



City of Covina/Successor Agency to the
Covina Redevelopment Agency/
Covina Public Finance Authority/
Covina Housing Authority

Mayor John King – Mayor Pro Tem Kevin Stapleton
Council Members Walt Allen, III – Peggy Delach – Bob Low

REGULAR MEETING AGENDA

125 E. College Street, Covina, California

Council Chamber of City Hall

Tuesday, March 6, 2012

7:30 p.m.

- As a courtesy to Council/Agency/Authority Members, staff and attendees, everyone is asked to silence all pagers, cellular telephones and any other communication devices.
- Any member of the public may address the Council/Agency/Authority during both the public comment period and on any scheduled item on the agenda. Comments are limited to a maximum of five minutes per speaker unless, for good cause, the Mayor/Chairperson amends the time limit. Anyone wishing to speak is requested to submit a yellow Speaker Request Card to the City Clerk; cards are located near the agendas or at the City Clerk's desk.
- Please provide 10 copies of any information intended for use at the Council/Agency/Authority meeting to the City Clerk prior to the meeting.
- MEETING ASSISTANCE INFORMATION: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at (626) 384-5430. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.
- DOCUMENT AVAILABILITY: Any writings or documents provided to a majority of the Council/Agency/Authority regarding any item on this agenda will be made available for public inspection at the City Clerk's Office counter at City Hall located at 125 E. College Street and the reference desk at the Covina Library located at 234 North Second Avenue during normal business hours. In addition, such writings and documents are available in the City Clerk's Office and may be posted on the City's website at www.covinaca.gov.
- Pursuant to Government Code Section 54954.2, no matter shall be acted upon by the City Council/Successor Agency to the Covina Redevelopment Agency/Public Finance Authority/Covina Housing Authority unless listed on agenda, which has been posted not less than 72 hours prior to meeting.
- If you challenge in court any discussion or action taken concerning an item on this Agenda, you may be limited to raising only those issues you or someone else raised during the meeting or in written correspondence delivered to the City at or prior to the City's consideration of the item at the meeting.
- The Deputy City Clerk of the Covina City Council hereby declares that the agenda for the **March 6, 2012** meeting was posted on **March 2, 2012** near the front entrance of the City Hall, 125 East College Street, Covina, in accordance with Section 54954.2(a) of the California Government Code.

March 6, 2012

**CITY COUNCIL/SUCCESSOR AGENCY TO THE
COVINA REDEVELOPMENT AGENCY/
COVINA PUBLIC FINANCE AUTHORITY/COVINA HOUSING AUTHORITY
JOINT MEETING—OPEN SESSION
7:30 p.m.**

CALL TO ORDER

ROLL CALL

Council/Agency/Authority Members Allen, Delach, Low, Mayor Pro Tem/Vice Chairperson Stapleton, and Mayor/Chairperson King

PLEDGE OF ALLEGIANCE

Led by Council Member Low

INVOCATION

Led by Covina Police Chaplain Dave Truax

PRESENTATIONS

- Recognition of 2012 Miss Covina and Covina Princesses along with past Miss Covina and Miss Outstanding Teen

PUBLIC COMMENTS

To address the Council/Agency/Authority please complete a yellow speaker request card located at the entrance and give it to the City Clerk/Agency/Authority Secretary. Your name will be called when it is your turn to speak. Those wishing to speak on a LISTED AGENDA ITEM will be heard when that item is addressed. Those wishing to speak on an item NOT ON THE AGENDA will be heard at this time. State Law prohibits the Council/Agency/Authority Members from taking action on any item not on the agenda. Individual speakers are limited to five minutes each.

COUNCIL/AGENCY/AUTHORITY COMMENTS

Council/Agency/Authority Members wishing to make any announcements of public interest or to request that specific items be added to future City Council/Successor Agency to the Covina Redevelopment Agency/Public Finance Authority/Housing Authority Agendas may do so at this time.

