MEMORANDUM

Date: April 19, 2012

To: Santa Monica Redevelopment Successor Agency Oversight Board

From: Successor Agency Staff

Re: Draft Recognized Obligation Payment Schedules, Revised Administrative Budget, and additional requested information.

On April 16, 2012, the Oversight Board continued approval of Draft Recognized Obligation Payment Schedules (ROPS) for the periods of February through June 2012 and July through December 2012 and the Administrative Budget for July through December 2012 to the next scheduled Oversight Board Special Meeting on April 23, 2012. This staff report itemizes the changes or additional information requested by the Oversight Board.

Attached in Exhibit A is the February through June 2012 ROP schedule which reflects the following changes:

- Item 13: Oversight Board Costs for May and June for outside Counsel
- Item 14: Revised payment amount to $1,580,308

Attached in Exhibit B is the July through December 2012 ROP schedule which reflects the following changes:

- Item 17: Revised Administrative Budget
- Item 18: Oversight Board Costs for July through December 2012 for outside Counsel and City Clerk services (Refer to Exhibit J for cost detail)

Attached in Exhibit C is the revised Administrative Budget for July through December 2012 which reflects the following changes:

- Deduction of City Clerk staff costs and supplies. These costs have been added to ROPS as an enforceable obligation.
- Deduction of object 533030, property insurance. This cost was incorrectly carried over from the City's two-year adopted budget. The Successor Agency is not expected to own any properties during this period.

Attached in Exhibits D through J is additional information in response to requests from the Board.

- Exhibit D provides a description of Successor Agency Administrative staff functions
- Exhibit E provides a description of Affordable Housing staff functions
- Exhibit F details the Affordable Housing Administrative Budget

- Exhibit G provides the estimated cash flow for the period of January 2013 through June 2015
- Exhibit H provides the cash activity for the period of July 1, 2011 to January 31, 2012
- Exhibit I provides the memorandum addressing the 1978 Promissory Note and statutory obligations to repay the City and related documents
- Exhibit J details the Oversight Board estimated costs for the period July 1, 2011 through December 2012

Further inquiries were made regarding Agency owned properties and the current balance of the low and moderate-income housing fund. At this time, the Successor Agency does not own properties and there is a zero balance in the low and moderate income housing fund.

Attachments:
Exhibit A- Revised February through June 2012 ROP schedule
Exhibit B- Revised July through December 2012 ROP schedule
Exhibit C- Revised Administrative Budget for July through December 2012
Exhibit D- Successor Agency Staff Functions
Exhibit E- Affordable Housing Staff Functions
Exhibit F- Affordable Housing Administrative Budget
Exhibit G- Estimated Cash Flow for January 2013- June 2015
Exhibit H- Cash Activity for July 1, 2011 to January 31, 2012
Exhibit I- Memorandum Re: 1978 Promissory Note
Exhibit J- Oversight Board Cost Detail

Exhibit 1
Successor Agency of the Redevelopment Agency of the City of Santa Monica
All Project Areas
DRAFT RECOGNIZED OBLIGATION PAYMENT SCHEDULE
Six Months Ended June 30, 2012
Per AB 26

