



Placentia City Council

AGENDA REPORT

TO: CITY COUNCIL
VIA: CITY ADMINISTRATOR
FROM: ASSISTANT CITY ADMINISTRATOR
DATE: JULY 17, 2012
SUBJECT: **RESPONSE TO ORANGE COUNTY GRAND JURY REPORT REGARDING
DISSOLUTION OF REDEVELOPMENT AGENCIES**
FISCAL
IMPACT: NONE

SUMMARY:

The Orange County Grand Jury for 2011-12 completed a report entitled, "The Dissolution of Redevelopment: Where Have We Been? What Lies Ahead?" Per State law, the City must respond within 90 days of the release of the report to those findings and recommendations as contained within. This item seeks approval of the City's response to the report in accordance with Penal Code § 933.05 (a)(b).

RECOMMENDATION:

It is recommended that the City Council take the following action:

1. Approve and authorize the Mayor to sign a letter to the Presiding Judge that responds to the findings and recommendation of the Grand Jury's report on the dissolution of redevelopment.

DISCUSSION:

On June 22, 2012, the Grand Jury released a report entitled, "The Dissolution of Redevelopment: Where Have We Been? What Lies Ahead?" Due to the dissolution of redevelopment agencies, the report is largely a historical look at redevelopment. It is a snapshot based on reporting documents formerly submitted by agencies to the State and the Grand Jury highlights a few cases in which redevelopment was used in a way that is perceived to be out of character with the original intent of redevelopment law. The former Redevelopment Agency for the City of Placentia is referenced once due to its reported high administrative cost percentage as opposed to projects costs. The high administrative costs are more a function of how certain costs were reported to the State Controller's Office. For example, the 2003 Certificates of Participation are reported as administrative costs. That amount, which is almost \$900,000, about doubles the administrative percentage for the year in question. Since redevelopment agencies no longer report to the State, the dispute of how such administrative costs are calculated is moot.

When responding to the Grand Jury, the City is limited in its ability to reply based on statutory language. With regard to findings, the allowed responses are: The City agrees with the finding; and, The City disagrees wholly or partially with the finding. With regard to recommendations,

1.f.
July 17, 2012

the allowed responses are: The recommendation has been implemented, with a summary regarding the implemented action; The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation; The recommendation requires further analysis; and, The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore. The City is allowed, when warranted, to provide further narrative to each of the above responses with the exception of when the City agrees with a finding.

For the Grand Jury report in question, the following Findings and Recommendations are required to be responded to by the City (with responses provided):

Finding F1: As of the date of dissolution of redevelopment (February 1, 2012) all city operated redevelopment agencies, except Mission Viejo and Seal Beach, were exceeding the administrative costs limits of 5% of the tax increment distributed related to the ROPS as authorized by ABX1 26.

City Response: The City agrees with the finding.

Finding F2: Of the agencies surveyed, only Costa Mesa and Santa Ana reported having a citizen involvement committee along the line of a project area committee as authorized by Section 33385 of the Health and Safety Code.

City Response: The City agrees with the finding.

Finding F3: Historically, external oversight over redevelopment has been missing or ineffective in monitoring redevelopment agency compliance and performance. The new formed oversight boards offer a potential to improve on that record by providing critical evaluation of existing projects and management of the successor agency debt.

City Response: The City disagrees wholly or partially with the finding. The finding is overly broad in its scope as external oversight over the former agencies was not uniform and, in some cases, adequate external monitoring for an agency was conducted locally. With regard to statewide agency or legislative monitoring of redevelopment agencies, the City can agree to the finding but the weakness was due to ineffective legislation or reporting requirements. The City agrees that the new formed oversight boards have the potential to improve upon external monitoring.

Recommendation R1: All successor agencies should review administrative costs to ensure compliance with the limit of five percent of the tax-increment or less as required by AB X1 26 and develop a plan to reduce these costs to three percent of the tax increment received or less in 2012-13. If these percentages fall below \$250,000, that agencies are allowed to claim the higher amount.

City Response: The recommendation has been implemented. The Successor Agency received a 100% approval rate on its Recognized Obligation Payment Schedule to include Form C, its Administrative Budget.

Recommendation R2: Successor agencies and oversight boards should review the Recognized Obligation Payment Schedule with a view toward limiting the range of projects and obligations thereby retiring the enforceable obligation debt as quickly as possible.

City Response: The recommendation has been implemented. It is the Successor Agency's intent to wind down the former redevelopment agency in an expedited manner.

Recommendation R4: Successor agencies and oversight boards should critically review the Recognized Payment Obligation Schedule (ROPS) to evaluate the need for debt owed to the city. (See F8)

City Response: The recommendation will not be implemented because it is not warranted. The City did not encumber debt to the City prior to the dissolution of the agency.

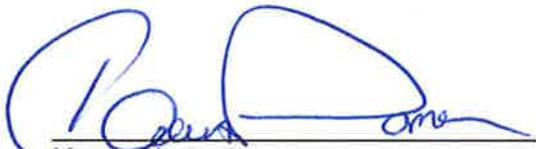
Recommendation R5: Successor agencies and oversight boards should critically review the Recognized Payment Obligation Schedule (ROPS) to evaluate the need for incentive payments to commercial entities. (See F9)

City Response: The recommendation will not be implemented because it is not warranted. The Agency did not have any incentive payments to commercial entities.

FISCAL IMPACT:

There is no fiscal impact from this action.

Prepared by:



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Reviewed and approved by:



Troy L. Butzlaff, ICMA-CM
City Administrator

Attachments:

Grand Jury Report on Redevelopment Dissolution
Draft Letter Response to Presiding Judge