CITY MANAGER COMMENTS

CONSENT CALENDAR

All matters listed under consent calendar are considered routine, and will be enacted by one motion. There will be no separate discussion on these items prior to the time the Council/Successor Agency to the Covina Redevelopment Agency/Public Finance Authority/Housing Authority votes on them, unless a member of the Council/Agency/Authority requests a specific item be removed from the consent calendar for discussion.

- CC 1.** City Council to approve the minutes from the February 7, 2012 regular meeting of the City Council/Successor Agency to the Covina Redevelopment Agency/Public Finance Authority/Housing Authority.
- CC 2.** City Council to approve the minutes from the February 21, 2012 regular meeting of the City Council/Successor Agency to the Covina Redevelopment Agency/Public Finance Authority/Housing Authority.
- CC 3.** City Council to receive and file the Successor Agency update.
- CC 4.** City Council to receive and file the fiscal year 2011-2012 2nd Quarter update on major funds.
- CC 5.** City Council to adopt **Resolution No. 12-7053**, appropriating Department of Conservation (DOC) funds to the current fiscal year budget and allocating those funds for the purchase of five solar trash compactors for areas of high refuse volume throughout the city.
- CC 6.** City Council to adopt **Resolution No. 12-7054**, supporting the transfer of Ontario International Airport (ONT) from the Los Angeles World Airports (LAWA) to the City of Ontario for local control.
- CC 7.** City Council to award a bid for the Cypress Reservoir Refurbishment, Project No. W-1102.

PUBLIC HEARING

- PH 1.** City Council to hold public hearing to consider final acceptance of Heritage Plaza Park project and filing of Notice of Completion and to consider liquidated damages and penalties against MG Enterprises, the Project General Contractor.

Staff Recommendation:

- 1) Mayor to open the public hearing and take public testimony;
- 2) Accept the Project and authorize staff to file the Notice of Completion;
- 3) Apply 111 days of credit to the contract time for the Project and waive liquidated damages; and
- 4) Assess a penalty of \$11,000 to MG Enterprises for using an unlisted subcontract on the Project.

NEW BUSINESS

NB 1. City Council to receive and file the report on the “50th Anniversary for the Friends of the Library” event.

Staff Recommendation:

- 1) City Council to receive and file the report.

NB 2. City Council to introduce, waive further reading and consider adopting **Interim Urgency Ordinance No. 12-2006**, establishing a 45-day moratorium on the permitting of new smoke shop establishments.

Staff Recommendation:

- 1) City Council adopt **Interim Urgency Ordinance No. 12-2006**, establishing a 45-day moratorium on the permitting of new smoke shops and tobacco stores; and
- 2) City Council direct staff to study revisions to the City’s existing zoning regulations to address smoke shops and tobacco stores.

NB 3. City Council to consider proposed appointment to the Covina Library Board of Trustees

Staff Recommendation:

- 1) Mayor to make the suggested appointment to the Covina Library Board of Trustees and City Council to ratify said appointment or schedule interview of the applicant.

NB 4. City Council Reorganization - Election Rotation of Mayor and Mayor Pro Tempore (to be effective March 20, 2012).

- 1) City Clerk to conduct election for Mayor.
- 2) City Clerk to conduct election for Mayor Pro Tempore.

ADJOURNMENT

The Covina City Council/Successor Agency to the Covina Redevelopment Agency/Covina Public Finance Authority/Covina Housing Authority will adjourn to its next regular meeting, **Tuesday, March 20, 2012** at 6:30 p.m. for closed session and at 7:30 p.m. for open session in the Council Chamber of City Hall, 125 East College Street, Covina, California, 91723.



MINUTES OF THE FEBRUARY 7, 2012 REGULAR MEETING OF THE COVINA CITY COUNCIL/SUCCESSOR AGENCY TO THE COVINA REDEVELOPMENT AGENCY /COVINA PUBLIC FINANCE AUTHORITY/COVINA HOUSING AUTHORITY HELD IN THE COUNCIL CHAMBER OF CITY HALL, 125 EAST COLLEGE STREET, COVINA, CALIFORNIA

CALL TO ORDER

Mayor King called the City Council/Successor Agency to the Covina Redevelopment Agency/Public Finance Authority/Housing Authority meeting to order at 6:38 p.m. City Attorney Marco Martinez announced the closed session item listed on the regular meeting agenda. There was no public comment.