	Project Name / Debt Obligation	Project Area	Source of Funds	Payee	Description	Payments by month						
						Jan[1]	Feb	March	April	May	June	Total
1)	Wells Fargo Term Loan	Earthquake	RORF	Wells Fargo	Public uses, including affordable housing	-	81,096	81,096	81,096	81,096	81,096	405,480
2)	2011 Earthquake RDA Bonds	Earthquake	RORF	Union Bank	Public uses, including affordable housing	-	-	-	-	-	-	-
3)	2011 Earthquake RDA Bonds Reserves	Earthquake	Reserve Balance from Bond Proceeds	Union Bank/Reserves	2011 Earthquake RDA Bonds Reserves	-	2,262,413	-	-	-	-	2,262,413
4)	2006 Earthquake RDA Series A Bonds	Earthquake	RORF	Union Bank	Property acquisition and improvements	-	-	-	-	-	-	-
5)	2006 Earthquake RDA Series B Bonds	Earthquake	RORF	Union Bank	Property acquisition and improvements	-	-	-	-	-	-	-
6)	2002 Ocean Park Bonds	Ocean Park	RORF	Mellon Bank	Property acquisition and development, including affordable housing	-	-	-	-	-	-	-
7)	2002 Ocean Park Bond Payment Reserves	Ocean Park	Reserve Balance from Bond Proceeds	Mellon Bank/Reserves	2002 Ocean Park Bonds reserves	-	1,749,260	-	-	-	-	1,749,260
8)	2002 Ocean Park Bond - Plan Limit Special Fund	Ocean Park	Reserve	Bank/Special Fund	2002 Ocean Park Bonds Plan Limit Special Fund per Indenture	-	1,695,919	-	-	-	-	1,695,919
9)	Civic Center Joint Use Agreement	Earthquake	RORF	Santa Monica Malibu School District	Civic Center Joint Use Project	-	-	-	-	-	4,065,000	4,065,000
10)	Bank of America Line of Credit	Earthquake	RORF	Bank of America	Affordable housing development	-	-	-	-	-	-	-
11)	Affordable Housing Agreement	Earthquake	RORF	Housing Authority	Agreement to perform affordable housing functions and operations	-	-	-	-	-	1,000,000	1,000,000
12)	Administrative Cost Allowance	All	RORF	Successor Agency[2]	FY 2011-12 5% Administration Costs	-	244,821	244,821	244,821	244,821	244,821	1,224,104
13)	Successor Agency Oversight Board Costs	All	RORF	Successor Agency[2]	Oversight Board Costs[3]	-	-	-	-	10,000	10,000	20,000
14)	1978 Promissory Notes	Downtown	RORF	City of Santa Monica	Property acquisition	-	-	-	-	-	1,580,308	1,580,308
15)	AB 1290 Statutory pass-Through Payment	Earthquake	Successor Agency Custodial Account	LA County General Fund	Estimated AB 1290 Pass-through Payments for November 2011 through January 2012[4]	-	-	1,228,971	-	-	-	1,228,971
16)	AB 1290 Statutory pass-Through Payment	Downtown	Successor Agency Custodial Account	LA County General Fund	Estimated AB 1290 Pass-through Payments for November 2011 through January 20124[4]	-	-	118,708	-	-	-	118,708
17)	FY 11-12 Pass-Through Est.	Earthquake	Successor Agency Custodial Account	Various Taxing Entities	Estimated Pass-through payment for November 2011 through January 2012[4]	-	-	6,005,035	-	-	-	6,005,035
18)	FY 11-12 Pass-Through Est.	Downtown	Successor Agency Custodial Account	Various Taxing Entities	Estimated Pass-through payment for November 2011 through January 2012[4]	-	-	172,342	-	-	-	172,342
19)	ERAF FY 10-11	Earthquake	Reserve	LA County	ERAF[5]	-	1,202,546	-	-	-	-	1,202,546
20)	ERAF Impound FY 10-11	Earthquake	Reserve	LA County	ERAF Impound[5]	-	2,789,150	-	-	-	-	2,789,150
Total												24,295,132

1) All payments due in the month of January 2012 have been paid.
2) City of Santa Monica has elected to be designated as the Successor Agency.
3) Listed expenditures are estimates
4) Pass-through payment amounts are carried over from November 2011-Jan 2012.
5) Amounts are carried over from FY 2010-2011. These amounts may be adjusted pending the final outcome of the LAUSD Case

Exhibit A

Successor Agency of the Redevelopment Agency of the City of Santa Monica
All Project Areas
DRAFT RECOGNIZED OBLIGATION PAYMENT SCHEDULE
Six Months Ended December 31, 2012
Per AB 26

