

NOTICE

The Successor Agency to the Compton Community Redevelopment Agency, is a distinct and separate legal entity from the City of Compton, and was established by Resolution No. 1, adopted on February 7, 2012. The Successor Agency is limited to the assets and liabilities of the dissolved Community Redevelopment Agency (CRA) of the City of Compton and shall have the authority to perform the functions and duties described in Part 1.85 to Division 24 of the California Health and Safety Code.

GOVERNING BODY OF THE SUCCESSOR AGENCY

AGENDA

**Tuesday, July 24, 2012
6:00 PM**

WORKSHOPS

HEARINGS

OPENING

ROLL CALL

PUBLIC COMMENTS ON AGENDA AND NONE-AGENDA ITEMS

APPROVAL OF MINUTES

EXECUTIVE DIRECTOR REPORTS

- 1. CITY OF COMPTON'S COMMUNITY REDEVELOPMENT AGENCY'S 2011 ANNUAL FINANCIAL REPORT (Receive/File)**

GENERAL COUNSEL REPORTS

CLOSED SESSION

UNFINISHED BUSINESS

NEW BUSINESS

2. A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON RECOMMENDING SUBMISSION TO THE COMPTON OVERSIGHT BOARD AN AGREEMENT BETWEEN THE SUCCESSOR AGENCY AND JONES LANG LA SALLE TO PROVIDE PROFESSIONAL SERVICES IN CONNECTION WITH IMPLEMENTING THE REQUIREMENTS OF ASSEMBLY BILL 26 AND ASSEMBLY BILL 1484
3. A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON ADOPTING THE BUDGET OF THE SUCCESSOR AGENCY FOR FISCAL YEAR 2012-2013

DIRECTORS COMMENTS

ADJOURNMENT

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**

Annual Financial Report

Fiscal Year Ended June 30, 2011

#1.

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COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON
Annual Financial Report
June 30, 2011

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**Community Redevelopment Agency
of the City of Compton
Compton, California**

INDEPENDENT AUDITORS' REPORT

We were engaged to audit the accompanying financial statements of the governmental activities and each major fund of the Community Redevelopment Agency of the City of Compton (the "Agency"), a component unit of the City of Compton, California, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Community Redevelopment Agency of the City of Compton.

On December 1, 2011, the Mayor of the City of Compton sent a letter to the California State Controller alleging waste, fraud, and abuse of public monies. Audit inquiries made to the Mayor went unanswered; therefore, we were unable to determine the financial impact of this allegation on the City of Compton financial statements as of and for the year ended June 30, 2011. Further, the City of Compton did not take steps necessary to evaluate the financial impact of the allegation made, nor did the Mayor of the City of Compton respond to audit inquiries made. We were unable to satisfy ourselves about these matters by means of other audit procedures.

Because the significance of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

As described further in Note 1 to the financial statements, the accompanying financial statements reflect certain changes in the reporting of fund types and fund balance classifications for governmental funds due to the implementation of GASB Statement No. 54.

The accompanying financial statements have been prepared assuming that the Agency will continue as a going concern. As discussed in Note 13 to the financial statements, on December 29, 2011, the Supreme Court of the State of California upheld the enforceability of legislation that provides for the dissolution of California redevelopment agencies. The full impacts of this most recent development are not known at this time. These recent legislative and judicial actions raise substantial doubt about the Agency's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Agency has not presented *management's discussion and analysis* that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

**Community Redevelopment Agency
of the City of Compton
Compton, California
Page Two**

We were engaged to conduct an audit for the purposes of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying major fund budgetary comparison schedules and computation of excess surplus listed as supplementary information in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. As discussed above, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the basic financial statements, and accordingly, we do not express an opinion on the accompanying supplementary schedules in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2012 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in blue ink, reading "Myron Hoffman, M. L. L.", is positioned above the typed name and title.

Irvine, California
June 27, 2012

BASIC FINANCIAL STATEMENTS

#1.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Statement of Net Assets
June 30, 2011**

	Governmental Activities
Assets:	
Cash and investments (note 3)	\$ 78,312,856
Property taxes receivable	1,077,522
Accounts receivable	3,557,359
Notes receivable, net (note 4)	327,972
Loans receivable (note 8)	29,995,977
Deposits	1,220,957
Land held for resale	40,172,475
Capital assets (note 6):	
Nondepreciable	12,321,394
Depreciable, net	9,956,200
Deferred bond issuance costs	2,204,162
Total assets	179,146,874
Liabilities:	
Accounts payable and contract retentions	204,518
Other accrued liabilities	1,575,565
Interest payable	1,972,483
Due to City of Compton	309,249
Deposits	371,672
Long-term liabilities (note 7):	
Postemployment benefit obligation	1,910,105
Due within one year	8,520,000
Due in more than one year	152,437,822
Total liabilities	167,301,414
Net assets:	
Invested in capital assets, net of related debt	22,277,594
Restricted for:	
Debt financed projects	51,610,325
Debt service	19,054,522
Low/moderate income housing	13,128,885
Unrestricted	(94,225,866)
Total net assets	\$ 11,845,460

See Accompanying Notes to Basic Financial Statements.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Statement of Activities
For the Year Ended June 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Redevelopment	\$ 23,169,974	\$ -	\$ -	\$ -	\$ (23,169,974)
Interest and fiscal charges	7,681,813	-	-	-	(7,681,813)
Total	<u>\$ 30,851,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(30,851,787)</u>
General revenues:					
Incremental property taxes (net of SERAF/passthrough payments)					19,308,263
Special property taxes					7,970,610
Investment income					569,055
Other					91,325
Transfers from the City of Compton, net					<u>1,029,577</u>
Total general revenues and transfers					<u>28,968,830</u>
Change in net assets					(1,882,957)
Net assets, beginning					<u>13,728,417</u>
Net assets, ending					<u>\$ 11,845,460</u>

See Accompanying Notes to Basic Financial Statements.

#1.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Balance Sheet
Governmental Funds
June 30, 2011**

	Capital Projects Funds			Total Governmental Funds
	Debt Service	Capital Projects	Low/Moderate Income Housing	
Assets:				
Cash and investments	\$ 19,054,522	51,610,325	\$ 7,648,009	\$ 78,312,856
Property taxes receivable	4,126,092	-	-	4,126,092
Accounts receivable	-	508,789	-	508,789
Due from other funds (note 5)	-	-	5,027,002	5,027,002
Notes receivable, net (note 4)	-	327,972	-	327,972
Loans receivable (note 8)	-	9,850,000	20,145,977	29,995,977
Deposits	-	1,220,957	-	1,220,957
Land held for resale	-	39,677,176	495,299	40,172,475
Total assets	\$ 23,180,614	\$ 103,195,219	\$ 33,316,287	\$ 159,692,120
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ -	\$ 204,518	\$ -	\$ 204,518
Accrued liabilities	-	1,534,140	41,425	1,575,565
Due to other funds (note 5)	-	5,027,002	-	5,027,002
Due to City of Compton	-	309,249	-	309,249
Deposits	-	371,672	-	371,672
Deferred revenue	1,077,522	7,327,972	20,145,977	28,551,471
Total liabilities	1,077,522	14,774,553	20,187,402	36,039,477
Fund balances:				
Spendable:				
Restricted for:				
Debt Service	22,103,092	-	-	22,103,092
Community development	-	88,420,666	-	88,420,666
Low and moderate income housing	-	-	13,128,885	13,128,885
Total fund balances	22,103,092	88,420,666	13,128,885	123,652,643
Total liabilities and fund balances	\$ 23,180,614	\$ 103,195,219	\$ 33,316,287	\$ 159,692,120

See Accompanying Notes to Basic Financial Statements.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2011**

Fund balances for governmental funds	\$ 123,652,643
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Amounts reported for governmental activities in the statement of net assets are different because:

Long-term loans receivable are not available to pay for current period expenditures and, therefore, are shown as deferred revenue in governmental funds.	28,551,471
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Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:

Nondepreciable	\$ 12,321,394	
Depreciable, net	9,956,200	22,277,594

Long-term liabilities, including bonds payable, and deferred charges are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities, both current and long-term, are reported in the Statement of Net Assets:

Long-term debt	\$ (160,957,822)	
Accrual for postemployment benefits	(1,910,105)	
Deferred charges for issuance costs (amortized over life of debt)	2,204,162	(160,663,765)

Accrued interest payable that is not due and payable, is not reported in governmental funds.	(1,972,483)
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Net Asset of Governmental Activities	\$ 11,845,460
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See Accompanying Notes to Basic Financial Statements.

#1.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON**
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

		Capital projects Fund		
	Debt Service	Capital Projects	Low/Moderate Income Housing	Total Governmental Funds
Revenues:				
Incremental property taxes	\$ 17,668,571	\$ -	\$ 4,417,118	\$ 22,085,689
Special property taxes	7,970,610	-	-	7,970,610
Use of money and property	1,444	558,354	9,257	569,055
Other	-	-	91,325	91,325
 Total revenues	 25,640,625	 558,354	 4,517,700	 30,716,679
Expenditures:				
Current:				
Redevelopment	-	30,545,854	3,234,511	33,780,365
Debt service:				
Pass-through payments	2,777,426	-	-	2,777,426
Principal	7,305,000	-	-	7,305,000
Interest	5,415,711	-	-	5,415,711
 Total expenditures	 15,498,137	 30,545,854	 3,234,511	 49,278,502
 Excess of revenues over expenditures	 10,142,488	 (29,987,500)	 1,283,189	 (18,561,823)
Other financing sources (uses):				
Transfers in (note 5)	-	18,280,114	213,445	18,493,559
Transfers out (note 5)	(17,676,838)	-	(816,721)	(18,493,559)
Transfers from City	-	1,060,252	-	1,060,252
Transfers to City	-	-	(30,675)	(30,675)
Total other financing sources (uses)	(17,676,838)	19,340,366	(633,951)	1,029,577
 Net change in fund balances	 (7,534,350)	 (10,647,134)	 649,238	 (17,532,246)
 Fund balances, beginning, as restated (note 14)	 29,637,442	 99,067,800	 12,479,647	 141,184,889
 Fund balances, ending	 \$ 22,103,092	 \$ 88,420,666	 \$ 13,128,885	 \$ 123,652,643

See Accompanying Notes to Basic Financial Statements.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON**
**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011**

Net changes in fund balances - total governmental funds \$ (17,532,246)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay and other capital projects as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 11,259,873	
Less current year depreciation	<u>(427,105)</u>	10,832,768

The repayment of the principal of the long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets. This amount is the effect of the difference in the treatment of long-term debt.

7,305,000

Interest and other expenditures reported in the Statement of Activities do not require the use of current financial resources and therefore are not accrued as expenses in governmental funds.

Accrued interest	\$ (745,988)	
Current year interest accretion	(2,608,271)	
Change in postemployment obligation	(243,707)	
Compensated absences	21,330	
Amortization of deferred on refunding	(326,333)	
Amortization of bonds premium	278,233	
Amortization of bonds discount	(23,588)	
Amortization of bond issuance costs	<u>(193,925)</u>	(3,842,249)

Certain revenues were not available to pay for current year expenditures and were excluded from the governmental fund. Those revenues are however, part of the government-wide statement of activities.

1,353,770

Changes in Net Assets of Governmental Activities

\$ (1,882,957)

See Accompanying Notes to Financial Statements.

#1.

NOTES TO BASIC FINANCIAL STATEMENTS

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011**

(1) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used in preparation of the basic financial statements of the Community Redevelopment Agency (Agency) of the City of Compton (City).

(a) Reporting Entity

The Agency is considered to be a component unit of the City for overall financial reporting purposes. Accordingly, it has been included within the basic financial statements of the City in accordance with generally accepted accounting principles.

The Agency was created by the City Council of the City in 1967. The Agency was established pursuant to the California Community Redevelopment Law, as codified in Part 1 of Division 24 of the State of California Health and Safety Code. Through the creation of designated project areas, the Agency is broadly empowered to engage in the general acquisition and development of property in those areas of the City determined to be in a declining state.

(b) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Agency.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Agency considers all of its funds as major governmental funds:

- Debt Service Fund - This fund was established to finance and account for the payment of interest and principal on the Agency's outstanding long-term indebtedness. The principal sources of revenue of this fund are tax increments, special taxes, and investment income.
- Capital Projects Fund – This fund is used to account for all revenues and costs of implementing various projects in accordance with the California Community Redevelopment Law and Public Financing, including acquisition of properties, cost of site improvements, and other costs of benefits to the project areas as well as administrative expenditures incurred in sustaining project activities.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(1) Summary of Significant Accounting Policies, (Continued)

- Low/Moderate Income Housing Capital Projects Fund – This fund is used to account for all projects and their administration required under redevelopment law for low and moderate income housing. Funding for this activity is from tax increment funds designated for such purpose by State Law (Health and Safety Code Section 33334.2).

(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from property taxes is recognized in the fiscal year from which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when they are measurable and available as net current assets. The primary revenue sources susceptible to accrual are property taxes, investment income and capital projects financing sources. The Agency considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the Agency. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt which is recognized when due.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, and then use unrestricted resources as needed.

(d) *Incremental Property Taxes*

Incremental Property Tax Revenues represent taxes collected in the Agency's redevelopment project areas from the excess of taxes levied and collected over that amount which was levied and collected in the base year (the inception year of redevelopment project areas) property tax assessment along with a provision for inflation.

The County of Los Angeles (County) assesses, bills, and collects property taxes on behalf of numerous special districts and incorporated cities, including the Community Redevelopment Agency of the City of Compton. The Agency's collections of current year's taxes are received through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on the 4th Monday of September of the tax year and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal year

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(1) Summary of Significant Accounting Policies, (Continued)

ended 1978, general property taxes are based either on a flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-76 valuation. Taxable values of properties (exclusive of increases related to sales and new construction) can raise a maximum of 2% per year. The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). For fiscal year ended June 30, 2010, the Agency's general property taxes rate is 1.45%.

Property owners of the City can appeal the assessment of their property to the County Assessment Appeals Board. Property taxable values may be reduced as a result of a successful appeal of the taxable value of property determined by the County Assessor. An appeal may result in a reduction of the County Assessor's original taxable value and tax refund to the applicant property owner. The reduction in future Project Areas taxable values and the refund of taxes affects all taxing entities.

Property taxes are considered as revenues of the project area when notification is received from the County of Los Angeles and collected within 60 days after year-end. Such tax revenues are adjusted to their net realizable values by deducting any estimated uncollectible amounts reported to the Agency.

Under terms of the covenants of the Agency's refunding tax allocation bond issue agreements, all incremental property tax revenues arising from the project area are to be deposited when collected into a designated fund administered by an independent fiscal agent and pledged to the payment of the principal and interest on the bonds, subject to the terms of the Agency's bond agreements and resolutions.

(e) Tax Increment Financing

Incremental property tax revenues are collected pursuant to the California Community Redevelopment Law and represent the excess of taxes levied and collected each year in a designated project area over and above the amount which would have been produced from the original assessed value at current rates. This original assessed value is shown on the last equalized property tax assessment roll prior to the effective date of the City Council ordinance establishing the project area. Such funds are restricted to pay the principal and the interest on loans, monies advanced to or indebtedness incurred by the Agency to finance, or refinance the designated redevelopment project.

When such loans, advances, and indebtedness of the project area and interest thereon have been paid, all monies thereafter received from taxes upon the taxable property in the project area shall be paid into the funds of the respective taxing agencies.

(x) Voter Approved Special Property Tax Financing

In 2002 the voters approved the Measure C and Measure I bond measures relating to Compton Community College and Compton Unified School District, respectively.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(1) Summary of Significant Accounting Policies, (Continued)

(f) Investments

Investments are stated at fair value, generally based on quoted market prices. The Agency's investment in the Local Agency Investment Fund (LAIF) is part of the State Treasurer's Investment Pool operated in accordance with California Code Section 16429. The reported value of the pool is the same as the fair value of the pool shares. Investments in money market mutual funds are stated at fair value which as of the year end equals the costs of the investments in the money market mutual funds.

(g) Land Held for Resale

Land Held for Resale, purchased by the Agency, is reported in the government-wide and fund financial statements at the lower of cost or estimated realizable value. upon the execution of a disposition and development agreement.

