Agency of the City of El Cajon (the Agency) dissolved on February 1, 2012, as required by Assembly Bill X1 26 signed into law as part of the State of California's budget package on June 29, 2011. All of the Agency's assets, liabilities and equity, and functions were transferred to the Successor Agency of the El Cajon Redevelopment Agency.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Successor Agency of the El Cajon Redevelopment Agency, as of June 30, 2012 and the respective changes in financial position for the five month period then ended in conformity with accounting principles generally accepted in the United States of America.

Management has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Rogers Anderson Malody & Scott, LLP

November 30, 2012

Successor Agency to the
El Cajon Redevelopment Agency
Statement of Fiduciary Net Assets
June 30, 2012

		2012
ASSETS		
Cash and investments	$	13,037,412
Cash and investments with fiscal agent		6,460,257
Receivables:		
Accounts		54,239
Interest		1,914
Loans		4,880,724
Land held for resale		20,039,418
Capital assets:		
Land and nondepreciable assets		1,753,823
Depreciable assets, net		5,789,536
Unamortized bond issuance cost		357,335
Total assets		52,374,658
LIABILITIES		
Accounts payable and accrued liabilities		5,873,290
Interest payable		880,684
Deposits payable		2,000
Long-term debt		67,101,731
Total liabilities		73,857,705
NET ASSETS		
Held in trust for other purposes		(21,483,047)
Total net assets (deficit)	$	(21,483,047)

The accompanying notes are an integral part of these financial statements.

Successor Agency to the
El Cajon Redevelopment Agency
Statement of Changes in Fiduciary Net Assets
From inception, February 1, 2012 through June 30, 2012

		2012
ADDITIONS		
Property taxes	$	4,227,883
Intergovernmental		18,974
Investment earnings		45,338
Others		73,916
Total additions		4,366,111
DEDUCTIONS		
Administrative expenses		101,514
Program expenses of former redevelopment agency		193,011
Payments to affected taxing entities		3,876,651
Interest and fiscal agency expenses of former redevelopment agency		1,450,577
Total deductions		5,621,753
Extraordinary loss as result of initial transfer		(20,227,405)
Change in net assets		(21,483,047)
Net assets (deficit), beginning		-
Net assets (deficit), ending	$	(21,483,047)

The accompanying notes are an integral part of these financial statements.

Successor Agency to the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2012

Note A: Organization and Summary of Significant Accounting Policies

The basic financial statements of the Successor Agency to the El Cajon Redevelopment Agency (the Successor Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Successor Agency's accounting policies are described below.

1. *Reporting entity*

On January 10, 2012, the City of El Cajon elected to be the successor agency to the former El Cajon Redevelopment Agency (the Agency.) Upon the dissolution of California redevelopment agencies on February 1, 2012, the Successor Agency is tasked with the responsibility of winding down the dissolved redevelopment agency's affairs, continuing to meet the former agency's enforceable obligations, overseeing completion of redevelopment projects, and disposing of the assets and properties of the former redevelopment agency; all as directed and approved by the Oversight Board. Oversight Board members have a fiduciary responsibility to holders of enforceable obligations, as well as to the local agencies that would benefit from property tax distributions from the former redevelopment project area. The Oversight Board of the Successor Agency is comprised of seven members appointed by the:

- County Board of Supervisors (two members)
- Mayor of the City of El Cajon (one member)
- County Superintendent of Education (one member)
- Chancellor of California Community Colleges (one member)
- Largest special district taxing entity (one member); and
- A former redevelopment agency employee appointed by Mayor (one member).

City of El Cajon employees perform the necessary day-to-day activities of the Successor Agency to bring existing projects to completion, collect information and perform analysis regarding disposal of agency assets, and provide administrative support to the Oversight Board.

The Successor Agency's assets and activities are accounted for in a fiduciary fund (private-purpose trust fund), since the Successor Agency is not a component unit of the City of El Cajon's financial reporting entity.

Note A: Organization and Summary of Significant Accounting Policies (continued)

2. *Basis of accounting and measurement focus*

The Successor Agency serves as the custodian of the assets for the dissolved redevelopment agency. Based on the nature of this custodial role, the assets and liabilities of the dissolved redevelopment agency are reported as fiduciary fund (private-purpose trust fund.) The private-purpose trust fund financial statements consist of a Statement of Fiduciary Net Assets ("balance sheet") and a Statement of Changes in Fiduciary Net Assets ("income statement").