	Project Name / Debt Obligation	Project Area	Source of Funds	Payee	Description	Payments by month July	Aug	Sept	Oct	Nov	Dec	Total
1)	Wells Fargo Term Loan	Earthquake	RORF	Wells Fargo	Public uses, including affordable housing	4,357,800	72,086	72,086	72,086	72,086	72,086	4,718,230
2)	Wells Fargo Term Loan (Reserve for Jan. 2013 Payment)	Earthquake	RORF	Wells Fargo	Public uses, including affordable housing (Reserve for Jan. 2013 Payment)	-	-	-	-	-	4,357,800	4,357,800
3)	2011 Earthquake RDA Bonds	Earthquake	RORF	Union Bank	Public uses, including affordable housing	1,131,206	-	-	-	-		1,131,206
4)	2011 Earthquake RDA Bonds Reserves	Earthquake	Reserve Balance from Bond Proceeds	Union Bank/Reserves	2011 Earthquake RDA Bonds reserve as required per the bond indenture	-	2,262,413	-	-	-	-	2,262,413
5)	2011 Earthquake RDA Bonds (Reserve for Jan. 2013 Payment)	Earthquake	RORF	Union Bank/Reserves	2011 Earthquake RDA Bonds reserve for Jan. 2013 payment	-	-	-	-	-	1,131,206	1,131,206
6)	2006 Earthquake RDA Series A Bonds	Earthquake	RORF	Union Bank	Property acquisition and improvements	1,113,647	-	-	-	-		1,113,647
7)	2006 Earthquake RDA Series A Bonds (Reserve for Jan. 2013 Payment)	Earthquake	RORF	Union Bank	2006 Earthquake RDA Series A Bond reserve for Jan. 2013 Payment	-	-	-	-	-	1,113,647	1,113,647
8)	2006 Earthquake RDA Series B Bonds	Earthquake	RORF	Union Bank	Property acquisition and improvements	2,115,138	-	-	-	-	-	2,115,138
9)	2006 Earthquake RDA Series B Bonds (Reserve for Jan. 2013 Payment)	Earthquake	RORF	Union Bank	2006 Earthquake RDA Series B Bond reserve for Jan. 2013 Payment	-	-	-	-	-	55,000	55,000
10)	2002 Ocean Park Bonds	Ocean Park	RORF	Mellon Bank	Property acquisition and development, including affordable housing	1,499,005	-	-	-	-	-	1,499,005
11)	2002 Ocean Park Bond Reserves	Ocean Park	Reserve Balance from Bond Proceeds	Bank/Reserves	2002 Ocean Park Bonds reserves as required per the bond indenture	-	1,749,260	-	-	-	-	1,749,260
12)	2002 Ocean Park Bond - Plan Limit Special Fund	Ocean Park	Reserve	Mellon Bank/Special Fund	2002 Ocean Park Bonds Plan Limit Special Fund per the bond indenture[1]	1,695,919	-	-	-	-	-	1,695,919
13)	2002 Ocean Park Bond (Reserve for Jan. 2013 Payment)	Ocean Park	RORF	City of Santa Monica	2002 Ocean Park Bond reserve for Jan. 2013 Payment	-	-	-	-	-	219,630	219,630
14)	Bank of America Line of Credit	Earthquake	RORF	Bank of America	Affordable housing development	1,987,390	-	-	-	-	-	1,987,390
15)	Bank of America Line of Credit (Reserve for Jan. 2013 Payment)	Earthquake	RORF	Bank of America	Affordable housing development (Reserve for Jan. 2013 Payment)	-	-	-	-	-	2,019,696	2,019,696
16)	Arizona and 4th Notes Payable	Earthquake	RORF	Spurgin et al	Property acquisition (Reserve for Jan. 2013 Payment)	-	-	-	-	-	3,300,000	3,300,000
17)	Administrative Cost Allowance	All	RORF	Successor Agency[2]	FY 2012-13 3% Administration Costs	172,206	172,206	172,206	172,206	172,206	172,206	1,033,236
18)	Successor Agency Oversight Board Costs	All	Successor Agency	Oversight Board Meeting Costs	Oversight Board Costs[3]	16,667	16,667	16,667	16,667	16,667	16,667	100,002.00
20)	AB 1290 Statutory pass-Through Payment	Earthquake	Successor Agency Custodial Account	LA County General Fund	Estimated AB 1290 Pass-through payments for November 2011 through January 2012[4]		-	1,228,971	-	-	-	1,228,971
21)	AB 1290 Statutory pass-Through Payment	Downtown	Successor Agency Custodial Account	LA County General Fund	Estimated AB 1290 Pass-through payments for November 2011 through January 2012[4]	-	-	118,708	-	-	-	118,708
22)	FY 11-12 Pass-Through Est.	Earthquake	Successor Agency Custodial Account	Various Taxing Entities	Estimated Pass-through payments for November 2011 through January 2012[4]	-	-	6,005,035	-	-	-	6,005,035
23)	FY 11-12 Pass-Through Est.	Downtown	Successor Agency Custodial Account	Various Taxing Entities	Estimated Pass-through payments for November 2011 through January 2012[4]	-	-	172,342	-	-	-	172,342
24)	ERAF FY 10-11	Earthquake	Reserve	LA County	ERAF[5]	-	1,202,546	-	-	-	-	1,202,546
25)	ERAF Impound FY 10-11	Earthquake	Reserve	LA County	ERAF Impound[5]	-	2,789,150	-	-	-	-	2,789,150
Total												42,085,941