(h) Notes and Loans Receivable

The accompanying financial statement reflect the recording of certain loans receivable that represent loans made to private developers and other parties. In certain cases, the amount of collection is dependent upon future residual receipts to be generated at an amount sufficient to pay all liens against the property, including the obligation to the Agency. Where reasonably estimable, allowance for doubtful accounts has been recorded to reflect management's best estimate of likely losses associated with non-repayment. An estimate of any additional potential losses associated with non-repayment cannot be reasonably estimated at this time.

(i) Capital Assets

Capital assets, which include land, building, structures, and equipment (including furniture), are reported in the applicable governmental activities in the accompanying government-wide financial statements. Capital assets are defined using guidelines established by the City. Such guidelines assert that as assets with an initial individual cost of more than \$5,000 (\$50,000 for infrastructure) and an estimated useful life in excess of one year are to be considered capital assets. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets that are constructed on behalf of the City of Compton are recorded as construction in process until completed. Once completed the capital asset is transferred/contributed to the City of Compton. Because of a change in the law relating to California Redevelopment Agencies (Note 13) which does not permit transfers of assets after January 1, 2011, the Agency did not contribute two completed projects to the City of Compton. Those projects are shown as Infrastructure in Note 6.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(1) Summary of Significant Accounting Policies, (Continued)

(i) Capital Assets, (Continued)

Depreciation on capital assets within the Agency is computed on a straight-line method using these estimated useful lives:

Building and structures	40 years
Land improvements	20 years
Equipment	5-10 years

(j) Deferred Bond Issuance Costs

In the government-wide financial statements, Deferred Bond Issuance Costs represent the unamortized portion of bond issuance costs. These costs will be amortized over the life of the related bonds using a method which approximates the effective interest method.

(k) Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, bond issuance costs and bond refunding gains and losses are amortized over the life of the bonds, using a method that approximates the effective interest method. Net bonds payable reflect amortized bond accretion and unamortized bond discounts, premiums and refunding gains and losses.

(l) Net Assets and Fund Balances

In the government-wide financial statements net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets and unrestricted net assets.

- Invested in Capital Assets, Net of Related Debt - This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Assets - This category present external restrictions imposed by creditors, grantors, contributors or law or regulations of other government and restriction imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets - This category represents net assets of the Agency, no restricted for any project or other purpose

(m) Fund Balance

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(1) Summary of Significant Accounting Policies, (Continued)

(m) Fund Balance, (Continued)

Due to the implementation of GASB No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below.

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Spendable Fund Balance

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by legal requirements imposed by other governments, external resource providers, or creditors. City Council imposed restrictions do not create restricted fund balance unless the legal document that initially authorized the revenue (associated with that portion of fund balance) also included language that specified the limited use for which the authorized revenues were to be expended.

Committed Fund Balance – this includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (for example, resolution, ordinance, minutes action, etc.) that it employed to previously commit those amounts. If the Council action that limits the use of the funds was separate from the action that initially created the revenues that form the basis for the fund balance, then the resultant fund balance is considered to be committed, not restricted. The Redevelopment Agency considers a resolution to constitute a formal action of City Council for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are intended to be used for specific purposes as indicated either by City Council or by persons to whom City Council has delegated the authority to assign amounts for specific purposes. City Council has delegated such authority to the City Controller.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

It is the city's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Council.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(1) Summary of Significant Accounting Policies, (Continued)

(n) Use of Estimates

The preparation of the accompanying financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenditures, as well as disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(2) Stewardship, Budget and Budgetary Accounting

Budgetary Information

In conjunction with the City's process, the Agency's budget is prepared under the direction of the City Manager. Revenues are budgeted based on sources. Expenditures are budgeted by department, program and object of expenditure. Although the appropriated budget is classified by departments, programs/projects and objects of expenditure, the City Manager is authorized to transfer budgeted amounts within funds subject to a maximum amount of \$5,000. Amounts above the \$5,000 threshold require the approval of the Agency's Commission. The Commission approval is also required for an increase in total individual fund appropriations. Budgets are adopted on a basis substantially consistent with generally accepted accounting principles. Accordingly, actual revenues and expenditures can be compared to related budgeted amounts without any significant reconciling items.

(3) Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 78,312,856
Total cash and investments	<u>\$ 78,312,856</u>

Cash and investments at June 30, 2011 are classified as follows:

Deposits with financial institutions	\$ 4,160,710
Investments	<u>74,152,146</u>
Total cash and investments	<u>\$ 78,312,856</u>

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(3) Cash and Investments, (Continued)

Investments Authorized by the City's Investment Policy

The Agency utilizes the City of Compton's statement of Investment Policy. The investment policy is more conservative and restrictive than the investment vehicles authorized by Section 53601 of the California Government Code. Investment vehicles not specifically mentioned in the City's investment policy are not authorized unless the policy is amended by the City Council or are approved as part of the provisions of the bond indentures.

Investments are limited to:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentages of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S Treasury bills	5 years	None	None
U.S. treasury Notes	5 years	None	None
Federal Agency Securities	5 years	None	None
Negotiable Certificates of deposit	5 years	30%	15%
Banker's Acceptances	180 days	40%	15%
Commercial paper	270 days	15%	15%
Repurchase Agreements	90 days	None	15%
Reverse Repurchase Agreements	90 days	20%	15%
Time Deposits	None	25%	15%
Medium Term Corporate notes	5 years	30%	15%
Money Market Funds	None	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	15%
Mutual Funds	5 years	20%	None

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these agreements that address interest rate risk, credit risk, and concentration of credit risk.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON**
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011

(3) Cash and Investments, (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentages of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. treasury Notes	5 years	30%	None
Federal Agency Securities	5 years	30%	None
Negotiable Certificates of deposit	5 years	None	30%
Banker's Acceptances	180 days	40%	15%
Commercial paper	270 days	40%	None
Repurchase Agreements	90 days	None	None
Time Deposits	None	25%	None
Money Market Funds	None	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Guaranteed Investment Contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows maturities so that a portion of the portfolio is maturing or close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (In Months) 12 Months Or Less</u>
State investment pool	\$ 3,487,299	\$ 3,487,299
Held by Fiscal Agent:		
Money market funds	<u>70,664,847</u>	<u>70,664,847</u>
Total	<u>\$ 74,152,146</u>	<u>\$ 74,152,146</u>

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON**
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011

(3) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>Not Rated</u>
State Investment pool	\$ 3,487,299	AAA	\$ -	\$ 3,487,299
Held by Fiscal Agent:				
Money market funds	<u>70,664,847</u>	N/A	<u>70,664,847</u>	<u>-</u>
Total	<u>\$ 74,152,146</u>		<u>\$ 70,664,847</u>	<u>\$ 3,487,299</u>

Custodial Credit Risk

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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. Investments issued explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt. GAAP requires disclosure of certain investments in any one issuer that represent 5% or more of total investments. As of June 30, 2011, the Agency does not have such investment.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(3) Cash and Investments, (Continued)

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the 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.

The total amount invested by all public agencies in LAIF as of June 30, 2011 was \$24 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2011 had a balance of \$66.4 billion, of that amount, 5.02% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 237 days as of June 30, 2011.

(4) Notes Receivable

The notes receivable as of June 30, 2011 are composed of the following:

<u>Borrower</u>	<u>Note Receivable Balance</u>	<u>Allowance</u>	<u>Note Receivable Balance, Net</u>
Bakewell and Bunkley Investment Company	\$ 3,500,000	\$ (3,172,028)	\$ 327,972
Steve Levaton	2,572	(2,572)	-
William and Carolyn German	46,250	(46,250)	-
Rolando and Elida Martinez	<u>32,063</u>	<u>(32,063)</u>	<u>-</u>
Total notes receivable	<u>\$ 3,580,885</u>	<u>\$ (3,252,913)</u>	<u>\$ 327,972</u>

In May 2006, outstanding notes receivable from Bakewell and Bunkley Investment Company, Compton Commercial Development Company, and Compton Commercial Plaza Company were relieved by a Mutual Release of Claims and Settlement Agreement. The Settlement Agreement relieved all parties involved from all existing debt obligations; however, it created the new debt obligation of \$3,500,000. The Agency expected to receive only the difference between the new and old loans. Therefore, the amount of the May 2006 note was transferred into an allowance for doubtful accounts.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON**
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011

(5) Interfund Receivables, Payables and Transfers

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Capital projects fund	\$ -	\$ 5,027,002
Low/moderate income housing capital project fund	<u>5,027,002</u>	<u>-</u>
	<u>\$ 5,027,002</u>	<u>\$ 5,027,002</u>

These interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) payments between funds are made.

	<u>Capital Projects Fund</u>	<u>Transfers in Low/Moderate Income housing Fund</u>	<u>Sub-Total</u>
Transfers out:			
Debt service fund	\$ 17,463,393	\$ 213,445	\$ 17,676,838
Low/moderate income housing capital project fund	<u>816,721</u>	<u>-</u>	<u>816,721</u>
	<u>\$ 18,280,114</u>	<u>\$ 213,445</u>	<u>\$ 18,493,559</u>

Interfund transfers were primarily used to fund capital improvements and debt service payments.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(6) Capital Assets

A summary of changes in capital assets for the year ended June 30, 2011 is as follows:

	Balance at July 1, 2010 <u>As restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 2011
Capital Assets, not Being depreciated:				
Land	\$ 1,190,859	-	-	1,190,859
Construction in progress	<u>2,470,353</u>	<u>11,259,873</u>	<u>(2,599,691)</u>	<u>11,130,535</u>
Total Capital Assets, not Being depreciated	<u>3,661,212</u>	<u>11,259,873</u>	<u>(2,599,691)</u>	<u>12,321,394</u>
Capital Assets, Being Depreciated:				
Buildings and structures	11,183,144	86,955	-	11,270,099
Land Improvements	1,331,981	-	-	1,331,981
Equipment	181,988	-	-	181,988
Infrastructure	<u>-</u>	<u>2,512,736</u>	<u>-</u>	<u>2,512,736</u>
Total Capital Assets, Being Depreciated	<u>12,697,113</u>	<u>2,599,691</u>	<u>-</u>	<u>15,296,804</u>
Less Accumulated Depreciation for:				
Buildings and Structures	(3,677,692)	(263,656)	-	(3,941,348)
Land Improvements	(1,135,480)	(58,559)	-	(1,194,039)
Equipment	(100,327)	(21,031)	-	(121,358)
Infrastructure	<u>-</u>	<u>(83,859)</u>	<u>-</u>	<u>(83,859)</u>
Total Accumulated Depreciation	<u>(4,913,499)</u>	<u>(427,105)</u>	<u>-</u>	<u>(5,340,604)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,783,614</u>	<u>2,172,586</u>	<u>-</u>	<u>9,956,200</u>
Governmental Activities Capital Assets, Net	<u>\$11,444,826</u>	<u>13,432,459</u>	<u>(2,599,691)</u>	<u>22,277,594</u>

Depreciation expense of \$427,105 was reported within general government expense in the accompanying Statement of Activities for the year ended June 30, 2011.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(7) Long-Term Debt

As of June 30, 2011, bond indebtedness consisted of the following:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate/Yield</u>	<u>Amount of Issue</u>	<u>Outstanding at June 30, 2011</u>
1995 Series "C" refunding tax allocation capital appreciation bonds - taxable (The outstanding balance of \$34,818,490 includes \$24,680,960 of accreted value)	07/01/95	8/1/2024	7.94%	\$ 10,137,530	\$ 34,818,490
2006 Series "A" refunding tax allocation bonds – tax exempt	07/06/06	8/1/2013	5.00%	51,215,000	24,300,000
2010 Series "A", "B" and "C" community redevelopment second lien tax allocation bonds	6/9/10	8/2/2024 & 8/2/2042	3.00% - 7.74%	100,725,000	<u>100,725,000</u>
Total Bonds Outstanding					159,843,490
Less: Bond discount					(731,217)
Less: Deferral on refunding					(652,666)
Add: Bond premium					556,465
Tax sharing obligations					1,676,476
Compensated absences					265,274
Postemployment benefit obligation					<u>1,910,105</u>
Total Bond Indebtedness					<u>\$ 162,867,927</u>

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(7) Long-Term Debt, (Continued)

The following is a summary of the changes in long-term debt outstanding for the year ended June 30, 2011:

<u>Governmental Activities</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>	<u>Amount Due Within One Year</u>
Debt long-term liabilities:					
Bonds payable:					
1995 series "C" refunding tax allocation bonds – taxable (the balances of \$34,818,490 includes \$24,680,960 of accreted value)	\$10,137,530	-	-	10,137,530	-
Add: Interest accretion	22,072,689	2,608,271	-	24,680,960	-
2006, series "A" refunding tax allocation capital appreciation bonds – tax exempt	31,605,000	-	(7,305,000)	24,300,000	7,690,000
Less: Deferred on refunding	(978,999)	-	326,333	(652,666)	-
Add: Bond Premium	834,696	-	(278,231)	556,465	-
2010 series "A", "B" and "C" Community Redevelopment second lien tax allocation bonds	100,725,000	-	-	100,725,000	805,000
Less: Discount on issue	(754,805)	-	23,588	(731,217)	-
	<u>163,641,111</u>	<u>2,608,271</u>	<u>(7,233,310)</u>	<u>159,016,072</u>	<u>8,495,000</u>
Postemployment benefit obligation	1,666,398	243,707	-	1,910,105	-
Tax sharing indebtedness	1,676,476	-	-	1,676,476	-
Compensated absences	<u>286,604</u>	<u>-</u>	<u>(21,330)</u>	<u>265,274</u>	<u>25,000</u>
Total governmental activities – long-term liabilities	<u>\$167,270,589</u>	<u>2,851,978</u>	<u>(7,254,640)</u>	<u>162,867,927</u>	<u>8,520,000</u>

As of June 27, 2012 the Agency has not filed continuing disclosure requirements relating to the bonds that require such.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(7) Long-Term Debt, (Continued)

Community Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010A (Housing), 2010B & 2010C (Taxable)

On June 9, 2010, the City issued \$100,725,000 of Second Lien Tax Allocation Bonds made up of Series "A" (\$31,130,000 for Housing projects), Series B (\$69,595,000 for general redevelopment projects) and Series C (\$18,260,000 Taxable – for other redevelopment projects). The bonds interest rates are between 3.00% and 5.00% for Series A, 5.00% and 5.75% for Series B and 7.29% and 7.74% for Series C. The proceeds of the bonds of \$98,113,767 after deducting bond issue costs of \$1,832,840 (for underwriter's fees, legal fees, rating agency fees, financial advisor's fee and consultants' fees) and bond discount of \$778,393 was deposited with the Bond trustee (Fiscal Agent). The City draws down from the bond money as and when bond expenditures are made on the bond projects.

The 2010 Second Lien Tax Allocation Bonds are special obligations of the Community Redevelopment Agency, which are secured by an irrevocable pledge of the tax revenues payable to the Agency. Total principal and interest remaining on the bonds is \$201,798,346. The bonds are payable as follows - Series A (August 2011 through 2042), Series B (August 2011 through 2042) and Series C (August 2011 through 2024). There were no principal and interest payments during the current year while total incremental property tax revenue for the year was \$30,056,299. The amount of principal outstanding at June 30, 2011 for all of the 2010 Series was \$100,725,000.

Compton Redevelopment Project Refunding Tax Allocation Bonds, Series 2006A

On July 6, 2006, the City issued \$51.2 million in Tax Allocation Bonds with an average interest rate of 5.0 percent to advance refund \$32 million of outstanding 1995A Series Bonds, \$14.7 million of 1995B Series Bonds and \$19.3 million of outstanding 1995-1 Series bonds.

The Series 2006 A Tax Allocation Bonds are special obligations of the Community Redevelopment Agency, which are secured by an irrevocable pledge of the tax revenues payable to the Agency. Total principal outstanding on the bonds at June 30, 2011 was \$24,300,000, payable through August 2013. For the current year, principal and interest paid and total incremental property tax revenues, were \$8,702,625 and \$30,056,299 respectively.

