



Legislation Text

File #: 12-0127, **Version:** 1

Recommendation to receive a report on services proposed to be continued following the dissolution of the former Redevelopment Agency of the City of Long Beach, and direct City Manager to continue to provide these and other services to help ensure the City and community needs are met.
(Citywide)

On January 17, 2012, the City Council elected to be the designated Successor Agency to the former Redevelopment Agency of the City of Long Beach (RDA) under the provisions of AB1X 26. Under the revised schedule provided by the Supreme Court in upholding the constitutionality of AB1X 26, the dissolution of the RDA was effective February 1, 2012. With the dissolution of the RDA, the Successor Agency is responsible for payment of all "enforceable obligations" of the former RDA and for disposal of the RDA's assets.

The unprecedented and immediate wind down of 60 years of public finance practice in one month's time has wreaked havoc across the State as cities struggle to meet the mandates of AB1X 26. Staff is continuing to assess the immediate and long-term impact of RDA's dissolution on all aspects of government. Over the past month, many steps have been implemented to reduce potential liabilities to the General Fund, including a significant reduction in workforce and a cessation of programs or activities that might generate unfunded liabilities.

Although many costs have been or will soon be eliminated, there are a number of former RDA costs that are recommended to be continued even though reimbursement through AB1X 26 is not assured due to the role of the Oversight Board and the California Department of Finance in approving any expenditures of the Successor Agency. Programs such as code enforcement, graffiti abatement and debt service, are important programs to continue until the funding issue is sorted out. The City's position is that these expenditures are enforceable obligations and should be reimbursed as part of the dissolution process. Should it be determined that these programs are not eligible for reimbursement, staff will return to the City Council with alternative funding options for consideration. The costs recommended for continuation/payment are described in Exhibit A.

In addition to the costs specifically identified in Exhibit A, there are other enforceable obligations of the former RDA. These costs are described in the attached memo provided to the Successor Agency (Exhibit B). We have generally not repeated these costs in this letter as the risk to the General Fund appears to not be significant. Also, there are former RDA costs that have ended and are not currently proposed for continuation, such as new program development in the RDA districts. These former costs are also not identified in the attached report. Whether or not these services are considered for restoration, or alternatives are provided, is a matter to be considered during the FY 13 budget process.

This matter was reviewed by Assistant City Attorney Charles Parkin on February 9, 2012.

The programs identified and associated costs are currently planned to continue. If the City Council

wishes to discontinue these services, the earlier the action by City Council, the earlier the termination of those services can occur.

The City is taking the position that the costs for the programs are reimbursable. Should this be overturned, the net cost in FY 12 of continuing the services as recommended is unknown because the level of reimbursement through the Successor Agency is unknown at this time. The maximum FY 12 cost to the General Fund, as described in the attached report, is \$2.2 million in the event no alternative funding is identified.

The City has already taken numerous steps to drastically reduce the total Redevelopment expenditures as a result of the dissolution of the Redevelopment Agency on February 1. A request for the Order of Layoff has been submitted to the Civil Service Commission to begin the process and identify the impacted staff. In total, there are 31 classified, and 17 unclassified positions affected by the elimination of the RDA, for a total of 48 positions.

There are other administrative costs associated with the dissolution of the Redevelopment Agency that could conceivably have an impact on the FY 12 budget if funding is not approved by the Oversight Board. Those costs include legal and accounting services supporting the RDA shutdown and Successor Agency functions, and some general overhead costs associated with providing all City services. A discussion of these costs, potential funding and any potential impact on the FY 12 General Fund will be included in the FY 12 First Quarter Budget Performance Report.

It is expected that there will be uncertainty about the level of reimbursement for these costs, at least for a few months and potentially much longer. In the next few months, the approval or disapproval of the RDA's list of enforceable obligations by the Oversight Board will provide an idea of the level of offsetting revenue the City will receive.

Staff will continue to keep the City Council apprised and will seek specific direction as costs become more known, and as potential liabilities to the General Fund arise.

Approve recommendation.

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

APPROVED:

PATRICK H. WEST
CITY MANAGER