1) $1,695,919 is already in a reserve account.
2) City of Santa Monica has elected to be designated as the Successor Agency.
3) Listed expenditures are estimates.
4) Pass-through payment amounts are carried over from November 2011-Jan 2012.
5) Amounts are carried over from FY 2010-2011. These amounts may be adjusted pending the final outcome of the LAUSD Case

Exhibit B

Successor Agency to the former Santa Monica Redevelopment Agency
Administrative Budget (July 1, 2012 - December 31, 2012)

Object	Description	July - Dec 2012
511000	Permanent Employees (8.40 FTEs)	658,378
511040	Successor Agency/Board Allowance	1,266
511490	Overtime	2,015
511710	Medicare Employer Contribution	80,161
511730	Workers' Comp Insurance	564
511743	Medical - Misc Empl	35,518
511746	Medical Trust - Misc Empl	6,987
511748	Dental	4,882
511749	Vision	556
51174E	Employee Health Contribution	(2,329)
51197A	Unemployment	2,421
51197B	EAP	435
51197C	DCAP	254
51197E	Life Insurance & AD & D	2,015
51197F	Disability Insurance	3,500
		796,620
522210	Utilities - Telephone	3,000
522310	Office Supplies/Expense	14,000
522540	Advertising	250
522620	Rent	67,059
522720	Mileage	300
522820	Conferences/Meetings	5,262
522900	Memberships and Dues	4,100
533020	General Liability/Auto	4,083
533220	Bldg Maintenance	26,265
555060	Professional Services	60,000
555110	Legal Expense	40,000
555210	Training	5,000
577230	Fiscal Agent Fees	5,800
588090	Furniture & Furnishings	1,500
		236,618
		1,033,238

Santa Monica Successor Agency Administrative Functions

HOUSING AND ECONOMIC DEVELOPMENT

- Administer the wind down and completion of former RDA activities and operations
- Prepare Successor Agency ROPS and administrative budgets for Oversight Board approval
- Prepare staff reports and other reports required by current law
- Ensure timely payments required by Enforceable Obligations
- Ensure compliance with bond indentures and maintain required reserves
- Coordinate communications and requests for information from Successor Agency, Oversight Board, L.A. County Auditor-Controller, State Department of Finance, and State Controller's Office
- Provide staff support to the Successor Agency and Oversight Board
- Enforce covenants and provisions associated with enforceable obligations

FINANCE

- Administer the Redevelopment Obligation Retirement Funds
- Monitor AB 26 financial compliance
- Prepare continuing disclosure as required by debt indentures
- Ensure Debt covenant compliance
- Manage Successor Agency accounting, reporting and bank transactions
- Perform analysis and monitor of cash flow
- Maintain reserves in the amount required by indentures
- Coordinate completion of audited financial statements and agreed upon procedures

CITY ATTORNEY

- Advise the Successor Agency and staff on all legal issues concerning AB 26 and prevailing law
- Represent the Successor Agency and staff either directly or through special counsel relationships before administrative bodies, such as the Oversight Board and before all courts in all litigation such as contract disputes and municipal litigation