ROLL CALL

Council Members Present: ALLEN, DELACH, KING, LOW, STAPLETON

Council Members Absent: NONE

Elected Members Present: MANNING

Staff Members Present: City Manager, City Attorney, Fire Battalion Chief, Police Captain, Public Works Director, Human Resources Director, Community Development Director/CRA Deputy Director, Parks and Recreation/Library Director, Finance Director, Sr. Redevelopment Manager, and Deputy City Clerk

AGENDA POSTING DECLARATION

The Deputy City Clerk of the City of Covina hereby declares that the agenda for the February 7, 2012 City Council/Successor Agency to the Covina Redevelopment Agency/Public Finance Authority/Housing Authority meeting was posted on February 2, 2012 near the front entrance of City Hall, 125 East College Street, Covina, in accordance with §54954.2(a) of the California Government Code.

CONVENED THE MEETING AND RECESSED TO CLOSED SESSION

- A. G.C. §54956.9(b) - CONFERENCE WITH REAL PROPERTY NEGOTIATOR – negotiations to include both price and terms
Property: Southwest corner San Bernardino Road and Hollenbeck Avenue
Negotiating parties: Sartaj M. Arora
Agency negotiator: Daryl Parrish, City Manager

CONVENE THE MEETING

The City Council/Successor Agency to the Covina Redevelopment Agency/Public Finance Authority/Housing Authority meeting reconvened at 7:30 p.m.

City Attorney Marco Martinez reported City/Agency/Authority met in closed session to discuss the item listed on the agenda with all members present. City Attorney Martinez reported there is no reportable action related to Closed Session Item A.

PLEDGE OF ALLEGIANCE

Council Member Allen led the pledge of allegiance.

INVOCATION

Covina Police Chaplain David Truax gave the invocation.

PRESENTATIONS

Mayor King invited Jim Shivers, representing the Boy Scouts, and Shannon Shellman, representing the Girl Scouts, to the lectern and presented a proclamation for the Scouting Ten Commandments Hike scheduled for February 25, 2012.

Mayor King along with Covina Yellow Ribbon Chairperson Kay Manning, presented the Covina Yellow Ribbon Banner to the family of Marine Veteran Matthew Esquivel.

PUBLIC COMMENTS

None.

COUNCIL/AGENCY/AUTHORITY COMMENTS

Mayor Pro Tem Stapleton provided a brief report on the Independent Cities Association Winter Seminar, noting also in attendance were Council Member Allen and Police Chief Raney. He spoke on the passage of Assembly Bill 1208. Mayor Pro Tem Stapleton requested to adjourn the meeting tonight in memory of former Covina Council Member Karl W. Jaeger and in memory of Dr. John Miller of the Covina Animal Hospital.

Council Member Allen spoke on the Independent Cities Association Winter Seminar. Council Member Allen announced that the East San Gabriel Valley Regional Occupation Program, in conjunction with Wells Fargo Bank, would be offering free tax preparation for all Military Veterans on February 10, 2012.

Council Member Low spoke regarding serving on the City Council with Karl W. Jaeger. Council Member Low stated he recently took a tour of the Covina parks and reported that Jalapa Park is one of the finest parks in Covina. He also spoke on the passing of Dr. John Miller.

Mayor King announced that Community Emergency Response Team class begins on Wednesday, March 28, 2012. This free training class is presented by Los Angeles County Fire with classes on Wednesday evenings from 6:00 p.m. to 9:00 p.m. For additional information, contact Alicia Mejia at (626) 732-3531.

Mayor King reported that the nomination deadline for Covina Wall of Honor is March 8, 2012. Details on the nominating criteria can be found on the City's website or in the current issue of City View.