Private-purpose trust funds are accounted for using the "economic resources" measurement focus and accrual basis of accounting. Accordingly, all assets and liabilities (both current and noncurrent) are included on the Statement of Fiduciary Net Assets. The Statement of Changes in Fiduciary Net Assets presents additions (revenues) and deductions (expenses) in total net assets. Property tax allocations are recognized when they are due and when a formal commitment to provide the tax distribution has been made. Expenses are recognized when they are due or incurred.

3. *Property Tax*

The Successor Agency's primary source of funding is property taxes allocated by the San Diego County-Auditor's Office (CAC) from the Redevelopment Property Tax Trust Fund (RPTTF). The allocation of property taxes is related to the repayment of the former redevelopment agency's enforceable obligations. The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) estimating the RPTTF funds required to pay its obligations for each six-month period (January-June and July-December.) The ROPS is subject to review and approval of the Oversight Board, CAC, and State Department of Finance (DOF).

The Successor Agency receives allocation of property taxes for its approved ROPS items after payments of the County's administrative costs and pass-through payments to affected taxing entities. In addition to the ROPS payments, the Successor Agency is allocated annually an administrative allowance equal to 3% of the approved RPTTF funding or the minimum amount of $250,000, whichever is greater.

The County of San Diego (County) assesses, bills and collects property taxes on behalf of numerous special districts and incorporated cities. The County distributes property taxes collected and deposited in the RPTTF to the successor agencies and the residual balances to other taxing entities on January and June of each year.

The Successor Agency has no power to levy and collect taxes, and any legislative property tax reduction might decrease the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds and other obligations. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions, would increase the amount of tax revenues that would be available to pay enforceable obligations.

Note A: Organization and Summary of Significant Accounting Policies (continued)

4. *Annual Budget*

Prior to the beginning of the fiscal year, the Oversight Board of the Successor Agency adopts an annual budget for the conduct of necessary activities, including administration, of the former redevelopment agency. Supplemental appropriations required during the period may also be approved by the Board.

5. *Cash and investments*

The cash and investments held by the Successor Agency are pooled in the City's cash and investments, except for cash held by the fiscal agents and funds invested in a Successor Agency Local Agency Investment Fund (LAIF) account. The Successor Agency's share in this pool is displayed in the accompanying basic financial statements as *cash and investments.* Based on monthly average cash and investment balances, investment income earned by the pooled investments is allocated quarterly to the various City funds, City component units and for certain agencies, including the Successor Agency.

The Successor Agency participates in LAIF, an investment pool managed by the State of California. Investments are reported at fair value and changes in fair value that occur during a fiscal year are reported as *investment earnings* for that fiscal year. *Investment earnings* include interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

6. *Land held for resale*

Land held for resale is capitalized at the lower of acquisition cost or estimated resale value.

7. *Capital assets*

Capital assets are reported at historical costs where records are available and at an estimated cost, if no historical records exist. Contributed fixed assets are valued at their estimated fair market value at the date of donation. Equipment purchases and capital projects with costs in excess of $10,000 and estimated useful life in excess of two years are capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Capital Asset	Useful Life
Infrastructure	20 - 60 years
Buildings and improvements	10 - 50 years
Machinery and equipment	2 - 20 years

Note A: Organization and Summary of Significant Accounting Policies (continued)

8. *Liabilities*

Liabilities reflect the Successor Agency's financial obligations as of June 30, including the repayment of tax allocation bonds issued by the former redevelopment agency. Bond issuance and discount costs are deferred and amortized over the life of the bonds using the straight-line method. Long-term debt is reported net of bond discount.

9. *Use of estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the related reported amounts of revenue and expenses during the reporting period. Actual results could differ from estimates. Management believes that the estimates are reasonable.

Note B: Cash and Investments

Cash and investments, as of June 30, 2012, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	$ 13,037,412
Restricted cash and investments with fiscal agent	6,460,257
Total cash and investments	$ 19,497,669

Cash and investments, as of June 30, 2012, consist of the following:

Cash on hand and deposits	$ 790,296
Investments	18,707,373
Total cash and investments	$ 19,497,669

Note B: Cash and Investments (continued)

Equity in the cash and investment pool of the City of El Cajon

The Successor Agency is a voluntary participant in the cash and investment pool managed by the City of El Cajon. The pool is governed by and under the regulatory oversight of the investment policy adopted by the City Council. The Successor Agency did not adopt an investment policy separate from that of the City of El Cajon. The cash and investment pool, other than debt proceeds held in restricted accounts, may be invested in any instrument authorized by the California Government Code Section 53601 and by the City's investment policy. The list of investment types authorized for the City is provided in the cash and investment notes to the basic financial statements of the City.