Affordable Housing Administrative Functions

Affordable Housing Continuing Covenant Enforcement

- Assembles, organizes, and ensures that all documentation is complete in records and project files for a wide variety of projects with deed-restricted units.
- Responds to inquiries and prepares handouts for property owners, tenants and prospective tenants concerning program requirements, eligibility criteria, and application procedures.
- Reviews all loans from low and moderate income housing funds to ensure that the terms of each loan are being met, proper reports are being filed by borrowers, and residual receipts are being properly calculated. Maintains and updates all loan files.
- Assists in the preparation of the waiting list for deed restricted units.
- Prepares and disseminates information to property owners regarding qualified applicants for deed restricted affordable housing.
- Monitors lease-up of vacated and new units to ensure compliance with regulatory restrictions.
- Conducts annual monitoring of deed restricted units, including preparation of letters, certification and related follow-up. Prepares annual monitoring report.
- Prepares correspondence and reports, completes a variety of forms and applications.
- Develops and maintains housing loan record management system.

Completion of Construction of Affordable Housing Developments

- Conducts inspections of property to be rehabilitated to identify possible code violations, hazardous conditions, unsanitary conditions and general repairs, and makes recommendations on the scope of work to correct deficiencies. Prepares detailed scopes of work and cost estimates for the rehabilitation.
- Review construction budgets to ensure sufficient funds and cost reasonableness
- Reviews architectural plans and engineering reports to ensure compliance with building and zoning codes.
- Ensures that projects meet code requirements and are in compliance with Affordable Housing Covenants.
- Inspects and evaluates construction work in progress to ensure compliance with plans, specifications, workmanship and quality of work. Determines percentage of work completed for progress payments to contractors. Reviews all material and labor lien releases and Building and Safety sign-offs.

- Verifies the eligibility and qualifications of contractors. Verifies that all required contractor documentation is in order, including license and insurance forms.
- Reviews and verifies hazardous materials inspection reports to ensure regulatory compliance.
- Coordinates pre-construction meetings with contractor to review the scope of work and provisions of construction contract.
- Prepares and assembles contractor bid packages.
- Works with developers to provide technical assistance in the bidding process. Additional involvement may include analyzing bid prices and reviewing contractor bidding packages for completeness.
- Reviews and recommends approval of change orders.
- Conducts on-site worker interviews to ensure compliance with Federal (Davis Bacon) Section 3 and State prevailing wage requirements.
- Coordinates projects with other City departments and outside regulatory agencies. Provides technical assistance to departmental staff on construction laws, practices and regulations.
- Researches construction issues and makes recommendations/referrals to appropriate agencies.
- Assists in developing construction guidelines, procedures and production standards.
- Develops and maintains construction resource materials such as current building costs, building code requirements, architectural standards and other data related to housing construction and rehabilitation.
- Prepares reports and correspondence.

Exhibit F

Affordable Housing Administrative Budget

Object	Description	FY 2011-12
511000	Employees (7.45 FTEs)	1,041,855
511710	Medicare Employer Contribution	12,563
511730	Workers Compensation Insurance	2,994
511746	Medical Trust	15,337
511747	Dental	7,974
511749	Vision	1,233
51174E	Employee Heatlh Contribution	(4,264)
51197A	Unemployment	171,580
51197B	EAP	937
51197C	DCAP	558
51197E	Life Insurance & AD & D	10,118
51197F	Disability	5,913
		1,266,798
522110	Util - Light/Power	11,000
522120	Utilities - Natural Gas	700
522130	Utilities -Water	13,000
522180	Bank Fees	2,800
522210	Utilities - Telephone	8,000
522310	Office Supplies /Expenses	24,000
522320	Metered Postage	8,000
522500	Boards and Commissions	1,000
522540	Advertising	2,300
522620	Rent	378,488
533020	General Liability/Auto	14,665
533120	Special Equipment Maint	10,000
533220	Bldg/Structure/Maintenance	597,517
555060	Professional Services (prevailing wage, legal)	413,960
588080	Office Equipment	1,500
588090	Furniture and Furnishings	5,100
		746,015
		2,012,813

Exhibit G

Estimated Cash Flow, Jan 2013-June 2015

(in Millions)

