

**SPECIAL MEETING OF THE
OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE
AVALON COMMUNITY IMPROVEMENT AGENCY
MONDAY, AUGUST 20, 2012 – 3:30 P.M.
CITY COUNCIL CHAMBERS 410 AVALON CANYON ROAD, AVALON, CA 90704**

Pursuant to California Government Code section 54953(b)(3), any member of the public wishing to address the legislative body directly pursuant to California Government Code section 54954.3 to speak in favor of, or in opposition to, an agenda item may do so at each teleconference location at the time the item is considered.

In compliance with the Americans with Disability Act, if you need special assistance to participate in this meeting, please contact Denise Radde, City Clerk (310) 510-0220. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35. 102-35.104 ADA Title II). All public records relating to an agenda item on this agenda are available for the public inspection at the time the records are distributed to all, or a majority of all, members of the Oversight Board. Such records shall be available at City of Avalon City Hall located at 410 Avalon Canyon Rd.

A G E N D A

CALL TO ORDER / PLEDGE OF ALLEGIANCE / INVOCATION / ROLL CALL

ANNOUNCEMENTS / WRITTEN COMMUNICATIONS

ORAL COMMUNICATION

Members of the public may address the Oversight Board at this time. No action will be taken on non-agenda items at this meeting. Speakers should limit comments to three (3) minutes each.

GENERAL BUSINESS

1. Adoption of a Resolution for the Successor Agency Administrative Budget for January 1, 2013 through June 30, 2013

Health and Safety Code Section 34177(j) requires the Successor Agency to "prepare a proposed administrative budget and submit it to the Oversight Board for its approval." The proposed Administrative Budget is based on an inventory of tasks and activities Successor Agency staff and contractors will be required to undertake to effectively wind down the former Redevelopment Agency, and to provide administrative support to the Oversight Board.

Recommended Action

Adopt a Resolution of the Oversight Board of the Successor Agency to the Avalon Community Improvement Agency approving a Successor Agency

**OVERSIGHT BOARD AGENDA
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Administrative Budget for the second six-month period of fiscal year 2012-2013 beginning January 1, 2013 and ending June 30, 2013.”

2. Adoption of a Resolution of the Recognized Obligation Payment Schedule III

Health and Safety Code (“HSC”) Section 34177(I) requires the Successor Agency to prepare and submit a Recognized Obligation Payment Schedule (“ROPS”), prior to each six-month fiscal period, for Oversight Board approval.

Recommended Action

Adopt a Resolution of the Oversight Board of the Successor Agency to the Avalon Community Improvement Agency approving the recognized obligation payment schedule for the third six-month fiscal period beginning January 1, 2013 and ending June 30, 2013.

CITY MANAGER, ACTING ON BEHALF OF THE OVERSIGHT BOARD REPORT

ADJOURN

NOTICE OF POSTING

I, Denise Radde, declare that the Oversight Board Agenda for the August 20, 2012 special meeting, was posted at 4:00 p.m. on Thursday, August 16, 2012, on the City of Avalon’s website www.cityofavalon.com, and at City Hall, 410 Avalon Canyon Road. Copies of agendas and staff reports are available at City Hall.

Denise A. Radde, Oversight Board Secretary/City Clerk

**OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON
COMMUNITY IMPROVEMENT AGENCY**

MEETING DATE: August 20, 2012

AGENDA ITEM: 1

PREPARED BY: Legal Counsel and RSG, Consultants

SUBJECT: Successor Agency Administrative Budget for January 1, 2013 through
June 30, 2013

Recommendation

That the Oversight Board adopt "A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY APPROVING A SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR THE SECOND SIX-MONTH PERIOD OF FISCAL YEAR 2012-13 BEGINNING JANUARY 1, 2013 AND ENDING JUNE 30, 2013."

Discussion

Health and Safety Code Section 34177(j) requires the Successor Agency to "prepare a proposed administrative budget and submit it to the Oversight Board for its approval." The statute goes on to further require that the administrative budget must include: (1) Estimated administrative costs for the upcoming six-month fiscal period; (2) Proposed sources of payment for the administrative costs; and (3) Proposals for arrangements for administrative and operations services between the City and Successor Agency. Earlier this year, the Oversight Board approved an annual Administrative Budget for fiscal year 2012-13 of \$633,642, and a six-month Administrative Budget for July 1 through December 31, 2012 of \$314,823. Likewise, the proposed Administrative Budget for the second six-month period of January 1 through June 30, 2013 is \$314,823. The proposed budget indicates that the source of payment for the administrative costs is from the Successor Agency's "administrative cost allowance," as defined in Health and Safety Code Section 34171(b). Arrangements for administrative and operations services between the City and Successor Agency will be addressed through a reimbursement arrangement.