The Successor Agency's cash and investment pooled in the City's cash and investment is reported in the accompanying financial statements at fair value amounts based upon the Successor Agency's pro-rata share of the fair value calculated for the entire City portfolio.

Investments authorized by debt agreements

Investment of debt proceeds with fiscal agents is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The following table identifies the investment types that are authorized for investments with fiscal agents. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
General Obligations of States	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Pre-Refunded Municipal Obligations	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Note B: Cash and Investments (continued)

Investment in State investment pool

The Successor Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the investment in this pool is stated at amounts based upon the Successor Agency's pro-rata share of fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The maximum investment in LAIF is $50,000,000.

Risk Disclosures

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. Exposure to interest rate risk is minimized by purchasing a combination of shorter term and longer term investments and by timing the cash flows from maturities so that a portion of the portfolio is maturing and or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

The Successor Agency's exposure to interest rate risk as a result of its equity in the cash and investment pool of the City is provided by disclosures in the notes to the basic financial statements of the City that show the distribution of the City's investments by maturity.

The sensitivity of the Successor Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity:

		Remaining maturity			
Investment Type	Amounts	12 Months Or Less	13-24 Months	25-60 Months	More Than 60 Months
State Investment Pool	$ 12,247,116	$ 12,247,116	$ -	$ -	$ -
Held by fiscal agent:					
AIM Short-term Investment Treasury	1,436,426	1,436,426	-	-	-
State Investment Pool	5,023,831	5,023,831	-	-	-
Total	$ 18,707,373	$ 18,707,373	$ -	$ -	$ -

Note B: Cash and Investments (continued)

Risk Disclosures (continued)

Credit Risk – This is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table is the minimum rating required by (where applicable) the California Government Code, the Successor Agency's investment policy or debt agreements, and the actual rating as of June 30, 2012, for each investment type.

		Minimum	Ratings at June 30, 2012	
Investment Type	Amount	Legal Rating	AAA	Not Rated
State Investment Pool	$ 12,247,116	N/A	$ -	$ 12,247,116
Held by fiscal agent:				
AIM Short-term Investment Treasury	1,436,426	AAA	1,436,426	-
State Investment Pool	5,023,831	N/A	-	5,023,831
Total	$ 18,707,373		$ 1,436,426	$ 17,270,947

Custodial Credit Risk – The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or collateral securities that are held by an outside party. As of June 30, 2012, none of the Successor Agency's deposits pooled with the City's deposits was held in uncollateralized accounts. The Successor Agency does not have significant separate certificates of deposit or demand accounts held by the fiscal agent that are subject to custodial credit risk disclosure.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Successor Agency does not have direct investments in securities subject to custodial credit disclosure. For the investments held by the fiscal agent, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Note C: Loans Receivable

One of the Successor Agency's tasks is monitoring the loan agreements entered into by the former El Cajon Redevelopment Agency for financing construction and tenant improvements of businesses in the project area. As of June 30, 2012, the Successor Agency had the following loans receivables:

	Balance at June 30, 2012
Downtown El Cajon Brewery Company, Inc.	
In November 2009, the former Agency entered into an agreement with the Downtown El Cajon Brewery Company, Inc. (the Borrower) to establish a new restaurant and micro-brewing business in downtown El Cajon. The Agency agreed to provide the Borrower with \$345,000 in financial assistance to renovate the existing building and to purchase and install restaurant and brewing equipment. An amendment to the Participation Agreement was executed approving an additional Agency loan of \$300,000 to the Borrower on April 2011. The initial funding request was insufficient to complete renovation of the building to a brewery and restaurant.	
The financial assistance consisted of a forgiveable loan in the amount of \$145,000, which the Agency advanced to the Borrower in fiscal year 2009-10. The loan bears an annual interest rate of 3% to be repaid in ten equal installments. The annual installment may be forgiven provided that the Borrower is in compliance with the operational terms and conditions of the Participation Agreement, or the \$145,000 plus interest must be repaid. The balance outstanding of the forgiveable loan includes accrued interest of \$9,856.	$ 154,856
In fiscal year 2010-11, the remaining \$200,000 was disbursed on a reimbursement basis of actual construction costs. This portion of the financial assistance must be repaid in ten equal annual installments at an interest rate of 3%. The balance outstanding of the repayable loan includes accrued interest of \$2,475.	184,989
The additional loan amount of \$299,715, as approved in the amendment to the Participation Agreement, was disbursed in fiscal year 2011-12. The additional loan must be repaid in ten equal annual installments, with interest rate at 3%. The balance outstanding of the additional loan includes accrued interest of \$8,633.	308,348