	Payment Date (to cover obligations in the following 6 month period)				
	Jan-13	**Jun-13**	**Jan-14**	**Jun-14**	**Jan-15**
Gross Property Tax (ESTIMATED)	**$34.1**	**$42.7**	**$34.8**	**$43.6**	**$35.5**
Pass Thru (ESTIMATED)	$9.6	$11.3	$9.2	$11.6	$9.4
County Admin and Audit Fees (UNKNOWN)	???	???	???	???	???
Enforceable Obligations (ESTIMATED)	$13.0	$24.6	$14.0	$24.4	$11.5
Admin Allowance (3% of ESTIMATED OBS)	$0.4	$0.7	$0.4	$0.7	$0.3
Oversight Board Costs (legal + staffing)	$0.1	$0.1	$0.1	$0.1	$0.1
State Controller Costs (UNKNOWN)	???	???	???	???	???
Balance (ESTIMATED)*	**$11.1**	**$6.0**	**$11.1**	**$6.8**	**$14.2**

* Note that the estimated balance will be reduced by the amount of County Admin & Audit and State Controller fees, and is subject to changes in all estimated figures. Balance may be affected by rounding

Exhibit H

Redevelopment Agency of the City of Santa Monica
Cash Activity July 1, 2011 to January 31, 2012

	Project Area				
	Downtown	Earthquake	Ocean Park	Low/Mod	Total
Sources:					
Tax Increment	2,120,401	21,283,717	1,288,012	7,506,052	24,692,131
Other income	19,296	68,226	37,068	627,802	124,591
Total Sources	2,139,697	21,351,944	1,325,080	8,133,854	24,816,721
Uses:					
Pass through (1)	21,615	2,427,525	-	-	2,449,140
Debt Service	-	12,362,309	160,286	349,591	12,522,595
Housing voucher program	-	-	-	6,456,730 (4)	
Admin	88,732	2,592,921	194,684	-	2,876,337
Other	43,899	326,844	8,663	1,327,533	379,407
Total Uses	154,246	17,709,599	363,634	8,133,854	18,227,478
Cash balance	1,985,451 (2)	3,642,345 (2)	961,447 (3)	-	6,589,243

(1) includes 10-11 pass throughs and 11-12 County retained pass through, remaining 11-12 pass through will be paid once County notifies successor agency of its share out of remaining successor agency cash
(2) Balance retained and to be used to partially pay pass through payments accrued for FY 11-12
(3) Balance to be used to partially fund reserve as required by bond indenture
(4) Amounts paid to the Housing Authority to fulfill contractual obligation to fund housing vouchers for 82 formerly homeless low income seniors

KANE, BALLMER & BERKMAN

KANE BALLMER & BERKMAN
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LOS ANGELES, CA 90071
(213) 617-0480

April 19, 2012

Marsha J. Moutrie
City Attorney
City of Santa Monica
1685 Main Street, Room 310
Santa Monica, California 90401

Susan Y. Cola
Deputy City Attorney
City of Santa Monica
1685 Main Street, Room 310
Santa Monica, California 90401

Re: Promissory Note and Statutory Obligation to Repay City for conveyance of fee title to City owned land to the Redevelopment Agency for the Downtown Redevelopment Project (Documentation of Enforceable Obligation under AB 26)

Dear Marsha and Susan:

You have requested a brief comment on the background and nature of the Enforceable Obligation and related documentation requiring the payment of money to the City of Santa Monica from the Successor Agency for the City's conveyance of fee title to certain properties for the Downtown Redevelopment Project.

October 24, 1978 the Redevelopment Agency of the City of Santa Monica adopted Agency Resolution No 352 authorizing the repayment of funds to the City for properties actually conveyed from the City to the Redevelopment Agency to assist in carrying out the Downtown Redevelopment Project. This action was expressly authorized by redevelopment law (Health & Safety Code Section 33320 (a) providing for conveyance of property from any public entity to the redevelopment agency; and Health & Safety Code Section 33620 et seq, requiring repayment to the City's general fund of monies for City-assisted acquisition of real property by the Redevelopment Agency). These statutes authorized and created a statutory obligation of the former Redevelopment Agency to repay the funds to the City for the acquisition of the subject properties. Such obligation is now therefore an enforceable obligation of the Successor Agency. No contract or note was required by either statute. None of these statutes have been amended by AB 26 and they continue to remain in full force and effect to this day.