CITY MANAGER COMMENTS

City Manager Daryl Parrish reported on the sessions attended at the League of California Cities City Manager Seminar in Indian Wells. City Manager Parrish spoke on the relationship between the California corrections realignment plan along with the expiration of redevelopment agencies and the pressure it puts on the general fund.

CONSENT CALENDAR

On a motion made by Mayor Pro Tem Stapleton, seconded by Council Member Low, the City Council/Successor Agency/Public Finance Authority/Housing Authority approved Consent Calendar items CC1, CC2, CC3, CC6 and CC7. **Motion carried 5-0 with Council Member Delach abstaining on Consent Calendar item CC1.** Consent Calendar items CC4 and CC5 were removed from the agenda for further discussion and consideration.

- CC 1.** City Council approved the minutes from the January 11, 2012 special meeting of the City Council/Redevelopment Agency/Public Finance Authority/Housing Authority.
- CC 2.** City Council approved the minutes from the January 17, 2012 special joint meeting of the City Council/Redevelopment Agency/Public Finance Authority/Housing Authority with the Covina Planning Commission.
- CC 3.** City Council approved the minutes from the January 17, 2012 regular meeting of the City Council/Redevelopment Agency/Public Finance Authority/Housing Authority.
- CC 4.** City Council to receive and file the report on the Disaster Preparedness Fair.

Council Member Allen complemented the Police Department and Fire Department on the platform to have a disaster fair.

On a motion made by Mayor Pro Tem Stapleton, seconded by Council Member Allen, the City Council/Successor Agency/Public Finance Authority/Housing Authority approved Consent Calendar item CC4. **Motion carried 5-0.**

- CC 5.** City Council to award a bid for city sewer system replacements – Project No. S-1112.

Council Member Low inquired why the project consisted of upgrading sewer lines at Cypress Street and Lark Ellen Avenue.

Public Works Director Steve Henley responded underground sanitary sewer lines are not contained by municipal boundaries and this project would go outside of City limits because of the location the sewer line deposits into the sanitation trunk line.

On a motion made by Mayor Pro Tem Stapleton, seconded by Council Member Low, the City Council/Successor Agency/Public Finance Authority/Housing Authority approved Consent Calendar item CC5. **Motion carried 5-0.**

- CC 6.** City Council approved the Community Development Block Grant (CDBG) 2011-2012 funding allocation through the Special Economic Development Program for Harmon Physical Therapy Inc., 360-364 E. Rowland Street, Covina.
- CC 7.** City Council approved the Community Development Block Grant (CDBG) 2011-2012 funding allocation through the Special Economic Development Program for the business, “William S. Crawford, D.D.S., A Professional Corporation, David J. Stewart, D.D.S., A Professional Corporation and Gary W. Lee, D.D.S., A Professional Corporation”, 596 and 598 S. Grand Avenue, Covina.

NEW BUSINESS

- NB 1.** City Council to discuss options regarding development of a demonstration project on City-owned property celebrating Covina history.

Mayor King reported he would like to research using the property located at 135 E. Badillo Street, the dirt lot where the Bank of America building use to occupy, as a public space that would maintain the Covina heritage by placing a small orange grove at the location.

Council Member Delach feels it is a great idea, however, would like to see about the possibility of a business that would benefit the Downtown Covina area.

Council Member Allen stated he would like to explore the possibility of placing temporary orange trees and benches to vitalize the property.

Mayor Pro Tem Stapleton stated he feels temporary box orange trees, so the trees are easy to take out and move, makes sense.

Council Member Low stated that it takes time for an orange tree to grow and develop.

City Attorney Marco Martinez reported the Oversight Board of the Successor Agency could look at the project Council chooses, whether temporary or permanent.

Following further discussion and on a motion made by Council Member Allen, seconded by Council Member Delach, the City Council requested further research regarding the property swap concept; determine the cost of a temporary orange grove site, cost of a permanent orange grove site and determining when a project would need to go before the Oversight Board. **Motion carried 5-0.**

ADJOURNMENT

At 8:29 p.m., Mayor King adjourned the Covina City Council/Successor Agency to the Covina Redevelopment Agency/Covina Public Finance Authority/Covina Housing Authority in memory of former Covina Council Member Karl W. Jaeger, Dr. John Miller of the Covina Animal Hospital and former California Congressman Jim Lloyd to next regular meeting, **Tuesday, February 21, 2012** at 6:30 p.m. for closed session and at 7:30 p.m. for open session in the Council Chamber of City Hall, 125 East College Street, Covina, California, 91723.