1995 Series "C" Refunding Tax Allocation Capital Appreciation Bonds

The 1995 Series "C" Refunding Tax Allocation Capital Appreciation Bond was issued in 1995 but repayment of the liability will commence in 2014 to end in 2024. During the grace period before loan payment commences, the interest on the bond is added as an accretion to the bond balance. The amount of the bond is \$10,137,530 while total accretion as of June 30, 2011 is \$24,680,960.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(7) Long-Term Debt, (Continued)

The 1995 Series "C" Tax Allocation Capital Appreciation bonds are special obligations of the Agency, which are secured by an irrevocable pledge of the tax revenues payable to the Agency. Total principal outstanding on the bonds (which includes the total accreted interest from inception of the debt to June 30, 2011) was \$34,818,419, payable through August 2024. There were no principal and interest payments made during the year. For the current year, the total incremental property tax revenues were \$25,639,181.

The annual requirements to amortize all Agency bonds outstanding as of June 30, 2011 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 8,495,000	\$ 6,887,680
2013	8,920,000	6,469,029
2014	10,694,906	6,133,680
2015	3,486,016	5,887,177
2016	3,519,550	5,757,624
2017-2021	18,668,306	26,453,838
2022-2026	25,153,752	21,216,481
2027-2031	24,185,000	13,229,557
2032-2036	15,260,000	7,446,300
2037-2041	11,270,000	3,760,200
2042-2043	<u>5,510,000</u>	<u>500,700</u>
Total Debt Service Payments	135,162,530	<u>\$ 103,742,266</u>
Add: Accretion to date	<u>24,680,960 *</u>	
Total Principal, June 30, 2011	<u>\$ 159,843,490</u>	

* Accretion is included as interest for debt service payment schedule.

Property Tax Sharing Obligations

The Agency received revenues from property taxes collected on its behalf by the Los Angeles County. A portion of the property tax revenue is due to Compton Unified School District unless the amount is spent on a mutually beneficial and agreed project between the Agency and the Compton Unified School District. As at the year end the amount of the property tax share which has not been spent on a mutually agreed project and which may be payable to the Compton Unified School District was \$1,676,476.

The Agency has an agreement with the Los Angeles County regarding the County's share of property taxes relating to a portion of the Agency's redevelopment areas. The agreement indicated that this tax share (amounting to \$20.6 million as of the year-end) shall be utilized and will not be payable to the County if the Agency executes mutually agreed projects. The amount has not been included as at indebtedness of the Agency in these financial statements.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(8) Loans Receivable

Summary of the loans receivable balance at June 30, 2011 is as follows:

	<u>Balance</u>
Loans receivable, July 1, 2010	\$ 24,787,563
Additional loans during the year:	
First Time Home Buyers	932,691
Developer Loan	5,150,000
Reduction	<u>(874,277)</u>
Loan receivable, June 30, 2011	<u>\$ 29,995,977</u>

First Time Home Buyers' Assistance and Residential Rehabilitation Assistance Programs

The City's Community Redevelopment Agency provided assistance to residents and home owners of the community. This assistance was in the form of first time home buyers assistance and residential rehabilitation assistance programs.

First Time Home Buyers' Assistance Program:

The First Time Home Buyers Assistance Program consists of a second mortgage or mortgage subsidy, which reduces the price of a home to an affordable level, thus enabling a first time home buyer to qualify for the purchase of a home. The second mortgage is in the form of a silent second trust deed loan. The maximum loan amount is \$100,000 for moderate income borrowers and \$150,000 for low income borrowers. The loan is interest-free and does not require monthly repayment. After five years, the loan is reduced 10% annually. Ultimately, if the borrower lives in the property for 15 years consecutively, the loan is forgiven and treated as a grant to the borrower at that time. Both the property and the applicant must meet certain criteria in order to be eligible to participate in the program. In accordance with GASB 33, a contribution to the borrowing is not recorded until the borrower has met all required criteria to be eligible for the forgiveness. The total amount of the first time home buyers' assistance granted during the year was \$932,691 and the loans receivable balance as of the year end was \$20,145,977.

Developer Loan

In line with the Agency's objective of promoting economic and physical development of the Redevelopment Areas of the City, the Agency provided a loan of \$6,000,000 to a property developer – Gateway Opportunity Fund, LLC (with Prism Realty Corporation acting as the borrower's Manager in California). The developer acquired an undeveloped land for the development of Phase II Shopping Center in the Agency's Redevelopment Area. The Phase I section of the Shopping Center has been completed while Prism Realty Corporation was in the preparation stage to commence development work on the phase II project. Repayment of the loan principal to the Agency is spread over a 5-year period commencing on February 1, 2012 to end on April 15, 2017. The loan has an interest rate of 6.5% from the date of commencement of the loan to January 24, 2012. Thereafter, the interest rate will be 7% until the principal of the loan is fully repaid to the Agency.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(8) Loans Receivable, (Continued)

Loan to Compton Commercial Development Renaissance Plaza, LLC

In connection with the major renovation of the Compton Renaissance Plaza Shopping Center (The Shopping Center), the Agency provided a loan of \$2,850,000 to a property developer – Compton Commercial Development Renaissance Plaza, LLC. The developer will renovate or cause the renovation of the existing 86,489 square foot vacant building at the northeast corner of Compton Boulevard between Alameda Street and Willowbrook Avenue. The loan has an interest rate of 3% per annum and shall be for a period of ten (10) years. The principal and all interest accruing on the Agency Loan shall be payable on the dates and in the amounts as provided in the Agency Note, and the Agency Note shall mature on January 15, 2021.

Loan to Alameda Court, LLC

To facilitate the sale of the Alameda Court Town Homes to low and moderate income homebuyers, the Agency provided a loan of \$2,300,000 to a property Redeveloper – Alameda Court, LLC. The loan shall be secured by a subordinate Deed of Trust (the Agency Deed of Trust) encumbering 19 units recorded against the Subject Property. Repayment of the loan shall be made to the Agency by the Redeveloper on a pro-rata basis following the sale of each unit to a qualified low/moderate income buyer.

Residential Rehabilitation Assistance Program:

This program comprises the Fix-It Repair Grant, Emergency Assistance Grant and Deferred Equity Loan. The Fix-It Grant provides up to \$7,000 to assist low to moderate income, owner occupied households with minor repairs in their homes. No repayment or lien is required for this program as it is strictly a grant. The Emergency Assistance Grant is designed to assist low income, owner occupied households of single family homes within the city limits with extreme emergency repairs subject to a maximum of \$10,000. The beneficiary is required to repay the grant to the Agency only upon the sale, refinance, and transfer, foreclosure of the property or the death or relocation of the homeowners from the property. The Deferred Equity Loan is provided to low / moderate-income homeowners who meet the eligibility criteria subject to a maximum of \$25,000. The beneficiary is required to repay the loan only upon the sale, refinance, transfer or foreclosure of the property within 10 years of the loan. After 10 years, the loan is forgiven and treated as a grant. The total amount of the residential rehabilitation assistance granted during the year was \$309,452. This amount has been reported as expenditure in this financial report as it is improbable that any of the grants or the deferred equity loan will become receivable.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(9) Other Information

(a) Pension Plan Description

The pension plan described in the following paragraphs relate to the City of Compton in which the Redevelopment Agency is a component unit. Information relating to the City applies to the Agency because the pension and post employment benefits are maintained by the City for all employees of the City including those of the component unit as a whole.

The City maintains three separate defined benefit pension plans for miscellaneous, safety-fire, and safety-police employees, which provided retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan for miscellaneous employees is an agent multi-employer public employee defined benefit plan, while the plans for safety-fire and safety-police employees are a cost-sharing multi-employer public employee defined benefit plan. The plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for the participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

The contribution paid during the year that relate to the Agency was \$203,402, which is allocated to the Agency by the City based on the payroll costs incurred by the Agency.

(b) Postemployment benefits

The postemployment benefits described in the following paragraphs are related to the City of Compton in which the Redevelopment Agency is a component unit. Information relating to the City applies to the Agency because the pension and postemployment benefits are maintained by the City for all employees of the City including those of the component units as a whole.

The City provides retiree medical benefits under the CalPERS health plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, CA 95814.

For the year ended June 30, 2011, \$243,707 of postemployment benefits obligation was allocated to the Agency by the City based on the payroll costs incurred by the Agency. The total amount of the obligation related to the Agency as of June 30, 2011 was \$1,910,105.

For further information related to postemployment benefits, please refer to the City's basic financial statements included in its Comprehensive Annual Financial Report (CAFR).

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(10) Related Party Transaction

The Agency entered into an agreement with the City of Compton for the lease of the office space occupied by the Agency. The lease agreement provides for the yearly payment of \$680,000 to the City of Compton by the Agency for the use of the office space, the parking structure and amenities.

Further, the City of Compton provides technical, administrative, and other support services to the Agency. Payments for such services by the Agency are based on direct costs of the particular services rendered to the Agency and an apportionment of indirect costs based on the City's cost allocation plan. Specifically, the direct costs were related to purchases and payments made to vendors by the City on behalf of the Agency and time costs of personnel involved in activities of the Agency. The total cost of the services during the fiscal year was \$1,860,739.

(11) Supplemental Educational Revenue Augmentation Funds (SERAF)

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift is approximately \$8.3 million in fiscal year 2009-2010 and \$1.7 million in fiscal year 2010-2011. Payment for the 2009-2010 was made on the due date. The Agency funded the 2010-2011 SERAF payment from its property tax revenues.

The Governor of the State of California is exploring various plans by which to balance the budget of the State of California for the fiscal year ending June 30, 2012. One of the plans being considered would involve re-directing redevelopment funding to other units of state and local government. At this stage, the Governor's consideration of these various budget solutions is too preliminary to ascertain what actions, if any, will be taking by the State with respect to this issue.

(12) Pledged Revenues

The Agency has a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue</u>	<u>Annual Debt Service Payments</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Tax Increment Revenues	\$ 25,639,181	\$ 12,636,548	49%

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(13) Recent Changes in Legislation Affecting California Redevelopment Agencies

On December 29, 2011, the Supreme Court of the State of California upheld the enforceability of Assembly Bill X1 26. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets, prepare for the impending dissolution of the agency and transfer all of its assets to a successor agency that is governed by an oversight board representing the various taxing jurisdictions in the community.

Assembly Bill X1 26 also requires each agency to adopt an Enforceable Obligation Payment Schedule and draft a Recognized Obligation Payment Schedule. Only the amount of tax revenues necessary to fund the payments reflected on the Enforceable Obligation Payment Schedule will be allocated to the successor agencies until all Enforceable Obligations have been paid in full.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

Assembly Bill X1 26 also directs the Auditor-Controller of each County to conduct, or cause to be conducted, an agreed-upon procedures engagement of each redevelopment agency in that county by July 1, 2012. The purpose of this engagement is to establish each redevelopment agency's pass-through payment obligation to other taxing agencies, and to document and determine both the amount and terms of any indebtedness incurred by the redevelopment agency and certify the initial Recognized Payment Schedule.

Other funds of the City of Compton could be impacted as a result of shifting of the administrative burden of the City to those other funds and the possible write-off of certain inter-fund loans to the Redevelopment Agency that may not qualify for repayment under the new rules. The outcome of the above described regulatory actions and the full impacts of this most recent development and its impact on other funds of the City of Compton are not known at this time. The financial statements do not reflect any adjustments that might result from the outcome of this uncertainty.

In the past, the Agency's practice has been to pay for infrastructure improvements done in accordance with the Redevelopment Agency Project Area plans, and upon completion of the projects, to transfer those assets to the City of Compton to manage and maintain. As a result of Assembly Bill X1 26, the Agency, as of June 30, 2011, has refrained from transferring any infrastructure assets, either completed or in progress, to the City of Compton pending determination of the Agency's Oversight Board.

In addition, on May 24, 2011, the Agency approved \$7,753,405 of expenditures to the Capital Project fund for reimbursement to the City of Compton Self Insurance Internal Service fund for the Agency's share of prior year's self-insurance expenses. Legal uncertainty exists as it relates to the Agency's reimbursement of these costs, however, management believes these expenditures are in compliance with these regulations but they could be subject to challenge in the future by the State Controller of the State of California.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2011**

(14) Prior Period Adjustment

Beginning fund balance of the Redevelopment Capital Project fund was restated to reflect a prior year transaction where the acquisition of land was improperly recorded as a capital asset rather than as land held for resale. The following summarizes the effect of the prior period adjustments to beginning fund balance as of July 1, 2010:

	Capital Projects Redevelopment Fund
Fund balance-beginning of year, as previously reported	\$97,615,923
To correct prior years recording of a parcel of land incorrectly recorded as a capital asset rather than held for resale.	<u>1,451,877</u>
Fund balance-beginning of year, as restated	<u>\$99,067,800</u>

#1.

Supplementary Information

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON**

**Redevelopment Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2011**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Incremental property taxes	\$ 9,500,000	\$ 17,668,571	\$ 8,168,571
Special property taxes	-	7,970,610	7,970,610
Use of money and property	2,000	1,444	(556)
	<u>9,502,000</u>	<u>25,640,625</u>	<u>16,138,625</u>
Total revenues	<u>9,502,000</u>	<u>25,640,625</u>	<u>16,138,625</u>
Expenditures:			
Debt service:			
Pass-through payments	-	2,777,426	(2,777,426)
Principal	-	7,305,000	(7,305,000)
Interest	10,365,874	5,415,711	4,950,163
	<u>10,365,874</u>	<u>15,498,137</u>	<u>(5,132,263)</u>
Total expenditures	<u>10,365,874</u>	<u>15,498,137</u>	<u>(5,132,263)</u>
Excess of revenues over expenditures	<u>(863,874)</u>	<u>10,142,488</u>	<u>11,006,362</u>
Other financing sources (uses):			
Transfers out	-	(17,676,838)	(17,676,838)
Total other financing sources (uses)	<u>-</u>	<u>(17,676,838)</u>	<u>(17,676,838)</u>
Net change in fund balance	(863,874)	(7,534,350)	(6,670,476)
Fund balance, beginning	<u>29,637,442</u>	<u>29,637,442</u>	<u>-</u>
Fund balance, ending	<u>\$ 28,773,568</u>	<u>\$ 22,103,092</u>	<u>\$ (6,670,476)</u>

#1.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Redevelopment Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2011**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Incremental property taxes	\$ 21,859,780	\$ -	\$ (21,859,780)
Use of money and property	44,150	558,354	514,204
	<u>21,903,930</u>	<u>558,354</u>	<u>(21,345,576)</u>
Expenditures:			
Current:			
Redevelopment	91,944,745	30,545,854	61,398,891
Debt service:			
Principal	9,430,716	-	9,430,716
Interest	147,872	-	147,872
Total expenditures	<u>101,523,333</u>	<u>30,545,854</u>	<u>70,977,479</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(79,619,403)</u>	<u>(29,987,500)</u>	<u>49,631,903</u>
Other financing sources (uses):			
Transfers in	1,206,516	18,280,114	17,073,598
Transfers out	(5,985,160)	-	5,985,160
Transfers from City	-	1,060,252	1,060,252
Total other financing sources (uses)	<u>(4,778,644)</u>	<u>19,340,366</u>	<u>24,119,010</u>
Net change in fund balance	<u>(84,398,047)</u>	<u>(10,647,134)</u>	<u>73,750,913</u>
Fund balance, beginning, as restated	<u>99,067,800</u>	<u>99,067,800</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 14,669,753</u></u>	<u><u>\$ 88,420,666</u></u>	<u><u>\$ 73,750,913</u></u>

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Low/Moderate Income Housing Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2011**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Incremental property taxes	\$ -	\$ 4,417,118	\$ 4,417,118
Use of money and property	3,000	9,257	6,257
Other	-	91,325	91,325
Total revenues	<u>3,000</u>	<u>4,517,700</u>	<u>4,514,700</u>
Expenditures:			
Current:			
Redevelopment	<u>5,650,718</u>	<u>3,234,511</u>	<u>2,416,207</u>
Total expenditures	<u>5,650,718</u>	<u>3,234,511</u>	<u>2,416,207</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,647,718)</u>	<u>1,283,189</u>	<u>6,930,907</u>
Other financing sources:			
Transfers in	4,371,956	213,445	(4,158,511)
Transfers out	-	(816,721)	(816,721)
Transfers to City	-	(30,675)	(30,675)
Total other financing sources (uses)	<u>4,371,956</u>	<u>(633,951)</u>	<u>(5,005,907)</u>
Net change in fund balance	(1,275,762)	649,238	1,925,000
Fund balance, beginning	<u>12,479,647</u>	<u>12,479,647</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 11,203,885</u></u>	<u><u>\$ 13,128,885</u></u>	<u><u>\$ 1,925,000</u></u>

#1.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Computation of Low and Moderate Income Housing Fund Excess/Surplus
For the Year Ended June 30, 2011**

	Low and Moderate Housing Funds All Project Areas
Fund balance at June 30, 2011	\$ 13,128,885
Less unavailable amounts:	
Land held for resale	<u>(495,299)</u>
Available low and moderate income housing funds	12,633,586
Limitation (greater of \$1,000,000 or four years set-aside):	
Set-aside for last four years:	
2010-2011	4,417,118
2009-2010	5,450,737
2008-2009	5,549,999 *
2007-2008	4,715,266 *
Total set-aside	<u><u>\$ 20,133,120</u></u>
Base limitation	<u><u>\$ 1,000,000</u></u>
Greater amount	<u>20,297,991</u>
Computed Excess/Surplus	<u><u>\$ -</u></u>

* Set-aside for respective years include dollar amounts which were actually transferred into the Low and Moderate Income Housing Fund through catch-up contributions in 2009-2010 as follows:

2008-2009:	\$ 1,714,303
2007-2008:	\$ 1,456,677

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**Community Redevelopment Agency
of the City of Compton
Compton, California**

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We were engaged to audit the governmental activities and each major fund of the Community Redevelopment Agency of the City of Compton (the “Agency”), a component unit of the City of Compton, California, as of and for the year ended June 30, 2011, which collectively comprise the Agency’s basic financial statements. We were engaged to conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the Agency’s basic financial statements as stated in our report dated June 27, 2012.