The subject property comprised a significant portion of the Downtown Redevelopment Project Area and was owned by the City for some time before the adoption of the redevelopment plan. The City's original acquisition of the property was never connected in any way to the proposed or adopted Downtown Redevelopment Project.

Even though not required by the applicable statutes, the City and the Redevelopment Agency approved and executed on January 31, 1983, a promissory note to evidence and formalize the Agency obligations to repay the City under Resolution No. 352, and the obligation was further evidenced by a promissory note dated July 1, 2004. The promissory note was amended to keep track of principal and interest outstanding on June 21, 2005, and to provide for scheduled payments of the remaining balance of principal and accrued interest on January 17, 2011.

Promissory notes of the former Redevelopment Agency are defined without exception in AB 26 to be Enforceable Obligations to be repaid by the Successor Agency.

Resolution No. 352 and each of the promissory notes and amendments were each validated by operation of law under Gov Code Sec 53511, which makes the notes subject to the validation provisions of Code of Civil Procedure Sections 860-870. This obligation has been set forth on the Redevelopment Agency's Statements of Indebtedness for decades, as required by Health and Safety Code Section 33675 and constitute "prima facie evidence of the loans, advances, or indebtedness of the agency" under Section 33675 (h) (1) and was never challenged or objected to by the County at any time as required for such objections by Section 33675 (h) (2) (A).

This obligation has been reported for decades to the State Controller in the required annual reports, and has been included in outside audits of both the City and the Agency for decades without comment or objections.

Please let me know if you have any further questions on this matter.

Sincerely,

KANE, BALLMER & BERKMAN

Murray O. Kane

Murray O. Kane

DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

EDMUND G. BROWN JR. • GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

March 2, 2012

Dear County Board of Supervisors, City Administrators, and Redevelopment Successor Agency Representatives:

The purpose of this letter is to provide information on some of the most important next steps required to implement Assembly Bill 26, First Extraordinary Session (ABX1 26, Chapter 5, Statutes of 2011), which dissolved redevelopment agencies (RDAs) effective February 1, 2012 and replaced them with successor agencies. According to our records, your city (or county) has chosen to act as the successor agency for your former RDA.

Before it was dissolved, your former RDA submitted to the Department of Finance (Finance) an Enforceable Obligation Payment Schedule (EOPS) which listed the various financial obligations that the RDA believed to be Enforceable Obligations, as that term is defined by ABX1 26. The EOPS should be extended until a Recognized Obligation Payment Schedule (ROPS) listing all enforceable obligations proposed for payment between January 1, 2012 and June 30, 2012 can be adopted and is valid.

Pursuant to the timeline in ABX1 26 as revised by the Supreme Court's order, the first ROPS must be approved in initial form by your successor agency's governing body no later than March 1, 2012. The ROPS must be approved by the oversight board in final form no later than April 15, 2012, and also must be submitted to Finance, the State Controller, and the county auditor-controller for review no later than the April 15, 2012. Beginning May 1, 2012, only those payments on an approved ROPS should be made for the period through June 30, 2012. The ROPS for the period July 1, through December 31, 2012 must be submitted to Finance and the county auditor as soon as possible but no later than May 11. This will leave 10 working days for our review and four working days for the county auditor-controller to prepare to make timely payments to successor agencies and taxing agencies on June 1, 2012, as required by ABX1 26. While Finance will make every effort to reach agreement with successor agencies on items to be included in the ROPS by those dates, additional time may be needed to review complex items. Thus we encourage agencies with complex issues to bring them to our attention as soon as possible.

In order to expedite our review of the ROPS, Finance auditors are currently reviewing the EOPS that has been submitted to identify any items which may require more information to assist our review. We request that your staff cooperate with requests for information. We anticipate that some items that we do not believe are enforceable obligations may be identified in this process and we will be providing you with notice of those so that they may be removed from the ROPS.

Finance staff will notify the staff contact for the successor agency within three days by e-mail if we are exercising our right to further review items in the ROPS. We will provide notice of which items we are reviewing within 10 days. After that notice and after May 1, no payment related to any such items should be made, even if they are on a previously adopted EOPS, until Finance agrees to the inclusion of the item on the ROPS.