Note C: Loans Receivable (continued)

	Balance at June 30, 2012
Parkway Plaza GP, LLC	
In March 2011, the former Agency entered into an Owner Participation Agreement with Parkway Plaza GP, LLC (Developer) to rehabilitate and renovate the Westfield Parkway Shopping Mall (Site). The Agency agreed to loan the Developer up to $2,000,000 for the construction of new façade improvements and landscaping within the shopping center and completion of tenant improvements to accommodate new retail uses. The terms and conditions of the Agency loan are stated in a promissory note. Interest accrues annually on the outstanding principal balance at the LIBOR Rate. The Agency shall forgive accrued interest first, then principal, in an amount equal to the sales taxes and net property taxes generated from the Site each year. The balance of outstanding principal and accrued interest must be paid to the Agency within ten years of the note date. The loan was funded in one disbursement for $1,972,400 on June 30, 2012.	$ 1,972,400
JKC Palm Springs Automotive, Inc.	
In March 2011, the former Agency entered into an Owner Participation Agreement with JKC Palm Springs Automotive, Inc. (Developer) to rehabilitate the real property, buildings, and facilities operated as the Team KIA El Cajon motorcar dealership (Site). The Agency agreed to loan the Developer up to $650,000 for the costs the Developer incurs in planning, designing, and constructing the Site improvements. The note was secured by a Deed of Trust. The loan accrues an annual interest rate of 3% starting on the fourth Operating Year following the date of recordation of the Release Construction Covenants. In the fifth Operating year, the Agency shall forgive accrued interest first, then principal, in an amount equal to the sales taxes generated from the Site each year. In the tenth year from the date of recordation of the Release Construction Covenants, the Developer must pay any balance of outstanding principal and accrued interest to the Agency. As of June 30, 2012, total loan disbursed was $360,131.	360,131

Note C: Loans Receivable (continued)

	Balance at June 30, 2012
Inland Properties (US) Inc.	
In April 2011, the former Agency authorized the sale of the 440 and 542 N. Johnson Avenue property (Site) to Inland Properties (US) Inc. (Developer) for $2,500,000. The Developer made a down payment of $600,000 and a promissory note was executed for the remaining $1,900,000. The note was secured by a Deed of Trust. In the sixth year following the date of recordation of the Release Construction Covenants, repayment begins for a period of ten years, with an annual interest rate of 3.25% on the outstanding principal loan balance. The Agency shall forgive accrued interest first, then principal, in an amount equal to the sales and use taxes generated from sales occurring on the Site in each year.	$ 1,900,000
Total	$ 4,880,724

Note D: Capital Assets

At June 30, 2012, the capital assets held by the Successor Agency consisted of the following:

	Beginning balance*	Additions	Deletions	Transfer to Housing Authority	Ending balance
Nondepreciable assets:					
Land	$ 3,104,729	$ -	$ -	$ (1,350,906)	$ 1,753,823
Construction in progress	4,759,491	-	(4,759,491)	-	-
Total nondepreciable assets	7,864,220	-	(4,759,491)	$ (1,350,906)	1,753,823
Depreciable assets:					
Land improvements	1,233,241	4,759,491	-	-	5,992,732
Total depreciable assets	1,233,241	4,759,491	-	-	5,992,732
Less accumulated depreciation:					
Land improvements	(152,177)	(51,019)	-	-	(203,196)
Total accumulated depreciation	(152,177)	(51,019)	-	-	(203,196)
Capital assets, net	$ 8,945,284	$ 4,708,472	$ (4,759,491)	$ (1,350,906)	$ 7,543,359

*These amounts were transferred from the former redevelopment agency to the Successor Agency, at net book value, as of February 1, 2012.