Internal Control Over Financial Reporting

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations as items (2011-01) through (2011-11), and (2011-16) through (2011-18) to be material weaknesses.

**Community Redevelopment Agency
of the City of Compton
Compton, California
Page Two**

Compliance and Other Matters

As part of being engaged to obtain reasonable assurance about whether the Agency's financial statements are free of material misstatement, as discussed in the first paragraph, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Recommendations as items (2011-12) through (2011-15).

The Agency's written responses to the matters communicated herein have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, Agency's management and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.



Irvine, California
June 27, 2012



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**Community Redevelopment Agency
of the City of Compton
Compton, California**

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH GUIDELINES FOR COMPLIANCE
AUDITS OF CALIFORNIA REDEVELOPMENT AGENCIES, JUNE 2011, ISSUED
BY THE STATE CONTROLLER**

Independent Auditors' Report

Compliance

We were engaged to audit the Community Redevelopment Agency of the City of Compton (the "Agency"), a component unit of the City of Compton, California, compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Agency's management.

On December 1, 2011, the Mayor of the City of Compton sent a letter to the California State Controller alleging waste, fraud, and abuse of public monies. Audit inquiries made to the Mayor went unanswered; therefore, we were unable to determine the financial impact of this allegation on the City of Compton financial statements as of and for the year ended June 30, 2011. Further, the City of Compton did not take steps necessary to evaluate the financial impact of the allegation made, nor did the Mayor of the City of Compton respond to audit inquiries made. We were unable to satisfy ourselves about these matters by means of other audit procedures.

Because of the significance of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants.

Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Agency has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

As described in items (2011-12) through (2011-15) in the accompanying Schedule of Findings and Recommendations, we noted that the Agency did not comply with requirements regarding reporting, statement of indebtedness, and leased property that are applicable to the Agency per the requirements of the Health and Safety Code.

**Community Redevelopment Agency
of the City of Compton
Compton, California
Page Two**

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Recommendations as items (2011-12) through (2011-15) to be material weaknesses.

The Agency's written responses to the matters communicated herein have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, Agency's management and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.



Irvine, California
June 27, 2012

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations
Year Ended June 30, 2011**

The City Council members are designated as Commissioners of the Agency and the City employees perform some services for the Agency, and thus, the City has a continuing accountability for fiscal matters of the Agency. The reference to City Council or City employees in the following finding is intended to reflect their respective roles for the Agency.

(2011-01) Develop an Information Technology Strategic Plan

Information Technology (IT) strategic planning is a significant step for aligning IT resources with the business strategy and priorities. An IT strategic plan defines, in co-operation with relevant stakeholders, how IT goals will contribute to the enterprise's strategic objectives and related costs and risks. The plan should:

- improve key stakeholders' understanding of IT opportunities and limitations, assesses current performance, identifies capacity and human resource requirements, and clarifies the level of investments required.
- include how IT will support IT-enabled investment programs, IT services and IT assets.
- define how the objectives will be met, the measurements to be used and the procedures to obtain formal sign-off from the stakeholders.
- cover investment / operational budgets, funding sources, sourcing strategy, acquisition strategy, and legal and regulatory requirements.

Without appropriate strategic planning, the City will not be able to maximize the potential to build a better relationship between management and their users or between the City and their citizens.

Recommendation

We recommend the City develop and implement an IT Strategic Plan.

Management's Response Regarding Corrective Action Taken or Planned

IT management is in agreement with the above recommendation and will have an IT Steering Committee. All City Directors have been a part of the City's new ERP application project and have been a part of the team that sets the requirements needed for all programming related to the City. IT management will include Directors as necessary, when changes affect their department. The Strategic Plan has been developed and will be given consideration by the City Management.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations (Continued)
Year Ended June 30, 2011**

(2011-02) Develop a Risk Management Program and Formal Policies and Procedures to Manage Information Technology Risks

A City-wide information security risk management program is the foundation of a security control structure and a reflection of senior management's commitment to addressing technology risks. The program should establish a framework and continuous cycle of activity for assessing risk, developing and implementing effective security procedures, and monitoring the effectiveness of these procedures that apply to all of the City's information systems and help ensure their proper operation. Examples of primary objectives for general controls are to safeguard data, protect business process application programs, and ensure continued computer operations in case of unexpected interruptions.

Without a well-designed information security risk management program and general controls policies and procedures to support the risk management program, security controls may be inadequate; responsibilities may be unclear, misunderstood, or improperly implemented; and controls may be inconsistently applied. Such conditions may lead to insufficient protection of sensitive or critical resources and disproportionately high expenditures for controls over low-risk resources. For example, automated edits designed to preclude users from entering unreasonably large dollar amounts in a payment processing system can be an effective application control. However, this control cannot be relied on if the general controls permit unauthorized program modifications that might allow some payments to be exempted from the edits or unauthorized changes to be made to data files after the edit is performed. The City should be aware of these risks and should develop appropriate policies and procedures to respond to any IT system issues that might occur.

During our review of IT general controls we noted the City does not have formal policies and procedures for most general control areas. Examples of policies and procedures the City should formalize include:

- 1) Information Security, including the granting, removing, and periodic review of user access (from previous report)
- 2) Appropriate Use of City Equipment (Computer, Internet, and Email Use) (from previous report)
- 3) Software Development, Change and Problem Management
- 4) Data and Application Backup and Recovery
- 5) Records Management and Data Retention

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations (Continued)
Year Ended June 30, 2011**

(2011-02) Develop a Risk Management Program and Formal Policies and Procedures to Manage Information Technology Risks, (Continued)

It is our understanding that the following policies and procedures are in draft, awaiting final approval from the City Attorney:

- 1) Appropriate Use of City Equipment (Computer, Internet, and Email Use)
- 2) Granting and Removing User Access

Recommendation

We recommend the City establish an IT risk management framework. In addition, we recommend the City develop written policies and procedures for information technology general controls to minimize the risks associated with information technology.

Management's Response Regarding Corrective Action Taken or Planned

IT management is in agreement with the above recommendations for establishing an IT risk management framework. The current statuses of our policies for general IT controls are outlined below.

- 1) Information Security Policy (Granting and Removing User Access):

The Information Security Policy is in draft stage and awaiting review and approval by the City Attorney's office. Once the Information Security Policy is approved, it will become a part of the City's Standard Operating Procedure.

- 2) Appropriate Use of City Equipment:

The Appropriate Use of City Equipment Policy is in draft stage and awaiting review and approval by the City Attorney's office. Once the Information Security Policy is approved, it will become a part of the City's Standard Operating Procedure.

- 3) Software Development, Change and Problem Management:

The city of Compton is not involved with any software development. IT management is currently developing a written and formalized Change and Problem Management Policy and Procedures.

- 4) Data and Application Backup and Recovery:

IT management is currently developing a written and formalized Data and Application Backup and Recovery Policy and Procedures.

- 5) Records Management and Data Retention:

IT management will follow the City Clerk's Records Retention schedule and guidelines for Information Technology as it's recommended.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations (Continued)
Year Ended June 30, 2011**

(2011-03) Need for Enhanced Security Controls over Information Technology Systems

Access controls limit or detect inappropriate access to computer resources, thereby protecting them from unauthorized modification, loss, and disclosure. Logical access controls require users to authenticate themselves (through the use of secret passwords or other identifiers) and limit the files and other resources that authenticated users can access and the actions that they can execute. Without adequate access controls, unauthorized individuals, including outside intruders and former employees, can surreptitiously read and copy sensitive data and make undetected changes or deletions for malicious purposes or personal gain. In addition, authorized users can intentionally or unintentionally read, add, delete, modify, or execute changes that are outside their span of authority. Inadequate access controls diminish the reliability of computerized data and increase the risk of destruction or inappropriate disclosure of data.

During our review of security controls and password settings, we noted that certain procedures could be enhanced to be more in line with industry standards. For example, we noted the following:

- Password complexity requirements are not enabled on the Windows Active Directory.
- IFAS users are provided a user identification and password at setup, but these passwords are never required to be changed and do not employ account lockout after a specific number of unsuccessful logon attempts.
- Springbook does not employ a minimum 4 character password, does not have password complexity enabled, does not have a password change interval enabled, and does not have account lockout after a specific number of unsuccessful logon attempts enabled.

The following are industry standard user account policies that, if implemented, should provide for increased security over system resources:

- Individual users should be uniquely identified rather than having users within a group share the same ID or password; generic user IDs and passwords should not be used.
- Passwords should be required to be changed periodically, between 30 to 90 days.
- Passwords should be required to contain both alphanumeric and special characters.
- A minimum character length, at least 8 characters, should be required for passwords.
- Use of old passwords (for example, within 6 generations) should be prohibited.
- Unsuccessful attempts to login should be limited to between 3 and 5 attempts.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations (Continued)
Year Ended June 30, 2011**

**(2011-03) Need for Enhanced Security Controls over Information Technology Systems,
(Continued)**

Recommendation

We recommend the City, where their systems allow for enhancement, improve their password controls to be more in line with industry standards. In addition, we recommend the City implement a periodic (i.e., semi-annual) review of user access to system resources to ensure user access is appropriate and segregation of incompatible duties exist.

Management's Response Regarding Corrective Action Taken or Planned

IT Management is in agreement with the above recommendation. The IT Department has made formal policy that is pending in the HR Department and City Attorney's Office. Once approved, the IT Department will make the necessary changes except for the financial software (IFAS) which is incompatible with the requested recommendation.

In regards to user access reviews, the City has already implemented a semi-annual review of user access to application systems to ensure appropriate access and that segregation of duties does exist. This is done at the beginning and middle of the calendar year.

(2011-04) Implement an Effective Audit and Monitoring Capability

During our review of security controls, we noted that the City does not have an effective audit and monitoring capability. In addition, the City does not conduct periodic reviews of users' access to the network and applications to ensure user access is appropriate and segregation of duties exist. As a result, we noted 1 exception where a terminated employee still had access to Active Directory over 6 months following their last day of employment.

Audit and monitoring involves the regular collection, review, and analysis of auditable events for indications of inappropriate or unusual activity, and the appropriate investigation and reporting of such activity. Automated mechanisms may be used to integrate audit monitoring, analysis, and reporting into an overall process for investigation and response to suspicious activities. Audit and monitoring controls can help security professionals at the City routinely assess computer security, perform investigations during and after an attack, and even recognize an ongoing attack. Audit and monitoring technologies include network and host-based intrusion detection systems, audit logging, security event correlation tools, and computer forensics.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations (Continued)
Year Ended June 30, 2011**

(2011-04) Implement an Effective Audit and Monitoring Capability, (Continued)

Manual monitoring methods include:

- periodic review of user access to ensure terminated employees no longer retain access,
- periodic review of user access to ensure appropriate segregation of duties, and
- review of application and database change logs to ensure changes were authorized.

Automated audit and monitoring methods include network and host-based intrusion detection systems (IDSs). Network-based intrusion detection systems (IDSs) capture or “sniff” and analyze network traffic in various parts of a network. On the other hand, host-based IDSs analyze activity on a particular computer or host. Both types of IDS have advantages and disadvantages.

Recommendation

We recommend the City implement an effective audit and monitoring capability. The capability should include both manual and automated methods, where appropriate and reasonable.

Management’s Response Regarding Corrective Action Taken or Planned

IT Management is in agreement with the above recommendation. The IT Department has submitted a draft policy to the City Attorney's office. Once approved, it will become a part of the City's Standard Operating Procedures.

(2011-05) Efforts Needed to Control Expenditures and Increase Reserves

For local governments, a strong indication of an entity’s financial stability is the condition of the General Fund. During the year ended June 30, 2011, the City’s General Fund had a net change in fund balance of a negative \$26.2 million, which is 53% of 2011 final budgeted revenues. With the FY 2011 reduction of \$26.2 million, the ending fund deficit of the General Fund as of June 30, 2011 is \$40.8 million. It was also noted that during the fiscal year the General Fund’s actual expenditures exceeded General Fund appropriations by \$17.6 million and actual revenues were \$4.8 million less than budgeted revenues.

In addition to the General Fund, the City’s Self Insurance Internal Service has a net asset deficit of \$1.3 million as of June 30, 2011.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations (Continued)
Year Ended June 30, 2011**

(2011-05) Efforts Needed to Control Expenditures and Increase Reserves, (Continued)

City management needs to make significant efforts to ensure that budgets generated for the 2011/2012 fiscal year are based on attainable expectations. Budgets should be established to control the level of General Fund expenditures to conform to its anticipated revenues and to provide for an increase in General Fund reserves. Throughout the fiscal year, as expectations of revenue levels change, adjustments need to be made with respect to expenditures for the remainder of the year. The City should also make efforts to identify additional reoccurring revenue sources to support City operations.

Recommendation

We recommend that City management make the necessary efforts to control expenditures to ensure that expenditures do not exceed revenues for fiscal year 2011/2012. Procedures may need to be implemented to compare actual to budgeted estimates on a monthly basis. Management could then make the necessary decisions to react to anticipated revenue shortfalls or expenditure overages.

Management's Response Regarding Corrective Action Taken or Planned

The City has taken various steps to control expenditures for the fiscal year 2011-2012. The City performed employee layoff, negotiated with the Labor Unions regarding employees shared costs, implemented furlough days to reduce payroll costs, and cancelled/renegotiated contracts with vendors for non-critical services. The City Council also approved increases in some fees charged for City-provided services to ensure that the costs of providing the services are appropriately recovered. The City Management has continued to look for ways to further reduce expenditures and increase revenues to address the deficit.

(2011-06) Cost Allocation Plan

During the audit, we noted the City did not have an updated cost allocation plan, which is used as documentation to identify, accumulate, and allocate or develop billing rates based on the allowable costs of services provided by a governmental unit on a centralized basis to its departments and agencies. In addition to not having an updated plan, in many cases, costs charged to other departments were based on budgeted amounts rather than the cost allocation plan. These budgeted costs in many cases were less than actual costs incurred. Certain administrative charges to the City's Community Redevelopment Agent were not approved by the Agency Board, other than being approved through the annual budget process.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations (Continued)
Year Ended June 30, 2011**

(2011-06) Cost Allocation Plan, (Continued)

Recommendation

We recommend that the City, annually, update their cost allocation plan to insure that charges to user departments and funds are equitable based on the services provided and that user departments and funds be charged actual costs incurred, rather than budgeted amounts. We further recommend that the City's Community Redevelopment Agency Board, annually, approve all administrative charges to the CRA.

