



# CITY OF LONG BEACH

AS SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH

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August 21, 2012

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY  
OF THE CITY OF LONG BEACH  
City of Long Beach  
California

## RECOMMENDATION:

Approve the draft Recognized Obligation Payment Schedule for the period of January 1 through June 30, 2013; and

Approve the proposed Administrative Budget for the period of January 1 through June 30, 2013; and

Authorize staff to amend the draft Recognized Obligation Payment Schedule, as needed, in accordance with guidelines issued by the California Department of Finance on August 3, 2012 (Citywide)

## DISCUSSION

Section 34177(l)(2)(A) of the California Health and Safety Code, as adopted by AB1x 26 (the "Dissolution Act"), requires the Successor Agency to prepare a draft Recognized Obligation Payment Schedule forward looking to each six-month fiscal period. Each Recognized Obligation Payment Schedule must list dates, amounts and payment sources of the former Redevelopment Agency's enforceable obligations. The attached draft Recognized Obligation Payment Schedule represents the anticipated enforceable obligations for the period of January 1 through June 30, 2013 (Exhibit A).

The Recognized Obligation Payment Schedule is based on the Enforceable Obligation Payment Schedule, a list of the total outstanding debts and obligations of the former Long Beach Redevelopment Agency, which was certified by the California Department of Finance on March 30, 2012.

The Recognized Obligation Payment Schedule must identify the source of payment for each obligation from among the following:

- The Redevelopment Property Tax Trust Fund – RPTTF (maintained by the County)
- Bond Proceeds
- Reserve Balances

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- Administrative Cost Allowance
- Low- and Moderate-Income Housing Fund
- Other revenue sources including rents, interest earnings and asset sale proceeds

This Recognized Obligation Payment Schedule requires Oversight Board approval as well, and will be agendized for their review on August 27, 2012. Additionally, in accordance with the recently approved Assembly Bill 1484, the date for the submittal of the Recognized Obligation Payment Schedule to the California Department of Finance for their review and certification has been moved up to September 1, 2012, from October 1, 2012. Upon their certification, the Department of Finance will provide a copy of the Recognized Obligation Payment Schedule to the Los Angeles County Auditor-Controller (Auditor-Controller). On January 2, 2013, the Auditor-Controller will distribute property tax revenue to the Successor Agency from the Redevelopment Property Tax Trust Fund for approved payments listed on the Recognized Obligation Payment Schedule. This distribution will be from property taxes the Auditor-Controller received from former Long Beach redevelopment project areas for the period of May 1 through December 31, 2012.

Furthermore, AB 1484 provided the California Department of Finance with authority to prescribe the content and format of the Recognized Obligation Payment Schedule beginning with the January 1 through June 30, 2013 submittal. The content and format guidelines were subsequently issued on August 3, 2012. The attached draft Recognized Obligation Payment Schedule includes a majority of the required content, but the following data was not part of previously approved Recognized Obligation Payment Schedules and must be added: Contract/Agreement Execution Date; Contract/Agreement Termination Date; and Total Due During Fiscal Year 2012-2013. Reformatting of the data is also required.

The California Department of Finance guidelines also direct the Successor Agency to report the difference between actual payments and estimated obligations from the January 1 through June 30, 2012 Recognized Obligation Payment Schedule, which is another new requirement. Although staff is working on the formatting revisions and the additional data reporting, the revised Recognized Obligation Payment Schedule will not be completed by the deadline for submittal to the Successor Agency with this staff report.

Subsequently, staff is requesting the Successor Agency's approval to make the needed updates, which will allow for submittal of the updated document to the Oversight Board for its approval on August 27, 2012. Upon completion, staff will provide the Successor Agency with a copy of the updated Recognized Obligation Payment Schedule. A copy of the new Recognized Obligation Payment Schedule template is attached for reference (Exhibit C).

Additionally, pursuant to Section 34177(j) of the Dissolution Act, the Successor Agency is allowed an administrative allowance, subject to Oversight Board approval. The allowance is capped at three percent of the property tax from the Redevelopment Property Tax Trust Fund allotted to the Successor Agency for the period of January 1 through June 30, 2013. While the Administrative Budget is included in the Recognized Obligation Payment

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Schedule, it must also be presented as a stand-alone document for the purposes of Auditor-Controller certification and Oversight Board approval.

The administrative cost allowance includes items such as salaries, including departmental overhead costs for Successor Agency staff carrying out the necessary actions to wind down the Agency's affairs; preparation of the Recognized Obligation Payment Schedule and Administrative Budgets; and operational costs associated with these actions.

Exhibit B outlines the proposed Administrative Budget for the Successor Agency for the period of January 1 through June 30, 2013.

This matter was reviewed by Assistant City Attorney Michael J. Mais and by Budget Management Officer Victoria Bell on August 6, 2012.

TIMING CONSIDERATIONS

Successor Agency action is requested on August 21, 2012, to allow sufficient time for the transmittal of the Recognized Obligation Payment Schedule and Administrative Budgets to the Oversight Board for approval on August 27, 2012, and to the California Department of Finance, for certification prior to the September 1, 2012 deadline.

FISCAL IMPACT

The proposed Administrative Budget from January 1 through June 30, 2013, is approximately \$1.3 million, and exceeds the prescribed three percent by an estimated \$933,697. The Recognized Obligation Payment Schedule identifies approximately \$14 million in obligations to be paid by the Redevelopment Property Tax Trust Fund, which converts to a \$424,960 administrative cost allocation. Oversight Board and Department of Finance challenges to the validity of any of these obligations could reduce the amount of the administrative allocation paid by the Auditor-Controller.

While the proposed Administrative budgets do not conform to the administrative cost allowance prescribed by AB1x 26, it is a legitimate representation of the costs necessary to perform the functions of the Successor Agency, and staff recommends that payment of these costs be requested. In the event that all of the administrative costs on the attached budget are not reimbursed, Successor Agency fund balance and potential increases in property tax distributions to the City from the former redevelopment project areas could help address the shortfall. Ultimately, any costs not covered by the administrative allocation or other potential sources could require funding from the General Fund to close the gap and additional staff reductions may be required. However, given that the required deadline to submit this information to the State is September 1, 2012, this represents our best attempt to identify potential issues in advance of receiving specific direction by the State. The adoption of the recommended actions allows the Successor Agency to meet its obligations to continue dissolution of the former Redevelopment Agency.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



PATRICK H. WEST  
CITY MANAGER

PHW:AJB:RMZ:DLH

S:\Successor Agency\SUCCESSOR AGENCY STAFF REPORTS\2012\August\August 21\SA - Admin Budget - ROPS Jan-June 2013v7.doc

Attachments:      Exhibit A – Draft Recognized Obligation Payment Schedule January 1 – June 30, 2013  
                         Exhibit B – Proposed Administrative Budget January 1 – June 30, 2013  
                         Exhibit C – Department of Finance issued Recognized Obligation Payment Schedule Template