Note E: Long-Term Liabilities

The Successor Agency is required to make scheduled payments and perform obligations with respect to the long-term liabilities of the former El Cajon Redevelopment Agency. The following is a schedule of changes in long-term liabilities for the five-month period February 1, 2012 through June 30, 2012:

	Beginning balance*	Additions	Deletions	Ending balance	Due within one year
Bonds:					
2000 Tax allocation refunding bonds	$ 15,915,000	$ -	$ -	$ 15,915,000	$ 30,000
2005 Tax allocation refunding bonds	34,770,000	-	-	34,770,000	1,010,000
2007 Tax allocation bonds	14,330,000	-	-	14,330,000	315,000
Subtotal bonds	65,015,000	-	-	65,015,000	1,355,000
Less unamortized discount	(1,087,188)	-	(18,553)	(1,068,635)	-
Total bonds	63,927,812	-	(18,553)	63,946,365	1,355,000
Due to the City of El Cajon	3,062,497	-	-	3,062,497	748,538
Compensated absences	92,869	-	-	92,869	92,869
Total long-term debt	$ 67,083,178	$ -	$ (18,553)	$ 67,101,731	$ 2,196,407

*These amounts were transferred from the former redevelopment agency to the Successor Agency as of February 1, 2012.

Note E: Long-Term Liabilities (continued)

2000 Tax allocation refunding bonds

On August 15, 2000, the former Agency issued $16,000,000 Taxable Tax Allocation Refunding Bonds, Issue of 2000, (the Bonds) to refund the bank notes payable. The Bonds are being issued on a parity basis with the Agency's Tax Allocation Refunding Bonds, Issue of 1997. The Bonds are term bonds maturing on October 1, 2020, and October 1, 2030, and are subject to mandatory redemption from minimum sinking account payments, in part by lot, by October 1, 2006, and October 1, 2021, respectively, and on each October 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. The Bonds are subject to optional redemption prior to maturity, in whole or in part, on any date. Interest is payable semi-annually on April 1 and October 1 at interest rates ranging from 7.6% to 7.7%. The Agency pledged 100% of property tax from the RPTTF as security for the bonds. A reserve requirement in the amount of $1,255,000 must be maintained in the reserve account. As of June 30, 2012, the reserve balance was $1,436,426.

The debt service requirements for the 2000 Bonds at June 30, 2012 were as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 30,000	$ 1,223,875	$ 1,253,875
2014	35,000	1,221,405	1,256,405
2015	40,000	1,218,555	1,258,555
2016	50,000	1,215,135	1,265,135
2017	55,000	1,211,145	1,266,145
2018 – 2022	300,000	5,991,280	6,291,280
2023 – 2027	6,620,000	4,941,860	11,561,860
2028 – 2032	8,785,000	1,415,068	10,200,068
Totals	$ 15,915,000	$ 18,438,323	$ 34,353,323

Note E: Long-Term Liabilities (continued)

2005 Tax allocation refunding bonds

On October 1, 2005, the former Agency issued $40,000,000 Tax Allocation Refunding Bonds, Issue of 2005, (the Bonds) to advance refund the 1997 Tax Allocation Refunding Bonds, of which $29,440,000 were outstanding as of October 1, 2005. As of June 30, 2006, the 1997 bonds had been paid in full. This resulted in a present value cash flow savings of $1,070,000 and a deferred amount on refunding (difference between the present value of the new debt service payments and the old debt service payments) of $10,176,549. The Bonds are term bonds maturing on October 1, 2030 and October 1, 2036, and are subject to mandatory redemption from minimum sinking account payments, in part by lot, on October 1, 2023, and October 1, 2031, respectively, and on each October 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. Interest is payable semi-annually on April 1 and October 1 at interest rates ranging from 3% to 4.5%. The Agency pledged 100% of property revenues from the RPTTF as security for the bonds. The bonds are presented net of unamortized discount of $1,068,635.