The proposed Administrative Budget is based on an inventory of tasks and activities Successor Agency staff and contractors will be required to undertake to effectively wind down the former Redevelopment Agency, and to provide administrative support to the Oversight Board. Based on projected hours that key Successor Agency staff members are expected to spend on these tasks and activities, the proposed Administrative Budget provides cost estimates for staff salaries/benefits, supplies, noticing, professional services, legal services, financial services, and overhead costs.

Administrative Cost Allowance and AB 1484

Health and Safety Code Section 34171(b) establishes minimum and maximum amounts of property tax revenues the County Auditor-Controller may allocate to the Successor Agency to fund administrative and operational costs not considered to be "enforceable obligations." The minimum annual administrative cost allowance is \$250,000. The maximum is determined in proportion to property tax allocated to the Successor Agency's "Redevelopment Obligation Retirement Fund" by the County Auditor-Controller. For fiscal year 2012-13, it is 3 percent of that amount or \$250,000, whichever is greater. It is important to note that there is no guarantee, based on the property tax allocation methodology contained in Section 34183, that sufficient property tax revenues will be available in any given six-month period to provide successor agencies even the minimum cost allowance of \$250,000.

Enacted on June 27, 2012, AB 1484 (Chapter 26, Statutes of 2012) amended the definition of "administrative cost allowance" to specifically exclude certain expenses, including administrative costs that can be paid from bond proceeds or from sources other than property tax, litigation expenses related to assets or obligations, settlements and judgments, costs of maintaining assets prior to disposition, and project-specific employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction. These exclusions are significant because, prior to AB 1484, DOF staff directed many successor agencies to reclassify these types of specific costs listed on the prior Recognized Obligation Payment Schedules for January-June 2012 and July-December 2012 as "administrative costs" subject to the cost allowance cap described above. It should also be noted that, in addition to the "administrative cost allowance," the Avalon Successor Agency is entitled to a "Permitted Administrative Expense" through the former ACIA's tax sharing agreement with the County of Los Angeles.

January-June 2013 Administrative Budget

The proposed six-month Successor Agency administrative budget for January through June 2013 is \$314,823. Expenses include approximately \$176,160 in personnel costs and \$138,663 of other costs including legal and financial consulting services, maintenance of Successor Agency properties, and general operational expenses. The administrative cost allowance to be received by the Successor Agency on January 2, 2013 for the January to June 2013 period will take into account the amount of administrative cost allowance the Successor Agency received on June 1, 2012. In addition, the administrative cost allowance is subject to reduction if there are insufficient funds to pay the enforceable obligations as listed on the ROPS.

The Successor Agency is required to submit the ROPS III to the Oversight Board for approval and then submit the Oversight Board-approved ROPS III to the State Department of Finance, the State Controller and the County Auditor-Controller no later than September 1, 2012. Staff has prepared a ROPS III for the Successor Agency Board's approval at this meeting as a separate agenda item. Staff recommends that the Successor Agency Board approve the January to June administrative budget on the same date as the Successor Agency Board's approval of ROPS III.

SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY
DRAFT ANNUAL & SECOND SIX-MONTH ADMINISTRATIVE BUDGETS
FISCAL YEAR 2012-13

	ANNUAL FY 2012-13	SIX-MONTH JAN - JUN 2013
Expenses		
Salaries	\$ 246,818	\$ 123,410
Benefits/Insurance	105,498	52,750
Personnel	\$ 352,316	\$ 176,160
Supplies & Travel	\$ 9,792	\$ 4,896
Noticing	1,734	867
Professional Services	51,000	25,500
Legal Services	173,400	86,700
Financial Services	25,000	10,500
Overhead & Property Related Fees	20,400	10,200
Other Line Items	\$ 281,326	\$ 138,663
Total Expenses	\$ 633,642	\$ 314,823

RESOLUTION NO. _____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY APPROVING A SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR THE SECOND SIX-MONTH PERIOD OF FISCAL YEAR 2012-2013 BEGINNING JANUARY 1, 2013 AND ENDING JUNE 30, 2013

WHEREAS, pursuant to Assembly Bill 26 of the First Extraordinary Session of the 2011-2012 California State Legislative Session (“ABX1 26”) (Chapter 5, Statutes of 2011), the Avalon Community Improvement Agency (“ACIA”) was effectively dissolved as of February 1, 2012; and