While we hope that agreement can be reached on most items, there are likely to be some items included on the ROPS on which agreement cannot be reached by the time payments are to be made to successors and taxing agencies under the law. We believe that the fiduciary duty a successor agency owes to its undisputed creditors takes precedence over any right to dispute whether other items are enforceable obligations. We respect the rights of a successor agency to maintain a different position with regard to such items and recognize that litigation may be necessary to resolve some disputes. We will endeavor to minimize the cost of litigation by continuing to research and discuss any disputed items until it is clear that no mutually satisfactory resolution is possible. Once a payment date is reached, Finance views the undisputed items to be the ROPS for purposes of distribution of funds from the Redevelopment Property Tax Trust Fund for that six month period and will be providing notice to the county auditor of those items no later than five working days prior to a statutory distribution date. If resolution of the dispute later determines that an item is an enforceable obligation, it may be placed on the next ROPS.

The review of the ROPS by the public and the oversight board is very important and adequate time should be allowed for this to take place. Given these compressed timeframes, we believe it would be prudent for your oversight board to review, approve, and submit the ROPS to Finance at the earliest possible time. If we object to any items on your ROPS, this early submittal will help ensure any problems are resolved before May 1 and May 11 deadlines, thereby enabling your Successor Agency to make debt payments timely and to receive funding for all enforceable obligations.

Your successor agency's oversight board has seven members, of whom one is appointed by the city, two by the county board of supervisors, one by the county superintendent of education, one by the California Community Colleges, one by the largest special district by property tax share with territory in the former RDA's project areas, and one to represent the employees of the former RDA. Since the ROPS must be approved by the oversight board by April 15, and since the ROPS cannot be submitted to Finance until it has been approved by the oversight board, we encourage you to work expeditiously with the various appointing powers to ensure they name their oversight board members as soon as possible.

Finally, ABX1 26 states that the initial ROPS must be submitted to the auditor performing the agreed upon procedures audit for review. While it would be preferred that this take place in conjunction with the completion of the agreed upon procedures audit, this review of the initial ROPS is a separate action that should not be delayed pending completion of the audit.

County auditor-controllers have until July 1, 2012 to arrange for completion of these audits pursuant to the California Supreme Court's revised ABX1 26 timeline, and we understand many auditors may require even longer to actually complete the audits. Consequently, if the auditor designated by your county auditor-controller states the review of the ROPS cannot be completed by April 15, we advise you to submit your ROPS to Finance without waiting for the auditor's review. If, however, your auditor states they will complete the ROPS review by April 15, we advise you to not submit the ROPS until the review is complete. We advise you to consult your county auditor-controller on the timing of the agreed-upon-procedures audit.

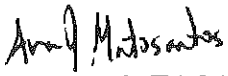
We would appreciate receiving a copy of the auditor's report when it is completed. This will help expedite review of your ROPS.

The Department of Finance website contains substantial additional information about ABX1 26 that is updated as we develop responses to questions and work with other parties. This can be found at the following link:

http://www.dof.ca.gov/assembly_bills_26-27/view.php

Thank you for your attention to this matter. Please direct any questions to Finance staff at (916) 445-1546, or send an e-mail to: redevelopment_administration@dof.ca.gov.

Sincerely,



ANA J. MATOSANTOS
Director

Exhibit J

Santa Monica Redevelopment Agency Oversight Board
Support Staff Costs (July 1, 2012 - December 31, 2012)

		July - Dec 2012
511000	Employees (City Clerk's Office .35 FTEs)	30,347
511490	Overtime	1,500
511710	Medicare Employer Contribution	2,253
511730	Workers Compensation Insurance	300
511746	Medical Trust	298
511748	Dental	137
511749	Vision	24
51174E	Employee Share	(232)
51197B	EAP	19
511749	Unemployment	89
51174E	DCAP	11
51197A	Medicare	302
51197E	Life Insurance & AD & D	93
51197F	Disability	208
		35,348
522210	Utilities - Telephone	120
522310	Office Supplies (Print Shop Costs)	1,500
522320	Metered Postage	200
522520	Legal Advertising	600
522720	Mileage	100
555060	Courier/Federal Express	690
555060	Federal Express	600
555060	Security	300
		4,110
		39,458
	Outside Counsel Costs (????)	60,000
	Total estimated costs	**99,458**