The debt service requirements for the 2005 Bonds at June 30, 2012 were as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 1,010,000	$ 1,505,905	$ 2,515,905
2014	1,045,000	1,464,805	2,509,805
2015	1,085,000	1,420,849	2,505,849
2016	1,125,000	1,373,886	2,498,886
2017	1,170,000	1,325,118	2,495,118
2018 – 2022	6,690,000	5,812,825	12,502,825
2023 – 2027	2,300,000	4,717,875	7,017,875
2028 – 2032	3,710,000	4,404,150	8,114,150
2033 – 2037	16,635,000	1,937,137	18,572,137
	34,770,000	23,962,550	58,732,550
Less Unamortized Discount	(1,068,635)	-	(1,068,635)
Totals	$ 33,701,365	$ 23,962,550	$ 57,663,915

Note E: Long-Term Liabilities (continued)

2007 Tax allocation bonds

On October 1, 2006, the former Agency issued $15,750,000 Tax Allocation Bonds, Issue of 2007, (the Bonds) to finance redevelopment project activities within or for the benefit of the City of El Cajon Redevelopment Project Area of the Agency. The Bonds are being issued on a parity basis with the Agency's Taxable Tax Allocation Refunding Bonds, Issue of 2000, and Tax Allocation Refunding Bonds, Issue of 2005. The Bonds are term bonds maturing October 1, 2030, and October 1, 2037, and are subject to mandatory redemption from mandatory sinking account payments, in part by lot, on October 1, 2023, and October 1, 2031, respectively, and on each October 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. The Bonds are subject to optional redemption prior to maturity, in whole or in part, on any date. Interest is payable semi-annually on April 1 and October 1 at interest rates ranging from 3.45% to 4.25%. The Agency pledged 100% of property tax revenues from the RPTTF as security for the bonds. The bonds had unamortized issuance costs of $443,093, which were recorded as an asset and amortized over the life of the bond on a straight-line basis. The balance of the unamortized issuance cost at June 30, 2012 was $357,335.

The debt service requirements for the 2007 Bonds at June 30, 2012 were as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 315,000	$ 607,019	$ 922,019
2014	330,000	593,706	923,706
2015	345,000	579,362	924,362
2016	355,000	564,488	919,488
2017	375,000	548,975	923,975
2018 – 2022	2,120,000	2,489,443	4,609,443
2023 – 2027	1,885,000	2,064,524	3,949,524
2028 – 2032	2,575,000	1,632,615	4,207,615
2033 – 2037	4,530,000	840,657	5,370,657
2038 – 2039	1,500,000	32,813	1,532,813
Totals	$ 14,330,000	$ 9,953,602	$ 24,283,602

Note E: Long-Term Liabilities (continued)

The annual requirements to amortize all bonds outstanding at June 30, 2012, including interest payments to maturity, are as follows:

Year Ending at June 30,	Principal	Interest	Total
2013	$ 1,355,000	$ 3,336,799	$ 4,691,799
2014	1,410,000	3,279,916	4,689,916
2015	1,470,000	3,218,766	4,688,766
2016	1,530,000	3,153,509	4,683,509
2017	1,600,000	3,085,238	4,685,238
2018 – 2022	9,110,000	14,293,548	23,403,548
2023 – 2027	10,805,000	11,724,259	22,529,259
2028 – 2032	15,070,000	7,451,833	22,521,833
2033 – 2037	21,165,000	2,777,794	23,942,794
2038 – 2039	1,500,000	32,813	1,532,813
	65,015,000	52,354,475	117,369,475
Less Unamortized Discount	(1,068,635)	-	(1,068,635)
Totals	$ 63,946,365	$ 52,354,475	$ 116,300,840

Due to the City of El Cajon

The Agency entered into an agreement with the City of El Cajon to purchase the property at 100 Fletcher Parkway on June 15, 2011. The property was the site of the former police facility. Amendments to the general plan and zoning designations were adopted prior to the purchase in order to facilitate future commercial development and to increase the marketability of the property. The appraisal was for $4,850,000, which was the purchase price of the property. The former Agency made a $1 million down payment and executed a Promissory Note secured by a Deed of Trust for $3,850,000. The note bears an interest rate of 3% and requires an annual payment (total principal and interest) of $840,665 for five years. The Promissory Note has been approved by the Successor Agency Oversight Board and State Department of Finance as an enforceable obligation funded by property tax revenues from the RPTTF. The balance of outstanding principal at June 30, 2012 was $3,062,497.

Compensated Absences

The outstanding balance of compensated absences represents accrued unused leave benefits, as of January 31, 2012, of employees who were previously performing redevelopment and low and moderate income housing functions. The balance of $92,869 will be liquidated with funds distributed from the RPTTF for the ROPS period of January-June 2013.