WHEREAS, pursuant to ABX1 26, the City Council of the City of Avalon is the “Successor Agency” to the Avalon Community Improvement Agency; and

WHEREAS, pursuant to ABX1 26, an oversight board must be formed, for each jurisdiction where a redevelopment agency previously existed, to oversee the dissolution activities managed and administered by the Successor Agency; and

WHEREAS, in accordance with California Health & Safety Code Sections 34179 *et. seq.*, appointments to the oversight board of the Successor Agency to the ACIA (“Oversight Board”) were duly made to the appropriate agencies prior to May 1, 2012; and

WHEREAS, ABX1 26 requires the Successor Agency to prepare and submit a Successor Agency administrative budget (“Administrative Budget”) for approval by the Oversight Board, in accordance with Health & Safety Code Section 34177(j); and

WHEREAS, pursuant to ABX1 26, the Successor Agency will be allocated an administrative cost allowance, as defined in Health & Safety Code Section 34171(b), which provides for an annual minimum of \$250,000, and an annual cap beginning in fiscal year 2012-13 of three percent (3%) of the total annual allocation of property tax revenues by the Los Angeles County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Successor Agency’s Redevelopment Obligation Retirement Fund for the payment of enforceable obligations contained in the Successor Agency’s Recognized Obligation Payment Schedule (“ROPS”), prepared and approved pursuant to Health and Safety Code Section 34177(l); and

WHEREAS, Assembly Bill 1484 (“AB 1484”), Chapter 26, Statutes of 2012, amended Health & Safety Code Section 34171(b) to specifically exclude from a Successor Agency’s Administrative Cost Allowance certain expenses including administrative costs that can be paid from bond proceeds or from sources other than property taxes, litigation expenses related to assets or obligations, settlements and

judgments, costs of maintaining assets prior to disposition, and project-specific employee costs associated with work on specific project implementation activities, including but not limited to: construction inspection, project management, or actual construction; and

WHEREAS, the Oversight Board previously approved a six-month Administrative Budget of \$318,819 for the first sixth-month period of the fiscal year beginning July 1, 2012 and ending December 31, 2012; and

WHEREAS, Exhibit A to this Resolution presents a draft Administrative Budget of \$314,823.00 for the second six-month period of fiscal year 2012-13 beginning January 1, 2013 and ending June 30, 2013.

NOW THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY DOES FIND AS FOLLOWS:

Section 1. That the above recitals are hereby incorporated by reference.

Section 2. The Oversight Board hereby approves the proposed Successor Agency Administrative Budget for the second six-month period of fiscal year 2012-13 beginning January 1, 2013 and ending June 30, 2013, in substantially the form attached hereto as Exhibit A, as required by ABX1 26, enacted during the 2011 legislative year, and AB1484, enacted during the 2012 legislative year.

PASSED, APPROVED AND ADOPTED at a special meeting of the Oversight Board to the Successor Agency of the Avalon Community Improvement Agency on this _____ day of _____, 2012, by the following vote:

AYES:
NAYS:
ABSENT:
ABSTAIN:

Chairman

ATTEST:

Denise Radde, City Clerk

OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON
COMMUNITY IMPROVEMENT AGENCY

DATE: August 20, 2012

AGENDA ITEM: 2

PREPARED BY: Legal Counsel and RSG, Consultants

SUBJECT: Recognized Obligation Payment Schedule III

Recommendation

That the Oversight Board adopt:

1. "A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE THIRD SIX-MONTH FISCAL PERIOD BEGINNING JANUARY 1, 2013 AND ENDING JUNE 30, 2013."

Discussion

Health and Safety Code ("HSC") Section 34177(l) requires the Successor Agency to prepare and submit a Recognized Obligation Payment Schedule ("ROPS"), prior to each six-month fiscal period, for Oversight Board approval. For the ROPS period of January 1, 2013 to June 30, 2013, HSC Section 34177(m) ("ROPS III") specifically requires that the Successor Agency, after approval by the Oversight Board, submit the ROPS to the State Department of Finance ("DOF"), the State Controller's Office ("SCO"), and the County Auditor-Controller by no later than September 1, 2012. If the ROPS III is not submitted by that deadline, the City of Avalon will be subject to a civil penalty of \$10,000 per day for each day it is late. These requirements for the ROPS III period are new to the ABX1 26 (Chapter 5, Statutes of 2011) wind-down process as a result of AB 1484 (Chapter 26, Statutes of 2012), which took effect on June 27, 2012.