Management's Response Regarding Corrective Action Taken or Planned

The City has contracted an independent company to update the existing Cost Allocation Plan. A draft report has been produced for review and discussions. Costs charged to the City's Redevelopment Agency were for services and expenses incurred on behalf of the Agency. The charges were contained in the Agency's and City's budgets. The budgets were approved by the City Council and the Agency Board.

(2011-07) Claim Liability to Include Incurred But Not Reported (IBNR) Estimate

During our review of the general liability and workers' compensation claims payable at the end of the year, MHM noticed that there were workers compensation claims listed that were over 10 years old. The amount of claims over 10 years old was not material to the City as a whole. MHM had the risk manager review all claims over 10 years old to determine the status. Upon her review, she noted 11 claims that should be closed. Also noted was the fact that the City's estimate for outstanding claims does not currently include an amount for IBNR. The City's analysis of its outstanding claims should include an estimate for claims that have yet to be reported, but have already been incurred during the June 30, 2011 fiscal year. This estimate could be established internally with the assistance of City legal counsel or externally through the use of an actuary. While the amounts of claims over 10 years and estimates of incurred but not reported claims is not material to the City as a whole, such reviews should be performed as part of the City's internal controls over financial reporting.

Recommendation

We recommend that the City develop policies and procedures for determining an estimate for claims incurred but not reported as of yearend.

Management's Response Regarding Corrective Action Taken or Planned

The City agrees with the recommendation to hire an independent party to provide an estimation of IBNR for general liability and workers' compensation. Due to budget constraints, a budget to hire an actuary was not appropriated for fiscal year 2011 but may be included in fiscal year 2012 budget.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations (Continued)
Year Ended June 30, 2011**

(2011-08) Liability for Accrued Vacation

The City's current Personnel Rules and Regulations Policy establish limitations on the maximum amount of vacation hours employees can earn. However, the City's MOU's for specific labor groups do not address the issue of limitations on the amount of vacation hours that employees can accrue. Based on our testing of the City's accrual for employees vacation hours earned, we noted that the City has accrued balances for City employees that exceed the maximum amount established by the City's Personnel Rules and Regulations Policy. It's the practice of the City to pay out all of the earned vacation time for employees, regardless of if those amounts exceeded the limitations.

Recommendation

We recommend that the City take efforts to reconcile the vacation accrual policy of the City to the limitations and terms agreed to with the City's employee unions. The policy for accruing vacation should be in agreement with not only the terms agreed to in the MOU's but should coincide with the City's actual historical practices.

Management's Response Regarding Corrective Action Taken or Planned

The City is currently in negotiations with the City's employee unions. Upon completion of negotiations and the MOU's are finalized, the City will review and revise the vacation accrual policy to coincide with the limitations and terms agreed by all parties.

(2011-09) Need for Formal Documentation and Approval of Long-term Interfund Borrowing

As cash requirements (overdrafts) of the City are met through interfund borrowing from unrestricted funds; those interfund borrowings (if not expected to be paid within one year) should be formally approved by management and City Council as long-term interfund advances. In addition, many funds of the City have significant amounts of interfund receivables as well as payables within the same fund, which has deteriorated the ability to determine what funds are ultimately the lending funds or the borrowing funds. Due to this situation, there may be circumstances where restricted funds are used in the liquidation of negative cash to other restricted and unrestricted funds.

Recommendation

We recommend the following:

- Formally approve and document interfund long-term advances between the borrowing funds and funds from which an advance was made.
- Implement and document monitoring controls to ensure that interfund borrowing does not affect restricted funds.
- Implement procedures to insure that the interfund accounts are not used to record routine or monthly transactions.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations (Continued)
Year Ended June 30, 2011**

**(2011-09) Need for Formal Documentation and Approval of Long-term Interfund Borrowing,
(Continued)**

Management's Response Regarding Corrective Action Taken or Planned

To avoid proliferation of bank accounts, the City has separate bank accounts for major funds/programs while a pooled general checking bank account is maintained for non-major funds. The financial system has one check writing function that is linked to the pooled General Checking account. Revenues received and expenditures made through the pooled general checking account on behalf of the pooled funds are tracked in the General Ledger using "Claim on Cash" accounts. The bank balance due to each of the pooled funds is monitored using the Claim on Cash report. Expenditures made on behalf of major funds that have their own separate bank accounts are tracked in the financial system using "Due To" and "Due From" accounts. The inter-fund transactions and balances are maintained until they are fully repaid. The balances in the Claim on Cash and Due To/Due From account represent routine or monthly transactions that would be repaid by the funds.

(2011-10) Procurement Policies and Procedures

During our testing of the City's compliance with its procurement policies and procedures, we noted that the Policy does not adequately address procedures to adhere to when contracting for professional services. The Policy is silent as to when competitive bidding is required, or what analysis is required to be submitted to City Council for approval. Currently, the City's procurement policy requires that these types of services that exceed \$25,000 be submitted for Council approval to establish a Purchase Order.

Based on our testing of newly issued Purchase Orders during the fiscal year ended June 30, 2011, we noted that for several professional service agreements, the analysis and information provided to Council by staff was inconsistent and in many cases, these contracts were approved in a non-competitive bid process.

We further noted one instance out of forty sampled disbursements where an approved Purchase Order was dated after the check had already be issued and released for payment. In addition, we reviewed significant vendors of the City and out of the top eleven vendors, one of these vendors sampled where being paid when their contract for services had been expired.

In our testing of credit card transactions, we noted that invoices supporting the transactions were not properly maintained and reconciled with the monthly credit card statements.

Recommendation

We recommend that the City review and amend its procurement policies and procedures to clearly identify when competitive bidding is required for non-federal funds. This amended policy should conform to industry best practices which require competitive bidding on all significant procurement agreements. We further recommend that the City enhance controls to adhere to the procurement policies and procedures.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations (Continued)
Year Ended June 30, 2011**

(2011-10) Procurement Policies and Procedures, (Continued)

Management's Response Regarding Corrective Action Taken or Planned

The City has extended the requirement for formal bidding procedures to cover all services including professional services not previously covered. Also, the City council has reduced the limit from \$25,000 to \$5,000. Professional services with contract amount exceeding \$5,000 now require a council resolution and a formal bidding process.

(2011-11) Adjustments Detected by the Audit Process

An important element of control over financial reporting is for management to identify adjustments necessary for financial statements to be fairly stated. Whenever possible, adjustments should be reflected in the accounting records prior to the start of the audit. When this is not possible, management should identify and communicate to the auditors the potential areas of adjustment that may need to be addressed during the audit process. This is an important element of internal control to reduce the risk of material misstatement.

The City has year-end closing procedures that are followed to help ensure that all necessary adjustments are reflected in the general ledger prior to the start of the audit. The City should also identify and communicate to the auditor's potential adjustments at the start of the audit. There were, however, material adjustments that were identified during the audit for the year ended June 30, 2011. These material adjustments detected by the audit process included the following: cash reconciliation entries, interfund borrowing adjustments, recording of land held for resale and reduction of related expenditures, accrual adjustments to claims liability, and reductions to costs unsupported or not allowable to a restricted fund.

Recommendation

Statement on Auditing Standards No. 115 specifies that material adjustments identified through the audit process are an indication of weaknesses in an entity's internal control structure. Efforts should be made to enhance the City's year end closing procedures to include areas that resulted in audit adjustments in 2011.

Management's Response Regarding Corrective Action Taken or Planned

In the previous years, several of the mentioned adjustments were made during the financial statements preparation process. However, the independent audit for the fiscal year in question started early before the commencement of the financial statements preparation process. The early commencement of the independent audit was to ensure that the audit exercise was completed on time. Going forward, the City will ensure that the financial statements preparation is completed and that all cleanup adjustments are made before commencement of the year-end audit.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations (Continued)
Year Ended June 30, 2011**

(2011-12) Non-Compliance in Reporting

Pursuant to Health & Safety Code §33080, the Agency is required to submit the following reports within 6 months after the fiscal year end date (December 31 for fiscal year end date June 30):

- a) Independent auditor's report on financial statements
- b) Independent auditor's report on legal compliance
- c) Annual Report of Financial Transactions of Community Redevelopment Agencies (Fiscal Statement), Health & Safety Code §33080.5
- d) Housing activities report, Health & Safety Code §33080.4 and §33080.7
- e) Blight progress report (specifies actions and expenditures made in the previous fiscal year to alleviate blight). Health & Safety Code §33080.4
- f) Loan report (identifies loans [receivable] which equal or exceed \$50,000 and that were found by the Agency during the previous fiscal year to have either defaulted or not complied with the terms of agreements approved by the agency), Health & Safety Code §33080.4
- g) Property report (describes properties owned by the Agency and those acquired in the previous fiscal year). Health & Safety Code §33080.4

The Agency was not in compliance with Health & Safety Code §33080 because it did not prepare and submit all the required reports on a timely basis. The required State Controller's Report (SCR) and HCD Schedules for the year ended June 30, 2010 was not submitted timely. Also, the independent auditor's report on financial statements and the independent auditor's report on compliance for the year ended June 30, 2010 were not submitted until after being finalized on April 5, 2011, 95 days past the due date of December 31, 2010.

Recommendation

We recommend the Agency develop, document, and implement policies and procedures to ensure required reports are submitted timely. In the case an audit has not been completed, the Agency should submit unaudited financial statements and indicate that since the financial report included unaudited information/data, the information/data could change when the audit is completed.

Management's Response Regarding Corrective Action Taken or Planned

This finding requires no change in future procedures due to the termination of the Agency as a result of Assembly Bill X1 26. This determination should be affirmed by consultations with legal counsel.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations (Continued)
Year Ended June 30, 2011**

(2011-13) Inaccurate Statement of Indebtedness

Pursuant to Health & Safety Code §33675, the Agency is required to submit a Statement of Indebtedness (SOI) no later than October 1 for each year. Furthermore, Health & Safety Code §33675 (c) (1) states that the statement of indebtedness shall contain all of the following:

- (i.) Date the loan, advance, or indebtedness was incurred or entered into.
- (ii.) The principal amount, term, purpose, interest rate, and total interest of each loan, advance, or indebtedness.
- (iii.) The principal amount and interest due in the fiscal year in which the statement of indebtedness is filed for each loan, advance, or indebtedness.
- (iv.) The total amount of principal and interest remaining to be paid for each loan, advance, or indebtedness.

The Agency was not in compliance with Health & Safety Code §33675. The Agency reported \$497,450,510 of total debt outstanding as of June 30, 2011 on the SOI for fiscal year 2010-2011. Changes in indebtedness reported in the reconciliation statement section did not agree to the Agency's financial records. The Statement of Indebtedness did not include \$54.7 million of principal and interest relating the 2010 Tax Allocation Bonds.

Recommendation

This finding requires no change in future procedures due to the termination of the Agency as a result of Assembly Bill X1 26. This determination should be affirmed by consultations with legal counsel.

Management's Response Regarding Corrective Action Taken or Planned

The Agency has revised and resubmitted the updated S.O.I.

(2011-14) Redevelopment Agency Leased Property

Pursuant to Health & Safety Code §33431 any lease or sale made pursuant to §33430 may be made without public bidding but only after a public hearing, notice of which shall be given by publication for not less than once a week for two weeks in a newspaper of general circulation published in the county in which the land lies.

The Agency was not in compliance with Health & Safety Code §33431. The Agency only gave notice by publication for only one week for the two properties that were leased during the fiscal year.

Recommendation

This finding requires no change in future procedures due to the termination of the Agency as a result of Assembly Bill X1 26. This determination should be affirmed by consultations with legal counsel.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations (Continued)
Year Ended June 30, 2011**

(2011-14) Redevelopment Agency Leased Property, (Continued)

Management's Response Regarding Corrective Action Taken or Planned

The Agency has developed policies and procedures for the lease or sale of public land. Relevant information has been disseminated to the Agency's personnel to ensure future implementation of these policies and procedures.

(2011-15) Written Determination of Planning and Administrative Expenses

Health & Safety Code §33334.6 states "The Agency shall determine annually that the planning and administrative expenses are necessary for the production, improvement or preservation of low-and moderate-income housing." The code also says "Planning and general administrative costs which may be paid with moneys from the Low and Moderate Income Housing Fund are those expenses incurred by the Agency which are directly related to the programs and activities authorized under the Code."

For the fiscal year ended June 30, 2011, the Agency was unable to provide a written determination supporting the charges made in the Low and Moderate Income Housing Fund for planning and administrative expenses. In addition, we noted significant increases in salary allocations to the Low and Moderate Income Housing Fund for the year ended June 30, 2011.

Recommendation

This finding requires no change in future procedures due to the termination of the Agency as a result of Assembly Bill X1 26. This determination should be affirmed by consultations with legal counsel.

Management's Response Regarding Corrective Action Taken or Planned

The administrative expenses in the Low and Moderate fund represent salaries of employees of the Community Redevelopment Agency who directly worked on the numerous projects financed by Low and Moderate Fund. The Salary charges were contained in the City's budget for the Agency and were approved by the City Council and the Agency Board.

(2011-16) Audit Planning and Assistance

At the time of the audit, the City's accounting records, supporting schedules, documents, and other files were not ready for audit. We found numerous instances where Journal Entries posted to the accounting system were not properly supported by documentation as to the reason for the entries. We have made the City aware of this situation, and we suggest that efforts be made during the current year to improve accounting processes and the condition of the records and files. Orderly accounting records and supporting document files should be maintained on a consistent basis so that this information is readily available to the City. Financial statements should be well supported by the corresponding backup information included in these records.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations (Continued)
Year Ended June 30, 2011**

(2011-16) Audit Planning and Assistance, (Continued)

One item that is especially critical to be up-to-date is bank reconciliations. The Senior Accountant had not completed the bank reconciliation and compared the amounts to the general ledger until October 25, 2011, almost four months after the fiscal year end.

We also identified \$12,464,291 of checks that were processed for payment, but were held by the City for release until adequate funds were in the bank account. These draws on cash were not properly reflected as reductions in the June 30, 2011 bank reconciliation.

Recommendation

We recommend that the City increase its efforts to properly close the books for audit and have all necessary sub ledgers reconciled and supported. We further recommend that monthly cash reconciliations be completed in a timely manner and that all adjustments be properly reflected in the accounting records.

Management's Response Regarding Corrective Action Taken or Planned

As mentioned under Finding 2011-11, the independent audit commenced early compared to the previous year. The City Controller's Office made every effort to complete monthly bank reconciliations in a timely manner. The staff layoff performed by the City affected an employee in the City Treasurer's Office that usually prepared the monthly investment report. This resulted in delay in reconciliation of the bank balances. The City will ensure that the investment report is prepared early to enable prompt reconciliation of the bank balances.

(2011-17) Internal Controls over Loans Receivable

During our review of participant files for the City's Loan programs (First Time Home Buyer, Deferred Equity, and Fix-It Grant) and noted that the City does not consistently follow its own guidelines for determining eligibility. The following are noted findings from our testwork:

- First Time Home Buyers – for 6 loans that were issued in prior fiscal years annual proof and certification that the property is their primary residence as required by the City program guidelines was not retained.
- Deferred Equity Loans – for 2 loans that were issued in prior fiscal years annual proof and certification that the property is their primary residence as required by the City program guidelines was not retained.
- Fix-It-Grant – for 2 loans that were issued in prior fiscal years annual proof and certification that the property is their primary residence as required by the City program guidelines was not retained.
- First-Time Home Buyer –for 6 loans tested this fiscal year did not provide 3 consecutive bank statements reflecting reserves of 2-3 months of mortgage payment prior to the loan being issued.

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Schedule of Findings and Recommendations (Continued)
Year Ended June 30, 2011**

(2011-17) Internal Controls over Loans Receivable, (Continued)

Recommendation

Establishing and adhering to policies and procedures are necessary for effective internal controls and to ensure proper compliance to regulations. We recommend the City enhance its efforts to adhere to internal policies and procedures for the City's various loan programs to avoid instances of non compliance and avoid potential abuses of the loan programs.

Management's Response Regarding Corrective Action Taken or Planned

The Community Redevelopment Agency has developed policies and procedures for monitoring compliance to regulations.