Catherine M. LaCroix
Deputy City Clerk/Agency/Authority Secretary

Approved this 21st day of February 2012.

John C. King, Mayor/Chairperson



MINUTES OF THE FEBRUARY 21, 2012 REGULAR MEETING OF THE COVINA CITY COUNCIL/SUCCESSOR AGENCY TO THE COVINA REDEVELOPMENT AGENCY /COVINA PUBLIC FINANCE AUTHORITY/COVINA HOUSING AUTHORITY HELD IN THE COUNCIL CHAMBER OF CITY HALL, 125 EAST COLLEGE STREET, COVINA, CALIFORNIA

CALL TO ORDER

Mayor King called the City Council/Successor Agency to the Covina Redevelopment Agency/Public Finance Authority/Housing Authority meeting to order at 6:36 p.m. City Attorney Marco Martinez announced the closed session item listed on the regular meeting agenda. Council Member Allen arrived at 6:38 p.m. There was no public comment.

ROLL CALL

Council Members Present: ALLEN, DELACH, KING, LOW, STAPLETON

Council Members Absent: NONE

Elected Members Present: MANNING

Staff Members Present: City Manager, City Attorney, Police Chief, Fire Battalion Chief, Police Captain, Human Resources Director, Community Development Director/CRA Deputy Director, Parks and Recreation/Library Director, Finance Director, Police Sergeant, Assistant Public Works Director, Environmental Services Manager, Sr. Redevelopment Manager, Redevelopment Manager, Management Analyst and Deputy City Clerk

AGENDA POSTING DECLARATION

The Deputy City Clerk of the City of Covina hereby declares that the agenda for the February 21, 2012 City Council/Successor Agency to the Covina Redevelopment Agency/Public Finance Authority/Housing Authority meeting was posted on February 16, 2012 near the front entrance of City Hall, 125 East College Street, Covina, in accordance with §54954.2(a) of the California Government Code.

CONVENED THE MEETING AND RECESSED TO CLOSED SESSION

- A. G.C. §54956.9(b) - CONFERENCE WITH LEGAL COUNSEL – Existing litigation
Name of case: The Johnson Sober Living House et al. v. City of Covina et al.
Case No. CV 11-02809

CONVENE THE MEETING

The City Council/Successor Agency to the Covina Redevelopment Agency/Public Finance Authority/Housing Authority meeting reconvened at 7:31 p.m.

City Attorney Marco Martinez reported City/Agency/Authority met in closed session to discuss the item listed on the agenda with all members present. City Attorney Martinez reported there is no reportable action related to Closed Session Item A.

PLEDGE OF ALLEGIANCE

Mayor Pro Tem Stapleton led the pledge of allegiance.

INVOCATION

Covina Police Chaplain David Truax gave the invocation.

PRESENTATIONS

Mayor King invited Ryan Greigo of Boy Scout Troop 448 and Library Volunteer Sally Arroyo to the lectern and presented them with a certificate of recognition for the Eagle Scout shelving project at the Covina Public Library. Also recognized were Michael Rojano, Brian May, Library staff and Park Maintenance staff.

PUBLIC COMMENTS

Heidi Sanborn, San Gabriel Valley Council of Governments (SGVCOG), spoke on Product Stewardship Council and the work regarding a grant from CalRecycle of hazardous waste, such as batteries and mercury-containing lamps. Ms. Sanborn provided ligature on household battery collection sites throughout San Gabriel Valley.

Pat and Norman Klemz, Friends of the Covina Library, spoke on an Administrative Conditional Use Permit (ACU 11-045) for the 50th anniversary event in the parking lot of the Covina Library. Ms. Klemz explained there are concerns regarding potential risk factors of using the Library parking lot and requested assistance from City Council on other options.