Pursuant to HSC Section 34177(l)(2)(B), a copy of the proposed ROPS III was submitted to the County Administrative Officer, the County Auditor-Controller, and DOF at the same time the ROPS was transmitted to the Oversight Board for review and consideration.

Changes to ROPS Format and Organization

The prior ROPS format used for ROPS I and II was created by Successor Agency staff based on a template released by a technical committee of the former California Redevelopment Association. Under AB 1484, DOF was required to prescribe a new format for ROPS III and future ROPS's because of the "true up" calculations that must be contained in the ROPS, effective June 27, 2012. Also, the prior format provided for estimates of enforceable obligation payments by month. The new format only requires that the total payment amounts per obligation for the entire six-month period be estimated and listed on the ROPS.

ROPS I "True-up" Process

DOF's format for ROPS III requires successor agencies to itemize all prior period ROPS payments for enforceable obligations and administrative costs. The prior period for ROPS III is January through June 2012. This requirement provides a "true-up" process that compares estimated ROPS payments versus actual payments. If the Successor Agency spent less than it originally estimated, the new legislation assumes that the Successor Agency has a surplus of Redevelopment Property Tax Trust Fund ("RPTTF") monies in its Redevelopment Obligation Retirement Fund ("RORF") that can be applied during the next ROPS period. As such, the law provides for the County Auditor-Controller to adjust down the distribution of RPTTF to the Successor Agency for the next ROPS period by the surplus amount. It is unclear what occurs if a Successor Agency spent more on a specific ROPS line item than was originally estimated.

Changes to ROPS Items

As anticipated, there are no significant differences in line items between ROPS III and ROPS II (July 1, 2012 to December 31, 2012), except where enforceable obligations were completed, paid off, or expired, and where DOF rejected specific ROPS line items. One major capital project was rejected by DOF for the Pebbly Beach Road Improvement Project. While the Successor Agency continues to dispute DOF's rejection of those line items, neither ABX1 26 nor AB 1484 provide a "meet and confer" process for rejected line items from prior ROPS periods.

DOF Review

Upon submittal of an Oversight Board-approved ROPS, DOF has 45 days to make its determination of the enforceable obligations, including amounts and funding sources. Within five business days of DOF's determination, the Successor Agency may request additional review and an opportunity to meet and confer on disputed items. DOF has until 15 days prior to the date for property tax distribution to make its final decision. The RPTTF distribution date for ROPS III is January 2, 2013.

ROPS III

For the ROPS I period, the Successor Agency estimated \$5.6 million of enforceable obligations to be paid from the Low Moderate Income Housing Fund, bond proceeds, reserve balance, the RPTTF and administrative allowance. The Successor Agency received \$374,951 from the RPTTF for enforceable obligations and the administrative allowance, of which \$70,080 was expended for administrative costs. The bulk of the Successor Agency's enforceable obligations were paid from bond proceeds and the existing fund balance as indicated on the approved ROPS I. The remaining unexpended \$304,871 from the RPTTF will be carried over for the ROPS III period to be used for approved enforceable obligations and/or administrative expenditures.

Between January to June 2013, the proposed ROPS III estimates approximately \$3.0 million in expenditures for Successor Agency enforceable obligations and administrative allowance, of which \$1.2 million would be needed from the RPTTF. The remaining \$1.8 million are project-related expenditures and will be paid from bond proceeds or other funding sources. Since \$304,871 was unexpended from the ROPS I period, the County Auditor Controller, pursuant to

AB 1484, will withhold this amount from its distribution to the Successor Agency on January 2, 2013, which will result in an anticipated amount of \$891,269.

RESOLUTION NO. ____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY APPROVING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE THIRD SIX-MONTH FISCAL PERIOD BEGINNING JANUARY 1, 2013 AND ENDING JUNE 30, 2013

WHEREAS, pursuant to Assembly Bill 26 of the First Extraordinary Session of the 2011-2012 California State Legislative Session (“ABX1 26”) (Chapter 5, Statutes of 2011) , the Avalon Community Improvement Agency (“ACIA”) was effectively dissolved as of February 1, 2012; and

WHEREAS, pursuant to ABX1 26, the City Council of the City of Avalon is the “Successor Agency” to the Avalon Community Improvement Agency; and

WHEREAS, pursuant to ABX1 26, an oversight board must be formed, for each jurisdiction where a redevelopment agency previously existed, to oversee the dissolution activities managed and administered by the Successor Agency; and