(2011-18) Personnel Files not in Agreement with Payroll records

During our review of payroll transactions, 3 of the 15 employees files selected, we noted that the effective hourly pay rates from the ADP system were not in agreement with the employee's personnel files. Upon further investigation, we identified that the variances identified were due to changes in employee compensation relating to six-month or annual salary scale step increases. During our testing we noted that 2 of the 15 employees selected for testing, the employee's current salary Range/Step could not be verified due to an incomplete Personnel Action form (PA101).

Recommendation

We recommend that the City insure that all personnel files are properly maintained and should include performance evaluations, progress records, and compensation histories for each employee. The City should also consider implementing a monitoring process where personnel files are regularly reviewed and agree to the master payroll records to verify the completeness and accuracy of the information.

Management's Response Regarding Corrective Action Taken or Planned

The Human Resources records are properly maintained with limited access to review the Payroll information. Step increases are given to employees automatically based upon employment date and salary step where employee begins. Human Resources Department will make every effort to collaboratively work with the City Controller/Payroll Division to ensure that personnel files are properly maintained.

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**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF COMPTON
Status of the Prior Year Findings and Recommendations
Year Ended June 30, 2011**

The following is the status of prior audit findings for the year ended June 30, 2010:

(2010-01) – Develop an Information Technology Strategic Plan – Comment not resolved, see finding (2011-01).

(2010-02) – Develop a Risk Management Program and Formal Policies and Procedures to Manage Information Technology Risks – Comment not resolved, see finding (2011-02).

(2010-03) – Need for Enhanced Security Controls over Information Technology Systems – Comment not resolved, see finding (2011-03).

(2010-04) – Implement an Effective Audit and Monitoring Capability – Comment not resolved, see finding (2011-04).

(2010-05) – Efforts Needed to Control Expenditures and Increase Reserves – Comment not resolved, see finding (2011-05).

(2010-06) – Cost Allocation Plan – Comment not resolved, see finding (2011-06).

(2010-07) – Non-compliance with Conflict of Interest Requirement – Comment resolved.

(2010-08) – Claim Liability to Include Incurred But Not Reported (IBNR) Estimate – Comment not resolved, see finding (2011-07).

(2010-09) – Liability for Accrued Vacation – Comment not resolved, see finding (2011-08).

(2010-10) – Administration of City’s Federal COBRA program – Comment resolved.

(2010-11) – Need for Formal Documentation and Approval of Long-term Interfund Borrowing – Comment not resolved, see finding (2011-09).

(2010-12) – Procurement Policies and Procedures – Comment not resolved, see finding (2011-10).

(2010-13) – Adjustments Detected by the Audit Process – Comment not resolved, see finding (2011-11).

(2010-14) – Non-Compliance in Reporting – Comment not resolved, see finding (2011-12).

(2010-15) – Inaccurate Statement of Indebtedness – Comment not resolved, see finding (2011-13).

July 17, 2012

TO: CHAIRMAN AND BOARDMEMBERS

FROM: EXECUTIVE DIRECTOR

SUBJECT: A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING SUBMISSION TO THE COMPTON OVERSIGHT BOARD AN AGREEMENT BETWEEN THE SUCCESSOR AGENCY AND JONES LANG LA SALLE TO PROVIDE PROFESSIONAL SERVICES IN CONNECTION WITH IMPLEMENTING THE REQUIREMENTS OF ASSEMBLY BILL 26 AND ASSEMBLY BILL 1484

SUMMARY

Staff respectfully request authorization from the Board of Directors to authorize Successor Agency staff to submit to the Compton Oversight Board and agreement between Jones Lang LaSalle and the Successor Agency for professional services in connection with the implementation of Assembly Bill 26 and Assembly Bill 1484.

BACKGROUND

In March 2012, the City retained the services of Jones Lang LaSalle (JLL) in partnership with Keyser Marston Associates, Inc. (KMA) to assist Successor Agency staff in preparing the Recognized Obligations and Payment Schedules (ROPS I & II) for the State Oversight Board and the State of California Department of Finance (DOF) in accordance with the provisions of AB 26 legislation (Dissolution Act).

As part of the scope of work (JLL & KMA) also reviewed the inventory of former Community Redevelopment Agency assets to verify how the assets were originally funded, used and their current development status; reviewed and advised the City on financial restrictions of the Successor Agency pursuant to AB1x26; prepared resolutions and other relevant documents for presentation to the Oversight Board members of the Successor Agency pursuant to AB1x26. The work of JLL in partnership with KMA culminated in the Oversight Board approval and the DOF approval of the City's ROPS I & II which enabled the Successor Agency to collect property tax increment revenues from the County Auditor Controller necessary to pay the obligations listed in the ROPS.

STATEMENT OF THE ISSUE

The Oversight Board's approval of the Agency Recognized Obligation Payment Schedule (ROPS I & II) represents a major milestone for the Successor Agency to meet key provisions of AB 26. The next Phase of the AB 26 compliance process calls for the Successor Agency to

present a disposition strategy to the Oversight Board and DOF that identify assets to be disposed of in the most efficient manner that represent the highest value and provide economic benefits to the City of Compton. The disposition strategy must contain the list of former Agency's housing assets that must be transferred to the Housing Successor Agency.

In order to objectively accomplish this task in a very expeditious manner, staff has determined that JLL in partnership with KMA is uniquely qualified to undertake the disposition strategy necessary to achieve the economic development objectives for the City. Jones Lang LaSalle is an industry leader in providing real estate advisory and transaction services that provides comprehensive, integrated services and solutions for local, state and national public institutions including redevelopment agencies.

JLL in partnership with KMA was instrumental in developing a comprehensive enforceable obligation plan that culminated in the Oversight's Boards approval of the Agency's ROPS. Currently, the former Redevelopment Agency (CRA) owns 51 parcels totaling nearly 2.1 million square feet of property. The local knowledge and familiarity that the firm has acquired during its relationship with the Agency make JLL uniquely qualified to undertake additional services for the Successor Agency in accordance with the goals/objectives of the former redevelopment agency strategic plan and the economic vision of rebirthing a New Compton.

FISCAL IMPACT

There is no impact to the City's General Fund with the approval of this resolution. The Successor Agency has funds approved by the Oversight Board in ROPS 2 that are sufficient to cover the contractual services and costs identified. The anticipated cost for these professional services to be rendered by Jones Lang LaSalle is approximately \$70,000.00, subject to a Time and Material basis. The Agency funds are available in account number 1201-91-0000-4262.

RECOMMENDATION

Staff respectfully request authorization from the Board of Directors to authorize Successor Agency staff to submit to the Compton Oversight Board and agreement between Jones Lang LaSalle and the Successor Agency for professional services in connection with the implementation of Assembly Bill 26 and Assembly Bill 1484.

The Compton Oversight Board and the DOF will have the final approval of this agreement and costs for services performed.

BRYAN BATISTE
EXECUTIVE DIRECTOR

RESOLUTION NO. _____

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON AUTHORIZING SUBMISSION TO THE COMPTON OVERSIGHT BOARD AN AGREEMENT BETWEEN THE SUCCESSOR AGENCY AND JONES LANG LA SALLE TO PROVIDE PROFESSIONAL SERVICES IN CONNECTION WITH IMPLEMENTING THE REQUIREMENTS OF ASSEMBLY BILL 26 AND ASSEMBLY BILL 1484

WHEREAS, in March 2012, the City retained the services of Jones Lang LaSalle (JLL) in partnership with Keyser Marston Associates, Inc. (KMA) to assist Successor Agency staff in preparing the Recognized Obligations and Payment Schedules (ROPS I & II) for the State Oversight Board and the State of California Department of Finance (DOF) in accordance with the provisions of AB 26 legislation (Dissolution Act); and

WHEREAS, as part of the scope of work (JLL & KMA) also reviewed the inventory of former Community Redevelopment Agency assets to verify how the assets were originally funded, used and their current development status; reviewed and advised the City on financial restrictions of the Successor Agency pursuant to AB1x26; prepared resolutions and other relevant documents for presentation to the Oversight Board members of the Successor Agency pursuant to AB1x26. The work of JLL in partnership with KMA culminated in the Oversight Board approval and the DOF approval of the City’s ROPS I & II which enabled the Successor Agency to collect property tax increment revenues from the County Auditor Controller necessary to pay the obligations listed in the ROPS; and

WHEREAS, the Oversight Board’s approval of the Agency Recognized Obligation Payment Schedule (ROPS I & II) represents a major milestone for the Successor Agency to meet key provisions of AB 26. The next phase of work with JLL will be implementing the other components of AB 26 and compliance with AB 1484, which calls for the Successor Agency to present a disposition strategy to the Oversight Board and DOF that identify assets to be disposed of in the most efficient manner that represent the highest value and provide economic benefits to the City of Compton. The disposition strategy must contain the list of former Redevelopment Agency’s non-housing assets that must be disposed of; and

WHEREAS, in order to objectively accomplish this task in a very expeditious manner, Successor staff has determined that the local knowledge and familiarity that the firm has acquired during its relationship with the Successor Agency, JLL in partnership with KMA is uniquely qualified to undertake the disposition strategy necessary to achieve the Economic Development objectives for the City and the Economic goals identified in the former Community Redevelopment Agency Strategic Plan; and

WHEREAS, the former Redevelopment Agency (CRA) owns 51 parcels totaling nearly 2.1 million square feet of property. Successor Agency staff believes that JLL is uniquely qualified to undertake these services for the Successor Agency; and

WHEREAS, there is no impact to the City’s General Fund with the approval of this resolution. The Successor Agency has funds approved by the Oversight Board and DOF in ROPS 2 that are sufficient to cover the contractual services and costs identified. The anticipated cost for these professional services to be rendered by Jones Lang LaSalle is approximately \$70,000.00.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON, HEREBY FINDS, DETERMINES, RESOLVE, AND ORDERS AS FOLLOWS:

Section 1. That the Executive Director is hereby authorized to submit to the Compton Oversight Board an agreement between Jones Lang LaSalle and the Successor Agency for professional services in connection with implementing Assembly Bill 26 and Assembly Bill 1484.

Section 2. The approval of these funds will have no impact on the City’s General Fund. The Successor Agency has funds available in the ROPS 2 to pay for the anticipated costs of \$70,000.00, subject to a Time and Material basis. The funds are allocated in account number 1201-91-0000-4262

Section 3. That a certified copy of this resolution shall be filed in the offices of the Executive Director, City Attorney, City Controller, Successor Agency, and City Clerk.

Section 4. That the Mayor shall sign and the Clerk shall attest to the adoption of this resolution.

ADOPTED this ____ day of _____, 2012.

**CHAIRPERSON OF THE SUCCESSOR AGENCY
TO THE COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**

ATTEST:

**SECRETARY OF THE SUCCESSOR AGENCY
TO THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON**

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, Secretary of the Successor Agency to the Community Redevelopment Agency of the City of Compton, hereby certify that the foregoing resolution was adopted by the Commission, signed by the Chairman, and attested by the Secretary at the regular meeting thereof held on the ____ day of _____, 2012.

That said resolution was adopted by the following vote, to wit:

AYES: BOARD MEMBERS -
NOES: BOARD MEMBERS -
ABSENT: BOARD MEMBERS -

**SECRETARY OF THE SUCCESSOR AGENCY
TO THE COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**



JONES LANG
LASALLE™

Public Institutions/Southwest Region
515 S Flower Street, Suite 1300
tel +1 213 239 6171 fax +1 312 938 1542

07/10/2012

Brian Batiste
City Manager
City of Compton
205 S Willowbrook Ave
Compton, CA 90220

Dear Mr. Batiste:

As a part of the Phase I scope of work which was completed in June 2012, the Jones Lang LaSalle and KMA team assisted the City in preparing the ROPS I and ROPS II lists, which were approved by the Oversight Board and State Department of Finance. We also reviewed the list of housing assets for transfer, reviewed and advised the City on financial restrictions of the Successor Agency pursuant to AB1x26, prepared resolutions and other documents required to be presented to the Board members of the Successor Agency pursuant to AB1x26, and helped to prepare review and assess an inventory of former 'non-enforceable' RDA assets which are to be sold under the direction of the legislation and the proceeds of which are to be returned to the taxing entities.

Since completing our Phase I work, Governor Jerry Brown signed into law AB 1484, a trailer bill to the State Budget, which immediately took effect. AB 1484 changes the way Successor Agencies will wind down Redevelopment Agencies. With respect to real estate holdings and land use, the law provides for new affordable housing revenue streams, provides a fairly detailed process for disposing of Former RDA assets and expands the authority of the Oversight Board.

The following Phase II Scope of Work takes into account the new requirements and allowances under AB 1484. The new legislation requires the development of a Long-Range Property Management Plan that the Oversight Board and Department of Finance must approve before the Successor Agency can dispose of or develop its non-ROPS related assets. Additionally, it requires the analysis of properties with respect to their TOD potential and their ability to meet other planning objectives, and allows for the development of non-ROPS properties.

The property inventory that we completed during Phase I can be used in the creation of the Long-Range Property Management Plan. Specifically, the inventory list prepared in Phase I verifies the location of the assets and identifies the date each asset was acquired, how the assets were funded, the proposed use, and current development status, all of which are required to be included in the Long-Range Property Management Plan.

As part of our team's Phase II efforts, we will work with the Successor Agency staff as well as the City's Department of Economic Development to prepare a Long-Range Property Management Plan and assets disposition strategy for review and approval by the Oversight Board and Department of Finance. The strategy will determine a broker opinion of value and outline

recommendations on how the Successor Agency intends to develop, transfer, or dispose of the assets in the most time efficient manner possible and which maximizes value to City as well as the other taxing entities. Specifically, our Phase II Scope of Work will include the following:

1. Analyze the properties, per AB 1484's Long-Range Property Management Plan requirements.
2. Segment the inventory asset list into initial prioritized "categories" which will identify assets that will be a) sold; b) held for development; c) transferred for government use; and c) used to fulfill an enforceable obligation;
3. For the 'A' Categories of Assets
 - a. determine a broker opinion of value based on the market potential for the sites to be disposed, which will include:
 - i. Market overview;
 - ii. Highest and Best land use recommendation; and
 - iii. Pro forma development feasibility analysis.
 - b. Recommend a marketing and disposition strategy that specifies the best method and timing of disposing properties (i.e., broker sale, auction, procurement process); and
 - c. Once approved by the Oversight Board, execute the marketing and disposition strategy.
4. For the 'B' Categories of Assets, our team will;
 - a. Identify and summarize the site and/or market conditions that limit the sale or development potential of the assets;
 - b. Identify potential land use changes and/or financing support required to support development or a market sale of the property; and
 - c. Determine a timing and economic development strategy for development or disposition.
5. For the 'C' Categories of Assets, our team will
 - a. Catalogue the assets to be transferred to the City and determine their values.
6. For the 'D' Categories of Assets, our team will
 - a. Catalogue the properties listed on the Recognized Obligation Payment Schedule (ROPS).

While we appreciate how daunting the dissolution of redevelopment has been, we understand that the core focus on the elimination of blight and the economic advancement of Compton still remains. We look forward to continuing our relationship with you to both satisfying the Legislative requirements as well as working to the greatest extent possible to identify a strategy that does so in a manner that benefits the City of Compton from an economic development perspective, which in the long run should also benefit the other taxing entities.

