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# City Council and Successor Agency Report

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**City Council and Successor Agency Meeting: July 24, 2012  
Agenda Item: 3-F**

**To:** Mayor and City Council  
Chairperson and Successor Agency

**From:** Andy Agle, Director of Housing and Economic Development  
Gigi Decavalles-Hughes, Director of Finance

**Subject:** Draft Recognized Obligation Payment Schedule and Administrative Budgets for the period January through June 2013

## **Recommended Actions**

Staff recommends that the City Council (Council) adopt the attached resolution approving the housing administrative budget for the period of January through June 2013 and that Council, serving as the Santa Monica Redevelopment Successor Agency (the Successor Agency), adopt the attached Resolutions approving the Successor Agency's Draft Recognized Obligation Payment Schedule and administrative budget for the period of January through June 2013.

## **Executive Summary**

This report summarizes the obligations of the Successor Agency under AB x1 26 (AB 26) and AB 1484 to draft Recognized Obligation Payment Schedules (ROPS) and corresponding administrative budgets to be implemented in six-month periods. This report recommends that the Council adopt the attached resolutions approving the affordable housing administrative budget and that the Successor Agency adopt the attached resolutions approving the draft ROPS and the Successor Agency's administrative budget for the period January through June 2013.

## **Background**

As a result of AB 26, the City's Redevelopment Agency dissolved on February 1, 2012 and the City of Santa Monica became the Successor Agency designated to implement the dissolution and management of the former Redevelopment Agency's assets and housing functions. As part of the dissolution procedure, AB 26 requires the Successor Agency to prepare a Recognized Obligation Payment Schedule (ROPS), which identifies the former Redevelopment Agency's enforceable obligations and sources of payment of those obligations every six months. The ROPS must be approved by the Oversight Board. The Successor Agency's ROPS for the period of January through June 2012 (First ROPS) and ROPS for the period of July through December 2012 (Second ROPS) were approved by the Oversight Board on April

16, 2012 and April 23, 2013, respectively.

Under AB 26, the Successor Agency may receive an administrative cost allowance of up to three percent of the property tax allocated to the Successor Agency, based upon an approved administrative budget which justifies the allocation of the administrative cost allowance. The amounts of property taxes that are allocated to the Successor Agency are based on an approved ROPS during each six-month period. The administrative cost allowance is included as an enforceable obligation on the ROPS.

### **Discussion**

On June 27, 2012, as part of the FY 2012-13 State budget package, the Legislature passed and the Governor signed AB 1484. As a budget "trailer bill", AB 1484 took immediate effect upon signature by the Governor. The primary purpose of AB 1484 is to make technical and substantive amendments to "clean up" AB 26, providing clarity concerning issues including but not limited to the ROPS, enforceable obligations and successor agency administrative costs.

Under 1484, the process and timing for preparation and approval of each ROPS has changed. Specifically, the Successor Agency is required to submit to the Department of Finance (DOF) and County Auditor-Controller (CAC) the ROPS for the period ending June 30, 2013 (Third ROPS), approved by the Oversight Board, no later than September 1, 2012. Previously unclear in AB 26, AB 1484 clarifies and states that employee costs of the Housing Successor Agency (the City), legal services and project specific employee costs of the Successor Agency, and legal services for the Oversight Board constitute enforceable obligations of the Successor Agency (Section 34171(d)(1)(C)). The DOF rejected these costs in the Successor Agency's First and Second ROPS. However, with the passage of AB 1484, these costs are included as enforceable obligations in the Successor Agency's Third ROPS.

The administrative budgets have been prepared so that the Administrative Cost Allowance and the housing employee costs payments authorized under the Third ROPS will reimburse the City for costs associated with carrying out Successor Agency responsibilities and affordable housing costs related to the former Redevelopment Agency's housing assets, including administration, completion of projects, compliance and financial reporting.

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### **Next Steps**

In accordance with AB 1484, staff will forward the Successor Agency approved Third ROPS and administrative budgets to the County Auditor-Controller for review before presenting to the Oversight Board for approval next month. Copies of the Oversight Board approved Third

ROPS will be sent to the State Controller's Office and the Department of Finance by September 1, 2012 and posted on the Successor Agency's website.

On January 2, 2013, the County Auditor-Controller will transfer property taxes into the Successor Agency's Redevelopment Obligation Retirement Fund (RORF), from which the Successor Agency will pay enforceable obligations listed on the approved Third ROPS.

### **Financial Impacts & Budget Actions**

There are no budgetary impacts associated with the adoption of the resolutions approving the draft Third ROPS and administrative budgets. The Third ROPS simply sets forth the Successor Agency's existing financial obligations and administrative costs for the period January 1, 2013 to June 30, 2013.

**Prepared by:** Nia Tang, Acting Administrative Services Officer

**Approved:**

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**Forwarded to Council:**

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Andy Agle, Director  
Housing and Economic Development

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Rod Gould  
City Manager

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**Approved:**

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Gigi Decavalles-Hughes  
Director, Finance

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**Attachments:**

[Attachment A: Resolution – 3<sup>rd</sup> ROPS \(Jan – June 2013\)](#)

[Attachment B: Resolution – Successor Agency Admin Budget \(Jan – June 2013\)](#)

[Attachment C: Resolution – Housing Successor Admin Budget \(Jan – June 2013\)](#)