WHEREAS, in accordance with California Health & Safety Code Sections 34179 *et. seq.*, appointments to the oversight board of the Successor Agency to the ACIA (“Oversight Board”) were duly made to the appropriate agencies prior to May 1, 2012; and

WHEREAS, pursuant to Health & Safety Code Section 34177(l), the Successor Agency is required to prepare and submit for Oversight Board approval a Recognized Obligation Payment Schedule (“ROPS”) prior to each six-month fiscal period, in a manner prescribed by the California Department of Finance (“DOF”); and

WHEREAS, Assembly Bill 1484, Chapter 26, Statutes of 2012, established new procedural requirements for the preparation, review, and approval of ROPS by the Successor Agency, including clarifications regarding “enforceable obligations;” and

WHEREAS, Exhibit A to this Resolution established a ROPS for the six-month fiscal period beginning January 1, 2013 and ending June 30, 2013, in a manner consistent with that prescribed by the DOF.

NOW THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE AVALON COMMUNITY IMPROVEMENT AGENCY DOES FIND AS FOLLOWS:

Section 1. That the above recitals are hereby incorporated by reference.

Section 2. The Oversight Board hereby approves the Recognized Obligation Payment Schedule for the six-month fiscal period beginning January 1, 2013 and ending

June 30, 2013 in substantially the same form attached hereto at Exhibit A, as required by ABX1 26, enacted during the 2011 legislative year, and AB 1484, enacted during the 2012 legislative year.

Section 3. The Successor Agency is hereby authorized and directed to transmit, by electronic means, to the Los Angeles County Auditor-Controller, State Department of Finance, and the State Controller's Office a copy of the ROPS documents for review, and to post the ROPS on the Successor Agency's website.

PASSED, APPROVED AND ADOPTED at a regular meeting of the Oversight Board of the Successor Agency to the Avalon Community Improvement Agency on this _____ day of _____, 2012, by the following vote:

AYES:
NAYS:
ABSENT:
ABSTAIN:

Chair

ATTEST:

Denise Radde, City Clerk

Successor Agency Contact Information

Name of Successor Agency:	Avalon Community Improvement Agency
County:	Los Angeles
Primary Contact Name:	Ken Lee, Senior Associate
Primary Contact Title:	309 West Fourth Street
Address:	Santa Ana, CA 92701
Contact Phone Number:	714-316-2102
Contact E-Mail Address:	klee@webrsg.com
Secondary Contact Name:	_____
Secondary Contact Title:	_____
Secondary Contact Phone Number:	_____
Secondary Contact E-Mail Address:	_____

SUMMARY OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Filed for the January 1, 2013 to June 30, 2013 Period

Name of Successor Agency: Avalon Community Improvement Agency

	Total Outstanding Debt or Obligation
Outstanding Debt or Obligation	\$ 84,855,130
Current Period Outstanding Debt or Obligation	Six-Month Total
A Available Revenues Other Than Anticipated RPTTF Funding	1,786,960
B Anticipated Enforceable Obligations Funded with RPTTF	1,071,140
C Anticipated Administrative Allowance Funded with RPTTF	125,000
D Total RPTTF Requested (B + C = D)	1,196,140
Total Current Period Outstanding Debt or Obligation (A + B + C = E) <i>Should be the same amount as ROPS form six-month total</i>	\$ 2,983,100
E Enter Total Six-Month Anticipated RPTTF Funding <i>(Obtain from county auditor-controller)</i>	1,196,140
F Variance (E - D = F) <i>Maximum RPTTF Allowable should not exceed Total Anticipated RPTTF Funding</i>	\$ -
Prior Period (January 1, 2012 through June 30, 2012) Estimated vs. Actual Payments (as required in HSC section 34186 (a))	
G Enter Estimated Obligations Funded by RPTTF <i>(Should be the lesser of Finance's approved RPTTF amount including admin allowance or the actual amount distributed)</i>	374,951
H Enter Actual Obligations Paid with RPTTF	6,498
I Enter Actual Administrative Expenses Paid with RPTTF	63,582
J Adjustment to Redevelopment Obligation Retirement Fund (G - (H + I) = J)	304,871
K Adjusted RPTTF <i>(The total RPTTF requested shall be adjusted if actual obligations paid with RPTTF are less than the estimated obligation amount.)</i>	\$ 891,269

Certification of Oversight Board Chairman:
Pursuant to Section 34177(m) of the Health and Safety code,
I hereby certify that the above is a true and accurate Recognized
Obligation Payment Schedule for the above named agency.

Name _____ Title _____

Signature _____ Date _____