Very truly yours,



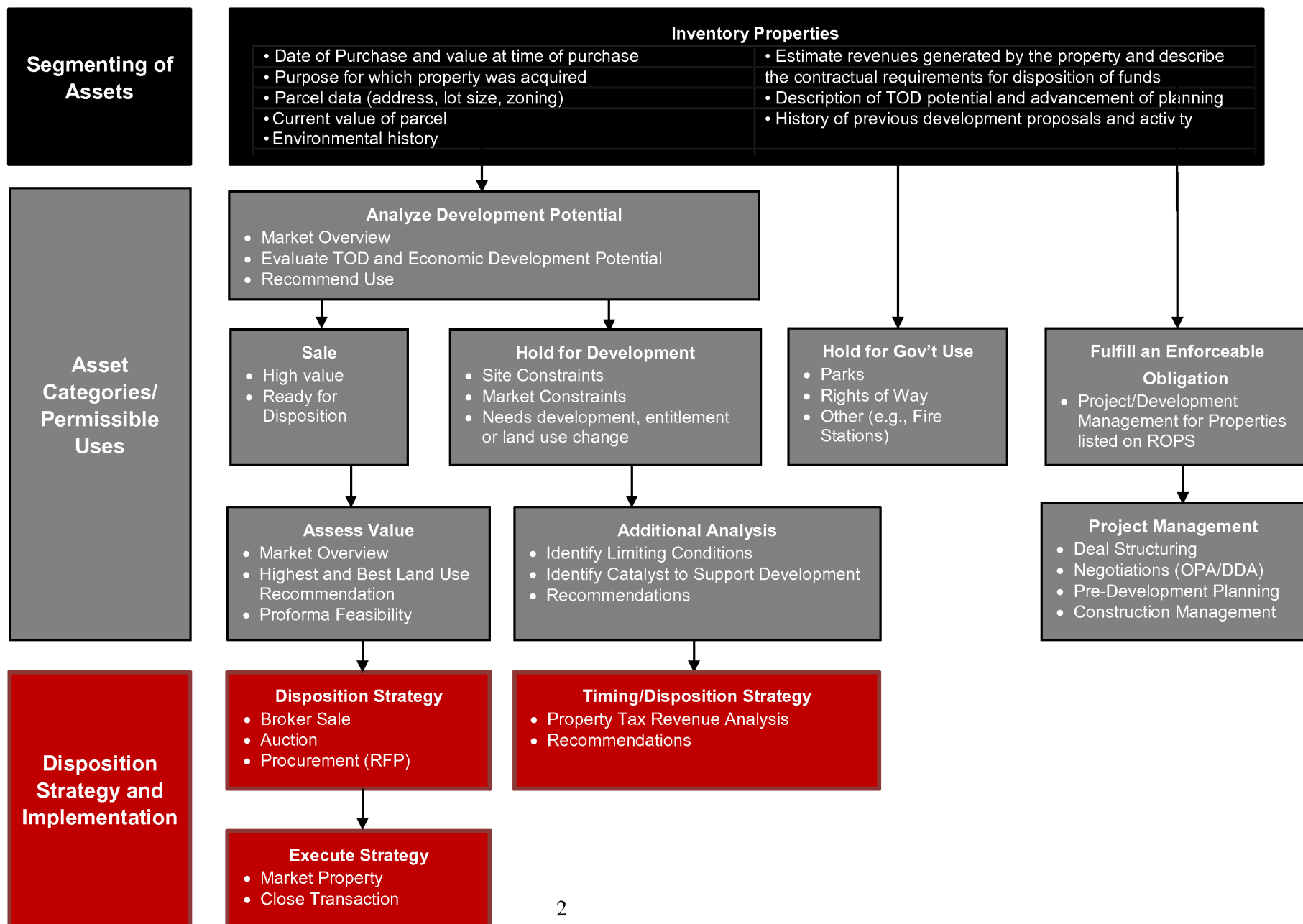
Renata Simril
Managing Director, Public Institutions

Phase II Proposed Scope of Work – Approach to Value Creation

Jones Lang LaSalle proposes to start working in Phase II where Phase I work ended, using the inventory of non-ROPS related properties to develop the Long-Range Property Management Plan. As mentioned in the letter, Phase II will focus more specifically on market and site conditions, potential development scenarios and specific disposition, development, or transfer strategies aimed at meeting the State's goals of expeditious disposition for a high value balanced against the City's values of community development to the greatest extent possible.

Jones Lang LaSalle's comprehensive disposition process can help the City of Compton meet the obligations of the new legislation. Our process incorporates sound market research and development economics to determine the optimal use and corresponding value of a real estate asset that can assist in developing and implementing your Long-Range Property Management Plan. After analyzing the available property, Jones Lang LaSalle will implement the appropriate strategy to achieve the City's objectives.

Scope/Long-Range Property Management Plan and Disposition Process



Task 1 – Inventory Properties for Long-Range Property Management Plan

For this task, Jones Lang LaSalle will complete the inventory of the Compton CRA's properties, compiling all of the information required in the Long-Range Property Management Plan. This information will include the following:

- The date of the property acquisition, value of the property at that time and an estimate of the current value of the property;
- Parcel data including address, lot size and current zoning;
- An estimate of the current value of the parcel including, any available appraisal information;
- An estimate of any lease, rental, or any other revenues generated by the property and a description of the contractual requirements for the disposition of those funds;
- The history of environmental contamination, including designation as a brownfield site, any related environmental studies and history of any remediation efforts;
- A description of the property's potential for transit-oriented development (TOD) and the advancement of the Successor Agency's planning objectives; and
- A brief history of development proposals and activity, including the rental or lease of property.

Task 2 – Segment Properties into Permissible Use “Categories”

After completing Task 1, Jones Lang LaSalle will complete a high level market and economic development potential analysis on the sites in order to segment them into “buckets” for future disposition or use. The analysis will synthesize current demographic and economic data, real estate market conditions for housing, office, retail, and industrial uses, and the findings from Task 1 to determine the market potential as well as the economic development and TOD potential for each site. Based on the findings, Jones Lang LaSalle will segment the properties into buckets related to State Department of Finance (DOF) specified permissible uses:

- Sale: High value asset, able to attract development, ready for disposition;
- Hold for Development: Site and/or market constraints impede value, catalyst (e.g., development, land use change, entitlements) needed to increase value and clear the way for development;
- Hold for Government Use: Parks, rights of way, other facilities (e.g., fire station, police station); and
- Fulfill an Enforceable Obligation: Properties are listed on ROPS and should be developed in accordance with enforceable obligation documentation.

Task 3 – “Sale” Category of Assets

A. Background Analysis

To estimate the maximum potential value of these sites, Jones Lang LaSalle will determine which uses are suitable for each site and the optimal development products that will maximize site utilization and economic value. Initial market findings indicate that such uses may include: affordable residential, industrial or neighborhood serving retail uses. An assessment of the strength of each market segment will allow Jones Lang LaSalle to accurately determine or

confirm the most viable opportunities and appropriate development mix and estimate the value of the asset.

i. Market Analysis

Jones Lang LaSalle will review the surrounding uses and competitive area developments that may impact the viability of each subject property. Jones Lang LaSalle will also perform a “benchmarking” analysis to assess the success (or failure) of other similar projects that may apply to each of the areas’ unique characteristics. Items to be investigated include product mix, land availability, product absorption, proposed projects, and general supply/demand characteristics.

We will prepare estimates of potential current and future demand or expenditure (consumer spending) potential for commercial space within the study areas based on a more detailed analysis of the demography and income make-up of households within the identified market areas defined by the result of the tasks outlined above. The demand estimates will also be based on an analysis of the proportion of income market area households expend on specific types of goods and services. A range of capture or penetration rates into the potential demand will be made based on the review of supply competition. We will estimate the square feet of retail space the identified current and forecast demand can support, given research-based assumptions of average sales per square foot of retail space.

Based on these market demand factors, we will provide comments and preliminary recommendations regarding the opportunities for existing sites/facilities, complimentary amenities and market positioning.

ii. Site Assessment and Property Due Diligence

Jones Lang LaSalle has developed a comprehensive evaluation methodology for assessing the location and site’s physical development potential. Jones Lang LaSalle will carefully study site characteristics including easements and encumbrances, existing infrastructure, transportation and access and the nature of adjacent and surrounding uses in order to determine their impacts on potential development alternatives.

Our site assessment will also take into consideration site ingress/egress, parking requirements and massing studies (structured vs. surface parking), etc., which may affect the preferentiality of all viable opportunities.

iii. Public Sector / Legal Review

Jones Lang LaSalle will work closely with City staff to investigate and incorporate legal and regulatory issues including permitted densities, existing zoning, Master or Specific planning documents, impact fees, permanent encumbrances and stakeholder interests that may affect the conveyance or development potential of each site and ultimately its transaction value.

These tasks are typically augmented by discussions with local governing officials, research of regulations, review of existing condition data, and analysis of prior studies. Jones Lang LaSalle will determine the feasibility of a possible variance or re-zoning (P.U.D., etc.) to a highest and

best use, which may be different from the property's current use. We anticipate working closely with City staff to gauge their (and the public's) tolerance for various development scenarios.

B. Highest and Best Use Analysis:

Jones Lang LaSalle will aggregate the data from Task 3A and analyze it to provide a 'range of reality' for the optimal land use options for each property and create a potential highest and best use development concept for each site.

A broker opinion of value will be based upon the feasibility of long-term opportunities. To determine a broker opinion of value our team will evaluate each site similarly to a developer analyzing broad estimates of projected development costs, return potential and return on investment considerations based on conceptual development scenarios (such as residential or commercial). This high-level cash flow analyses will be used to assess economic feasibility, while utilizing the Land Residual Model Approach to determine a potential value of each asset.

The Land Residual Model Approach provides a value perspective within the context of a particular development program. Given various concept plans for a property, this approach determines how much a developer(s) or user(s) can afford to pay for the land and the level of owner participation required to achieving a satisfactory return on investment.

C. Determine Optimal Disposition Strategy

Once Jones Lang LaSalle determines each site's strengths, challenges and best uses, we will develop a disposition strategy for each site that meets the City's objectives and timing, as well as provides for the greatest number of competitive responses from potential and appropriate developers/investors. Strategies could include:

- Procurement Process (RFQ/RFP);
- Broker Sale; or
- Auction.

We will then develop evaluation criteria that align with the City's objectives and the highest and best use of the sites. Evaluation criteria might include (but is not limited to) the following:

- Achievement of your vision and objectives;
- Developer past performance in projects similar in nature, size and scale; and/or
- Financing and development experience.

Optional D: Execution of Disposition Strategy

i. Prepare Property for disposition

After the approval of the Long-Range Property Management Plan, Jones Lang LaSalle will work with appropriate procurement department staff to develop a marketing strategy to generate the greatest number of competitive responses.

- Due Diligence and Marketing Materials Preparation and Strategy Formulation
 - Compile and review all due diligence information and complete asset "positioning" strategy and developer/investor targeting;

- Market research and information of recent comparable sales and recommend potential sale pricing and terms that could be achieved based upon current market conditions; and
 - Prepare quality marketing/offering material and list properties in appropriate print and online media format (i.e. various multi-listing service)
- Prepare marketing presentations and tours
 - Initiate marketing campaign;
 - Build momentum and sense of urgency with potential buyers;
 - Coordinate property tours;
 - Direct contact with lenders as appropriate; and
 - Provide be-weekly status reports to City staff.
- Oversee and manage Bid Process
 - Assist bidders, as needed in completing and submitting bids;
 - Work with your staff to finalize transaction documents (County forms).
- Transaction Closing
 - Assist in preparation of required transaction documents;
 - Review escrow instructions and coordinate title and escrow process; and
 - Support City staff with close of transaction.

Task 4 – “Hold for Development” Category of Assets

A. Background Analysis

To determine the limiting conditions, as well as any catalyst needed to attract development, Jones Lang LaSalle will complete a background analysis that evaluates the market, site, legal and regulatory conditions of the sites in their current conditions.

i. Market Analysis

As part of the market study, Jones Lang LaSalle will review the surrounding uses and competitive area developments that may impact the viability of each subject property. Jones Lang LaSalle will also perform a “benchmarking” analysis to assess the success (or failure) of other similar projects that may apply to each of the areas’ unique characteristics. Items to be investigated include product mix, land availability, product absorption, proposed projects, and general supply/demand characteristics.

We will prepare estimates of potential current and future demand or expenditure (consumer spending) potential for commercial space within the study areas based on a more detailed analysis of the demography and income make-up of households within the identified market areas defined by the result of the tasks outlined above. The demand estimates will also be based on an analysis of the proportion of income market area households expend on specific types of goods and services. A range of capture or penetration rates into the potential demand will be made based on the review of supply competition. We will estimate the square feet of retail space the identified current and forecast demand can support, given research-based assumptions of average sales per square foot of retail space.

Based on these market demand factors, we will provide comments and preliminary recommendations regarding the opportunities for existing sites/facilities, complimentary amenities and market positioning.

ii. Site Assessment and Property Due Diligence

Jones Lang LaSalle has developed a comprehensive evaluation methodology for assessing the location and site's physical development potential. Jones Lang LaSalle will carefully study site characteristics including easements and encumbrances, existing infrastructure, transportation and access and the nature of adjacent and surrounding uses in order to determine their impacts on potential development alternatives.

Our site assessment will also take into consideration site ingress/egress, parking requirements and massing studies (structured vs. surface parking), etc., which may affect the preferentiality of all viable opportunities.

iii. Public Sector / Legal Review

Jones Lang LaSalle will work closely with City staff to investigate and incorporate legal and regulatory issues including permitted densities, existing zoning, Master or Specific planning documents, impact fees, permanent encumbrances and stakeholder interests that may affect the conveyance or development potential of each site and ultimately its transaction value.

These tasks are typically augmented by discussions with local governing officials, research of regulations, review of existing condition data, and analysis of prior studies. Jones Lang LaSalle will determine the feasibility of a possible variance or re-zoning (P.U.D., etc.) to a highest and best use, which may be different from the property's current use. We anticipate working closely with City staff to gauge their (and the public's) tolerance for various redevelopment scenarios.

B. Identify Limiting Conditions and Identify Catalyst to Support Market Sale

Jones Lang LaSalle will synthesize the data from Task 4A to identify the site and/or market conditions that limit each site's potential. We will then use our experience and interview our network of local developers to determine what role the City can play in catalyzing market support for development on each site. Catalysts may include:

- Development of Site;
- Infrastructure Improvements;
- Subsidies;
- Land Use Changes; or
- Entitlements.

C. Develop Timing/Disposition Strategy

For this task, Jones Lang LaSalle will create a timing/disposition strategy that allows the City to both drive a higher value for each property and to help achieve economic development goals. The timing strategies will be based on the limiting conditions found in Task 4B.

The key to implementing a timing strategy that achieves these outcomes is to align your interests with those of the Oversight Board and DOF. In order to demonstrate to the Oversight Board and DOF the benefits to following the optimal timing strategy, Jones Lang LaSalle will project the property tax revenues that would accrue to each taxing entity under a development program likely to occur once the property is ready and under an as-is sale. This will allow City staff, taxing entities, the Oversight Board and the DOF to better understand both the long-term impacts of selling the site expeditiously as-is, versus selling the site in a manner that ensures the development of a prepared (e.g., entitled, rezoned) site, thereby aligning all stakeholders' interests.

Using the assessed value of the land along with current construction and sale values of development, Jones Lang LaSalle will project the stabilized tax revenues that would accrue to each taxing entity under a potential development program likely to occur once the property is ready for sale and as-is alternatives. Jones Lang LaSalle will use the value of improvements based on current construction values and/or comparable sale prices as well as the value of the land as a proxy for assessed value.

Once the net assessed value is projected, Jones Lang LaSalle will use tax revenue allocation data from the Auditor-Controller to determine the property tax revenues that would accrue to each taxing entity for each site based on its Tax Rate Area (TRA), and compare the projected revenues from each alternative.

Task 5 – “Hold for Government Use” Category of Assets

Jones Lang LaSalle will catalogue the properties to be transferred to the City for government use. This could include park land, rights of way, or other facilities to be used by a government department or function. We will determine the value of the parcel, either through market analysis or the 2011 Assessor Rolls (per AB 1484) and project revenues to each of the taxing entities from the transfer or “sale” of these properties.

Task 6 – “Fulfill an Enforceable Obligation” Category of Assets

Jones Lang LaSalle will catalogue the properties listed on the Recognized Obligation Payment Schedule (ROPS), along with their proposed uses and current development status, respectively.

As an optional task, we can also provide support during the predevelopment and development process in ensuring that the vision, objectives, and requirements of the project are successfully realized and executed on schedule and that the terms of the disposition and development agreements (DDA) or ground lease agreements are met. Jones Lang LaSalle's services include but are not limited to the following:

1. *Data analysis, Evaluation and Recommendations*
 - a. *Supply and demand projections*
 - b. *Operating Performance projections*
 - c. *Review development concepts*
2. *Review Financial Documents and Project Feasibility*
 - a. *Development cost estimating*
 - b. *Proforma analysis*

3. *Support Project Entitlements*
 - a. *Environmental documents*
 - b. *Governmental development approvals*
4. *Construction Oversight and Monitoring*
 - a. *Review design and engineering plans*
 - b. *Support general contractor and architect selection*
 - c. *Support selection and finalize sub-contractor agreements*
 - d. *Monitor development budgets and schedule*
 - e. *Support project close out phase*

Phase II Fee Proposal

Jones Lang LaSalle's approach to compensation will be consistent with our other relationships wherein we assume a fiduciary responsibility in assisting our clients with attaining their objectives. Over the years, we have been compensated for our work in a number of ways including working on a firm fixed price and success fees. Our goal is to deliver highly professional services at competitive rates. We recognize and appreciate the budget constraints that the City of Compton is facing and have worked to present our most favorable pricing to perform the tasks outlined above. Notwithstanding, we are prepared to review the scope of work and our price proposal to ensure we have captured each task correctly and to make necessary adjustments as appropriate.