Note F: Debt Without Government Commitment

In April 1998, the former El Cajon Redevelopment Agency issued $5,400,000 Variable Rate Demand Multifamily Housing Revenue Bonds, Series 1998 (Park-Mollison and Madison apartments) to provide for the acquisition and rehabilitation of two multifamily rental housing developments owned by Madison/Mollison, L.P., a California limited partnership. Pursuant to a Loan Agreement, the former redevelopment agency loaned the proceeds of the Bonds to the Owner for its use in financing the project. The principal and interest on the Bonds are secured solely by a pledge of revenues (loan repayments) under the Indenture, including amounts drawn under an irrevocable Letter of Credit and an irrevocable Standby Letter of Credit. Therefore, the liability for the Bonds is not an enforceable obligation of the former redevelopment agency. At June 30, 2012, $4,400,000 was outstanding.

Note G: Commitments and Contingencies

Some enforceable obligations of the Successor Agency represent agreements, contracts or other commitments for the expenditure of monies. They do not constitute as expense or liability for financial statement purposes because these commitments will be honored in subsequent years.

Note H: Subsequent Events

Assembly Bill 1484

As part of the FY 2012-13 state budget package, Assembly Bill (AB) 1484 was signed by the Governor on June 27, 2012. The primary purpose of the bill was to make technical and substantive amendments to ABx1 26 (Dissolution Act) based on implementation questions and issues that have arisen at the state and local levels. The bill took effect immediately upon signature by the Governor. AB 1484 imposed important new tasks and reporting requirements, including several deadlines, on county auditor-controllers (CAC) and successor agencies.

One of the major provisions of AB1484 was the addition of Health and Safety Code (HSC) Section 34183.5, which set the procedures for distributing any residual amounts of funds in the RPTTF that would have been available if ABx1 26 had gone into effect when originally intended. If the redevelopment agency had been dissolved effective October 1, 2011, under the Dissolution Act as originally set out in the statute (rather than on February 1, 2012, as modified by the Supreme Court), the first distribution from the RPTTF would have been in January 2012 and would have covered the initial Recognized Obligation Payment Schedule (ROPS) period of January 1, 2012 through June 30, 2012. However, because of the Supreme Court stay, the funds that would have been available for deposit into the RPTTF for the January 2012 distribution were distributed to the dissolved redevelopment agencies late in 2011 and used by most agencies to pay enforceable obligations incurred since July 1, 2011.

Note H: Subsequent Events (continued)

Assembly Bill 1484 (continued)

AB 1484 required the distribution of residual funds deemed to be owing to the taxing entities from the first ROPS period of January through June 2012. The residual amounts owed to the taxing entities were determined based on the initial ROPS and agency administrative costs approved by the State Department of Finance (DOF). The Successor Agency was required to make the payment demanded by the CAC by July 12, 2012. Failure to make the payment would subject the Successor Agency to penalties and the City, as Successor Agency, would have not received its distribution of sales and use tax on July 18, 2012, or any subsequent distributions, up to the full amount owed to the taxing entities. On July 12, 2012, the Successor Agency paid the residual balance in the amount of $3,876,651 to the County of San Diego.

HSC Section 34179.5 was also added providing new procedures for reviewing the available cash assets of the dissolved redevelopment agencies. As required under AB1484, the Successor Agency has employed a licensed accountant to conduct due diligence reviews of the Low and Moderate Income Housing Fund (LMIHF) and all other Successor Agency Funds in order to determine the unobligated cash balances available for allocation to taxing entities. Upon approval of the due diligence reviews by the Oversight Board and the DOF, the Successor Agency is required to transmit the funds to the CAC within five days of the determination notification from the DOF. Remittance of unobligated funds in the LMIHF is due in November, 2012 and all other Successor Agency Funds in April, 2013.

Downtown El Cajon Brewery Company, Inc.

On October 1, 2012, the Downtown El Cajon Brewery Co, Inc. decided to file for reorganization under Chapter 11 of the Bankruptcy Code. Under reorganization, the court establishes a payment schedule for the company's creditors that is more in tune with the income of the company. This allows the company to continue doing business and assures all creditors are paid. The former El Cajon Redevelopment Agency and owners executed and/or recorded legal documents as a lien against the fixtures and equipment, including the subject property, and are the security for what are now all Successor Agency loans.