On a motion made by Mayor King, seconded by Mayor Pro Tem Stapleton, the City Council requested to return to City Council regarding ACU 11-045 for discussion.

COUNCIL/AGENCY/AUTHORITY COMMENTS

Mayor Pro Tem Stapleton spoke regarding Fat Tuesday and reminded that the Lent season begins tomorrow. He welcomed Covina new Fire Battalion Chief, David Toigo.

Council Member Allen requested a City resolution supporting the transfer Ontario Airport to the City of Ontario, which Mayor King also supported. He mentioned the Covina Relay for Life event would be on April 28, 2012, and would be recruiting those interested in participating.

Council Member Low spoke on his appreciation for the provided minutes regarding the Olmec Head and stated that he benefitted from reading the history of those who were involved.

Council Member Delach thanked all those staff members who were involved in Heritage Plaza Park and spoke on the positive impact the park would have to the community. She is excited to see what future events would be held at the park site.

Mayor King reported that the nomination deadline for Covina Wall of Honor is March 8, 2012. Details on the nominating criteria can be found on the City's website or in the current issue of City View.

Mayor King announced Tacky Day at the Covina Public Library, where there will be stories about "Tacky the Penguin" on Saturday, February 25, 2012 at 9:30 a.m.

CITY MANAGER COMMENTS

None.

CONSENT CALENDAR

On a motion made by Council Member Low, seconded by Council Member Delach, the City Council/Successor Agency/Public Finance Authority/Housing Authority approved Consent Calendar items CC1, CC2, CC3, CC4, CC5, CC6, CC7, CC8, CC9, CC10, CC11 and CC12. **Motion carried 5-0 with Council Member Low abstaining on Consent Calendar item CC1.**

- CC 1.** City Council approved the minutes from the January 30, 2012 special meeting of the City Council/Redevelopment Agency/Public Finance Authority/Housing Authority.
- CC 2.** City Council approved payment of demands in the amount of \$4,306,236.09.
- CC 3.** City Council received and filed the Quarterly Report of the Treasurer for the quarter ended December 31, 2011.
- CC 4.** City Council received and filed the Department of Public Works monthly activity report.
- CC 5.** City Council received and filed the update on the strategic plan.
- CC 6.** City Council approved the 2010-2011 fiscal year donation report.
- CC 7.** City Council approved a facility use agreement renewal with Covina Baseball Association.
- CC 8.** City Council adopted **Resolution No. 12-7048**, enacting an interim policy regarding the use of personal computing devices during City Council meetings on a six-month trial basis.
- CC 9.** City Council adopted **Resolution No. 12-7051**, approving and adopting the revised expense and use of public resources policy.
- CC 10.** City Council considered a request and waived City department fees related to a building renovation by the non-profit Assistance League of Covina Valley, 626 E. San

Bernardino Road; and adopted **Resolution No. 12-7052**, amending the fiscal year Covina budget to reflect an appropriation from the General Fund Contingency Account.

- CC 11.** Successor Agency to the Covina Redevelopment Agency approved payment of demands in the amount of \$385,322.61.
- CC 12.** Successor Agency to the Covina Redevelopment Agency received and filed the Quarterly Report of the Treasurer of the Treasurer for the quarter ended December 31, 2011.

CONTINUED BUSINESS

- CB 1.** City Council to receive and file a report on the property located at 135 E. Badillo, Covina, California.

Community Development Director/CSA Deputy Director Robert Neiuber gave a brief report on the item before the City Council.

Following a brief discussion, the Council recommended that staff keeps Council informed.

On a motion made by Council Member Low, seconded by Mayor Pro Tem Stapleton, the City Council received and filed a report on the property located at 135 E. Badillo Street, Covina, California, and requested an update on March 6, 2012 and subsequent meetings.
Motion carried 5-0.

NEW BUSINESS

- NB 1.** Approve the Recognized Obligation Payment Schedule and direct it be provided to the Successor Agency to the Covina Redevelopment Agency Oversight Board for consideration and approval.