Jones Lang LaSalle fee proposal to complete Tasks 1 – 5 totals \$70,000.00 on a not-to-exceed basis plus a 3% transaction fee paid on the close of sale of each asset, as outlined by Task below. Pricing for Task 6, can be finalized once it is determined that the City needs this additional service.

Task 1:	\$ 5,000.00
Task 2:	\$15,000.00
Task 3:	\$20,000.00 + 3% transaction fee
Task 4:	\$20,000.00
Task 5:	\$10,000.00
Task 6:	TBD

Our fixed fees are based on the following 2012 hourly rates:

Renata Simril, Managing Director:	\$280.00
Jeff Adkison, Senior Vice President	\$250.00
Sherry Rudnak, Associate:	\$187.50

7/19/2012 4:47:03 PMStephen Ajobiewe7/12/2012 7:56:27 AMKofi Sefa-Boakye7/11/2012 3:35:35 PMKofi Sefa-Boakye7/11/2012 1:00:18 PMMichael Antwine

RESOLUTION SIGN-OFF FORM

DEPARTMENT: Community Redevelopment

RESOLUTION TITLE: A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON RECOMMENDING SUBMISSION TO THE COMPTON OVERSIGHT BOARD AN AGREEMENT BETWEEN THE SUCCESSOR AGENCY AND JONES LANG LA SALLE TO PROVIDE PROFESSIONAL SERVICES IN CONNECTION WITH IMPLEMENTING THE REQUIREMENTS OF ASSEMBLY BILL 26 AND ASSEMBLY BILL 1484

Kofi Sefa-Boakye
DEPARTMENT MANAGER’S SIGNATURE

7/10/2012 9:28:53 AM
DATE

REVIEW / APPROVAL

Ruth Rugley
CITY ATTORNEY

7/16/2012 3:09:40 PM
DATE

Stephen Ajobiewe
CITY CONTROLLER

7/19/2012 2:56:12 PM
DATE

Bryan Batiste
CITY MANAGER

7/12/2012 6:16:18 PM
DATE

Use when:	
Public Works:	When contracting for Engineering Services.
City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
Controller/Budget Officer:	Amending Budget; appropriating and/or transferring funds; adding and/or deleting positions; any resolution having account numbers.
Asst. City Manager/OAS:	All personnel actions.

July 24, 2012

TO: HONORABLE CHAIRMAN AND BOARD MEMBERS

FROM: EXECUTIVE DIRECTOR

SUBJECT: A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON ADOPTING THE BUDGET OF THE SUCCESSOR AGENCY FOR FISCAL YEAR 2012-2013

SUMMARY

Staff respectfully requests authorization from the Board of Directors of the Successor Agency to the Community Redevelopment Agency of the City of Compton (“Successor Agency”) to consider a Resolution adopting the budget of the Successor Agency for fiscal year 2012-2013

BACKGROUND

The mission of the former Community Redevelopment Agency is to expand the tax base of the community by eliminating neighborhood blight, assembling land for revenue-generating retail, commercial and industrial developments, while fostering homeownership opportunities, ultimately creating a viable and sustainable community that enhances the quality of residents and business community. In furtherance of this mission, the Successor Agency is implementing the Economic Development Strategies of the Redevelopment Agency and winding down the activities of the former Community Redevelopment Agency.

AB 26 (DISSOLUTION ACT)

On June 29, 2011, Governor Jerry California signed Assembly Bill X1 26 (“AB X1 26”), that amended the Community Redevelopment Law resulting in the dissolution of all redevelopment agencies effective February 1, 2012, and authorizing the establishment of successor agencies in their place. On February 7, 2012, the City Council adopted Resolution No. 1, establishing a Successor Agency to the Community Redevelopment Agency of the City of Compton and declaring the Agency to be a separate and distinct legal entity from the City of Compton and responsible liquidation and winding down of established Agency properties and projects.

ENFORCEABLE OBLIGATIONS

A major responsibility of the Successor Agency, pursuant to Health and Safety Code section 34177(l) was to prepare Recognized Obligation Payment Schedules (“ROPS”)

listing all of the outstanding debts and obligations of the former Redevelopment Agency for the period from February 1, 2012, through June 30, 2012 and July 2012 to December 2012 and submit them to the Auditor-Controller, Oversight Board and DOF for certification and approval.

In May 2012, the State Oversight Board in conjunction with the Department of Finance (DOF), formally reviewed and approved the Successor Agency's Recognized Obligation Payment schedules (ROPS) for the period covering July 2012 to December 2012. The Successor Agency's State-approved ROPS validated the Agency's case of utilizing County property tax revenues pledged to pay debt service on Agency tax allocations bonds issued to implement on-going economic development programs/projects in the community.

STATEMENT OF THE ISSUE

While the Successor Agency is a distinct legal entity from the City of Compton, it is necessary for the Board of Directors to adopt and incorporate the Successor Agency's fiscal year budget for 2012-2013 into the City's adopted budget for practical reasons. First, the Board originally approved the Successor Agency's ROPS prior to submission to the Oversight Board and the DOF for final action.

Second, the Board's approval of the Successor Agency's budget would enable the Executive Director and Finance Officer of the City to utilize the city's accounting system as the conventional framework to move the Agency's funds into the new fiscal year, thus facilitating the processing of payments to Successor Agency vendors and projects.

FISCAL IMPACT

There is no negative impact to the City's General Fund with the approval of this resolution. These funds have already been approved by the Oversight Board as part of the Successor Agency's ROPS Budget. The Board of Directors adoption of this resolution will allow the Successor Agency to allocate \$417,117.04 in fiscal year 2012 - 2013 to the City of Compton for certain administrative costs and specific Successor Agency redevelopment projects.

RECOMMENDATION

Staff respectfully requests authorization from the Board of Directors of the Successor Agency to the Community Redevelopment Agency of the City of Compton ("Successor Agency") to consider a Resolution adopting the budget of the Successor Agency for fiscal year 2012-2013.

**BRYAN BATISTE
EXECUTIVE DIRECTOR**

DEPARTMENT SUMMARY

DEPT: <i>Successor Agency</i>		DEPT. NO. : 91	
PURPOSE:		The Successor Agency is responsible for devising and implementing geographically based land use, development and improvement programs to eliminate slum and blight in targeted areas of the community. The Agency accomplishes this objective by assembling lands to facilitate commercial, retail and residential developments; implementing specific plans at key areas to improve quality of developments; providing homeownership opportunities through down payment assistance programs; and promoting suitable living environment through implementation of housing rehabilitation programs and other housing support services.	

#3.

FUNDING DISTRIBUTION

[illegible]

-87-

#3.

PERSONNEL PROGRAM ANALYSIS

DEPT:	Successor Agency				
Fund Code	Object Code	Position Description		Mid Year 2011-12	Proposed Mid-Year 2011-12
Fund Code	Object Code	Fringe Benefit Allocation		Amount	Amount
	4180	FICA CONTRIBUTION			-
	4190	WORKERS' COMPENSATION			4,276
	4191	HEALTH INSURANCE			50,846
	4192	PERS			39,011
	4193	PERS PICK-UP			19,418
	4194	LIFE INSURANCE			947
	4195	DENTAL INSURANCE			2,086
	4196	VISION INSURANCE			-
	4197	UNEMPLOYMENT INSURANCE			1,631
	4198	STATE DISABILITY INSURANCE			2,618
	4199	MEDICARE			3,504
		TOTAL		0	124,336

PERSONNEL SUMMARY

Fund Code	Objct Code	Prog. No.	Position Description	Range	Adopted 2010-11	Proposed 2011-12	Proposed Amount 2011-12
	4101		DIRECTOR OF REDEVELOPMENT	176E	1.00	1.00	59,790
	4101		DEPUTY DIRECTOR OF REDEVELOPME	166E	1.00	1.00	46,620
	4101		PROJECT MANAGER	146E	1.00	1.00	38,214
	4101		REDEVELOPMENT TECHNICIAN II	126E	1.00	1.00	31,320
	4101		ADMINISTRATIVE SECRETARY	100E	1.00	1.00	24,198
	4101		ACCOUNTING SPECIALIST	93E	1.00	1.00	22,584
	4101		OFFICE ASSISTANT III	75E	1.00	1.00	18,936
	4101						
	4101						
	4101						
	4101						
	4101						
	4101						
	4101						
	4101						
	4101						
	4101						
	4101						
	4101		BILINGUAL		2.00	2.00	1,500
	4171		OVERTIME				
			TOTAL		9.00	9.00	243,162

#3.

OPERATIONS AND MAINTENANCE

DEPT:	Successor Agency					
Fund Code	Object Code	Prog. No.	Description		Adopted 2011-12	Proposed Mid-Year 2011-12
	4210		OFFICE SUPPLIES			16,000
	4213		PUBLISHING & ADVERTISING			49,160
	4215		POSTAGE			-
	4216		PRINTING & DUPLICATING			-
	4217		PRINTING & DUPLICATING - OUTSIDE			-
	4218		OTHER GENERAL OFFICE			-
	4219		MEM PUBLISHING			24,154
	4220		AUTOMOTIVE EQUIPMENT			1,371
	4222		COMPUTER SOFTWARE			-
	4230		MAINT/REPAIR MATERIALS BLDG			-
	4236		MAINTENANCE & REPAIR			-
	4237		MAINTENANCE/REPAIR - SPE			-
	4249		SPECIAL DEPARTMENT EXPENSE			40,098
	4253		ELECTRICITY			-
	4259		WATER			-
	4262		OTHER PROFESSIONAL SERVICES			17,707,476
	4266		CONTRACT SERVICES			15,369,776
	4269		OTHER CONTRACT SERVICES			7,803,736
	4273		TRAINING			3,990
	4278		MILEAGE EXPENSE			-
	4282		DEBT SERVICE PAYMENT/PRINCIPAL			7,795,640
	4286		RENT			50,000
	4287		RELOCATION			-
	4289		CONTRIBUTION TO OTHER AGENCIES			4,688,536
	4290		CONTRIBUTION TO OTHER FUNDS			276,867
	4291		LOAN PROGRAMS			8,783,427
	4297		DEBT SERVICE PAYMENT			7,795,640
						-
						-
						-
						-
						-
			TOTAL		0	70,411,171

CAPITAL OUTLAY

[illegible]

RESOLUTION NO. _____

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON ADOPTING THE BUDGET OF THE SUCCESSOR AGENCY FOR FISCAL YEAR 2012-2013.

WHEREAS, on June 29, 2011, Governor Jerry California signed Assembly Bill X1 26 (“AB X1 26”), that amended the Community Redevelopment Law resulting in the dissolution of all redevelopment agencies effective February 1, 2012, and authorizing the establishment of successor agencies in their place; and

WHEREAS, on February 7, 2012, the City Council adopted Resolution No. 1, establishing a Successor Agency to the Community Redevelopment Agency of the City of Compton and declaring the Agency to be a separate and distinct legal entity from the City of Compton and responsible to fulfill the duties of a Successor Agency pursuant to AB 26; and

WHEREAS, the mission of the former Community Redevelopment Agency is to expand the tax base of the community by eliminating neighborhood blight, assembling land for revenue-generating retail, commercial and industrial developments, while fostering homeownership opportunities, ultimately creating a viable and sustainable community that enhances the quality of residents and business community. In furtherance of this mission, the Successor Agency is implementing the Economic Development Strategies of the Redevelopment Agency and winding down the activities of the former Community Redevelopment Agency; and

WHEREAS, a major responsibility of the Successor Agency, pursuant to Health and Safety Code section 34177(l) was to prepare Recognized Obligation Payment Schedules (“ROPS”) listing all of the outstanding debts and obligations of the former Redevelopment Agency for the period from February 1, 2012, through June 30, 2012 and July 2012 to December 2012 and submit them to the Auditor-Controller, Oversight Board and DOF for certification and approval; and

WHEREAS, in May 2012, the State Oversight Board in conjunction with the Department of Finance (DOF), formally reviewed and approved the Successor Agency’s Recognized Obligation Payment schedules (ROPS) for the period covering July 2012 to December 2012. The Successor Agency’s State-approved ROPS validated the Agency’s case of utilizing County property tax revenues pledged to pay debt service on Agency tax allocations bonds issued to implement on-going economic development programs/projects in the community; and

WHEREAS, while the Successor Agency is a distinct legal entity from the City of Compton, it is necessary for the Board of Directors to adopt and incorporate the Successor Agency’s fiscal year budget for 2012-2013 into the City’s adopted budget for practical reasons. First, the Board originally approved the Successor Agency’s ROPS prior to submission to the Oversight Board and the DOF for final action; and

WHEREAS, the Board’s approval of the Successor Agency’s budget would enable the Executive Director and Finance Officer of the City to utilize the city’s accounting system as the conventional framework to move the Agency’s funds into the new fiscal year, thus facilitating the processing of payments to Successor Agency vendors and projects; and

WHEREAS, there is no negative impact to the City’s General Fund with the approval of this resolution. These funds have already been approved by the Oversight Board as part of the Successor Agency’s ROPS Budget. The Board of Directors adoption of this resolution will allow the Successor Agency to allocate \$417,117.04 in fiscal year 2012 - 2013 to the City of Compton for certain administrative costs and specific Successor Agency redevelopment projects.

Resolution No. _____

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. That the Board of Directors hereby approves and incorporates the Successor Agency’s Budget for fiscal year 2012-2013 into the City of Compton’s budget for fiscal year 2012-2013.

Section 2. That there is no negative impact to the City’s General Fund with the approval of this resolution. These funds have already been approved by the Oversight Board as part of the Successor Agency’s ROPS Budget approval of these funds will have no impact on the City’s General Fund.

Section 3. That the Chairperson shall sign and the Agency Secretary shall attest to the adoption of this resolution.

Section 4. That a certified copy of this resolution shall be filed in the offices of the Executive Director, General Counsel, City Controller, Successor Agency, and Agency Secretary.

ADOPTED this ____ day of _____, 2012.

**CHAIRPERSON OF THE SUCCESSOR AGENCY
TO THE COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**

ATTEST:

**SECRETARY OF THE SUCCESSOR AGENCY
TO THE COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, Secretary of the Successor Agency to the Community Redevelopment Agency of the City of Compton, hereby certify that the foregoing resolution was adopted by the Commission, signed by the Chairman, and attested by the Secretary at the regular meeting thereof held on the ____ day of _____, 2012.

That said resolution was adopted by the following vote, to wit:

AYES: BOARD MEMBERS -
NOES: BOARD MEMBERS -
ABSENT: BOARD MEMBERS -

**SECRETARY OF THE SUCCESSOR AGENCY
TO THE COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**

RESOLUTION SIGN-OFF FORM

DEPARTMENT: Community Redevelopment

RESOLUTION TITLE: A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON ADOPTING THE BUDGET OF THE SUCCESSOR AGENCY FOR FISCAL YEAR 2012-2013

<ManagersName>
DEPARTMENT MANAGER’S SIGNATURE

<ManagersDate>
DATE

REVIEW / APPROVAL

<LegalName>
CITY ATTORNEY

<LegalDate>
DATE

<ControllerName>
CITY CONTROLLER

<ControllerDate>
DATE

<CityManager>
CITY MANAGER

<CityManagerDate>
DATE

Use when:	
Public Works:	When contracting for Engineering Services.
City Attorney:	When contracting for legal services; contracts that require City Attorney’s review.
Controller/Budget Officer:	Amending Budget; appropriating and/or transferring funds; adding and/or deleting positions; any resolution having account numbers.
Asst. City Manager/OAS:	All personnel actions.