



Successor Agency Report

Success
Agency
Meeting:
April 10,
2012

Agenda Item: 3-I

To: Chairperson and Successor Agency

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

Subject: Amended Draft Recognized Obligation Payment Schedules and Administrative Budgets

Recommended Actions

Staff recommends that the Santa Monica Redevelopment Successor Agency (the Successor Agency) adopt the attached Resolutions approving the Successor Agency's Amended Draft Recognized Obligation Payment Schedules and administrative budgets for the periods February through June 2012 and July through December 2012.

Executive Summary

This report summarizes the obligations of the Successor Agency under AB x1 26 to draft Recognized Obligation Payment Schedules (ROPS) and corresponding administrative budgets to be implemented in six-month periods. This report also recommends that the Governing Board of the Successor Agency adopt the attached resolutions, approving the amended draft ROPS and administrative budgets for the periods February through June 2012 and July through December 2012.

Background

As a result of AB x1 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. As part of the dissolution procedure, AB x1 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 and the first ROPS certified by the County-Auditor Controller. AB x1 26 also provides that the Successor Agency may receive an administrative cost allowance of up to five percent of the property tax allocated to the Successor Agency for the 2011-12 fiscal year and up to three percent of the property tax allocated to the Successor Agency for each year thereafter, 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.

Discussion

On [February 28, 2012](#), the Successor Agency adopted its initial draft ROPS for the periods between February 1, 2012 to June 30, 2012 and July 1, 2012 to December 31, 2012. Since the adoption of these draft ROPS, staff attended two Town Hall meetings presented by the County of Los Angeles. During these meetings, County staff advised of its position that the enforceable obligations identified on the February through June 2012 ROPS must be paid from property taxes allocated to the Redevelopment Agency in November 2011

through January 2012 and enforceable obligations identified on the July through December 2012 ROPS must be paid from the property taxes to be allocated to the Successor Agency on June 1, 2012. To accommodate these restrictions on payments and sources of payments, staff recommends adopting an amended ROPS for the February through June 2012 and July through December 2012 periods to optimize the availability of funds to pay all enforceable obligations through January 16, 2013, which is the next scheduled date for distribution of property taxes to the Successor Agency.

The proposed administrative budgets for these two periods have also been prepared so that the Successor Agency can collect the Administrative Cost Allowance for each period to the extent that there are sufficient funds to cover such costs. The City's General Fund will initially fund the Successor Agency's administrative costs and will be reimbursed by the administrative cost allowance. The purpose of the administrative budget is to support receipt of property taxes to reimburse the City for costs associated with carrying out Successor Agency responsibilities including administration, compliance and financial reporting.

Under AB x1 26, the distribution of property tax revenues is structured as a waterfall of payments in which Tier 1 obligations consisting of statutory pass-through payments and administrative costs of the County of Los Angeles and Department of Finance are paid first; obligations on the Successor Agency's ROPS will be paid in Tier 2 using any remaining funds from Tier 1; and, the Successor Agency administrative costs will be paid in Tier 3 using any remaining proceeds from Tier 2. At this time, staff anticipates there will be insufficient proceeds from this payment waterfall to reimburse the Successor Agency's administrative costs for the amended ROPS covering February 1, 2012 to June 30, 2012, resulting in a funding gap of approximately \$1.2 million to the General Fund. Moreover, since the County and State have yet to calculate or publish their administrative costs, it is difficult to estimate how much is available to pay for the Successor Agency's enforceable obligations in Tier 2 and whether there will be any funds remaining to pay for the Successor Agency's administrative costs in Tier 3 for the amended ROPS period of July 1, 2012 through December 31, 2012. Given the uncertainties described with the County and State's administrative costs, the City may not receive full reimbursement for its costs, potentially requiring the General Fund to fund an additional gap. Staff will closely monitor the actions of the Oversight Board, County and State to gauge potential impacts to Santa Monica, and will return to Council to discuss the impacts to the General Fund and options to consider in the City's FY 2012-13 Budget.

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Next Steps

Once approved, staff will forward the two amended initial draft ROPS and administrative budgets to the Oversight Board for approval, with a copy sent to the State Controller's Office and the Department of Finance by April 15, 2012, and a copy posted on the City's website.

On June 1, 2012, and on each January 16 and June 1 thereafter, 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 certified ROPS.

Financial Impacts & Budget Actions

There are no budgetary impacts associated with the adoption of the resolutions approving the amended draft ROPS and administrative budgets. The ROPS simply sets forth the Successor Agency's existing

financial obligations and administrative costs for the periods between February 1, 2012 to June 30, 2012 and July 1, 2012 to December 31, 2012.

Prepared by: Nia Tang, Acting Administrative Services Officer

Approved: _____

Forwarded to Council: _____

Andy Agle, Director
Housing and Economic Development

Rod Gould
City Manager

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Approved: _____

Gigi Decavalles-Hughes
Director, Finance

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Attachments:

- Attachment A: [Resolution – Amended 1st ROPS \(Feb – June 2012\)](#)
- Attachment B: [Resolution – Amended 2nd ROPS \(July – December 2012\)](#)
- Attachment C: [Resolution – Admin Budget \(Feb – June 2012\)](#)
- Attachment D: [Resolution – Admin Budget \(July – December 2012\)](#)