City Manager Daryl Parrish gave a brief report of the item before City Council.

On a motion made by Mayor Pro Tem Stapleton, seconded by Council Member Low, the Successor Agency to the Covina Redevelopment Agency reviewed and approved the Recognized Obligation payment Schedule (ROPS) and directed that it be provided to the Successor Agency Oversight Board for consideration and approval. **Motion carried 5-0.**

- NB 2.** City Council/Successor Agency to the Covina Redevelopment Agency to adopt Resolutions regarding forgiveness of loans to and from public bodies as required by Health and Safety Code Section 33354.8.

Community Development Director/CSA Deputy Director Robert Neiuber gave a brief report on the item before the Council/Agency.

On a motion made by Mayor Pro Tem Stapleton, seconded by Council Member Low, the City Council adopted **Resolution No. 12-7050**, regarding forgiveness of loans to and

from public bodies as required by Health and Safety Code Section 33354.8; and the Successor Agency to the Covina Redevelopment Agency adopted **Resolution No. 12-001**, on the Agency's behalf, regarding forgiveness of loans to and from public bodies as required by Health and Safety Code Section 33354.8; and authorized the City Clerk to transmit a copy of these resolutions to the Office of the State Controller. **Motion carried 5-0.**

- NB 3.** City Council to adopt **Resolution No. 12-7049**, authorizing fiscal year 2011-2012 mid-year budget adjustments.

City Manager Daryl Parrish gave a brief report of the item before City Council.

On a motion made by Mayor Pro Tem Stapleton, seconded by Council Member Low, the City council adopted **Resolution No. 12-7049**, authorizing fiscal year 2011-2012 mid-year budget adjustments.

- NB 4.** City Council and Successor Agency to the Covina Redevelopment Agency to receive and file the Audit Report for fiscal year ended June 30, 2011.

Finance Director Dilu De Alwis gave a brief on the item before City Council.

Jean Horimoto and Lita Hendranata of Macias, Gini & O'Connell spoke on the rigorous publication process of the financial audit and expressed appreciation to everyone they worked closely with in the Finance Department.

Mayor Pro Tem Stapleton spoke on the comprehensive annual finance report and added that he would like to strive to have future reports complete before the end of the year.

Council Member Allen expressed his appreciation to the Finance Department for the work on the report.

On a motion made by Mayor Pro Tem Stapleton, seconded by Council Member Allen, the City Council/Successor Agency to the Covina Redevelopment Agency received and filed the Audit Report for fiscal year ended June 30, 2011. **Motion carried 5-0.**

- NB 5.** City Council to discuss the placement of the Olmec Head at Jalapa Park.

Council Member Low stated reading previous minutes regarding the Olmec Head was revealing. He spoke on the philosophies of history, adding that the purpose of accepting the Olmec Head was to develop and recognize the relationship the City had with Mexico. Council Member Low stated that he does not feel Jalapa Park is an appropriate place for the Olmec Head and that a better place could be found.

Council Member Allen stated he feels Jalapa Park is ideal for the Olmec Head, however is willing to keep an open mind.

Mayor Pro Tem Stapleton spoke regarding a recent article in the San Gabriel Valley Tribune and expressed dissatisfaction on the quotes made by Council Member Low. He

explained the Olmec Head was removed to begin with the construction of a memorial to honor one of our fallen police officers. Mayor Pro Tem Stapleton stated he would like the Olmec Head installed at Jalapa Park on or by June 8, 2012 because June 8, 1990 was the day it was placed at the Covina Police Department.

Mayor King acknowledged the fallen police officer memorial should be placed in front of the Covina Police Department. He added that the Olmec Head should be placed at Jalapa Park.

Following a brief discussion and on a motion made by Mayor Pro Tem Stapleton, seconded by Council Member Allen, to place the Olmec Head at Jalapa Park on or before June 8, 2012. **Motion carried 4-1, with Council Member Low voting no.**

ADJOURNMENT

At 9:03 p.m., Mayor King adjourned the Covina City Council/Successor Agency to the Covina Redevelopment Agency/Covina Public Finance Authority/Covina Housing Authority to the next regular meeting, **Tuesday, March 6, 2012** at 6:30 p.m. for closed session and at 7:30 p.m. for open session in the Council Chamber of City Hall, 125 East College Street, Covina, California, 91723.

Catherine M. LaCroix
Deputy City Clerk/Agency/Authority Secretary

Approved this 6th day of March, 2011.

John C. King, Mayor/Chairperson

**SUCCESSOR AGENCY TO THE
COVINA REDEVELOPMENT AGENCY
AGENDA ITEM COMMENTARY**

MEETING DATE: March 6, 2012

ITEM NO.: CC 3

STAFF SOURCE: Robert Neiuber, Deputy Executive Director of the Successor Agency *RN*
Elizabeth Hull, Agency Attorney

ITEM TITLE: Successor Agency Update.

STAFF RECOMMENDATION

Successor Agency to review and file

FISCAL IMPACT

None.

BACKGROUND

At the February 21, 2012, City Council meeting, the City Council directed staff to bring back a regular report on the property located at 135 East Badillo. As the future of that site may be tied to how AB 1X 26, the legislation that led to the dissolution of local redevelopment agencies, is interpreted by the State, Oversight Board, and Successor Agency it seemed appropriate to provide an ongoing Successor Agency update. The update will cover issues that may relate to that site, but also legislation, reports, and information to keep the Successor Agency Board appraised of the latest development in this area.

135 East Badillo – The site is made up of three parcels joined together. The majority of the site is currently used as a public parking lot with a small portion that could be used as public open space/park or traded for another property with development potential. Staff believes that this site could potentially be retained by the City pursuant to Health and Safety Code Section 34181(a) which allows for assets that were constructed and used for a governmental purpose to be transferred to the appropriate public entity. Staff is also having estimates prepared of the cost to complete the conversion of the portion not historically used as a public parking lot to open space. Those estimates should be available for the next Council Meeting.

Oversight Board Update – The City is represented on the oversight board by two appointees. The two city appointees are made by the Mayor. The first appointee is within the Mayor's discretion. The second Mayoral appointee must be a representative from the recognized employee organization representing the largest number of former redevelopment employees employed by the successor agency. AB 1X 26 does not require the appointments to be made at a public meeting.

Staff has sent out letters to those public entities who must make appointments to the Oversight Board asking them to appoint people familiar with Covina and in an expedited manner and let us know who they have appointed. We also offered to provide recommendations for appointees from the community.

One of the seven appointments to the oversight board will be made by the largest special district as determined by a formula set forth in AB 1X 26. The County determined, in a letter dated February 13, 2012, that the largest special district, as defined by AB 1X 26, for Covina is the Los Angeles County Flood Control District. The County letter identifying each of the special districts for oversight boards for each city in Los Angeles is attached as Exhibit 2.

On February 14, 2012, LA County distributed a letter to the Board of Supervisors asking them to approve a workplan, timeline and policies for making the County appointments to the oversight boards for the successor agencies (see Exhibit 3). The workplan and timelines show the County working towards placing nominations onto the March 27 Board Agenda followed by training of the appointees. The workplan also shows them coordinating with the County Board of Education on possible candidates. It appears there is still time to assist our County Supervisor by providing him with the names and qualifications of individuals to serve as the Board of Supervisors appointee to the Covina oversight board, which he then might put forward for the Boards consideration. The outlined policies in this letter provide a list qualities that they suggest be considered in making the appointments and should be considered by the Successor Agency Board when making suggestions to the Supervisor. The County letter and policies are attached as Exhibit 3.

Legislation – SB 654 (Steinberg) is pending committee assignment in the Assembly following passage out of the Senate. An urgency clause was removed in the Senate; however, Senate Pro Tem President Steinberg has stated that he intends to return the urgency clause to the bill before sending it to the Governor. A bill containing an urgency clause is required to receive 2/3rds of the votes in each house. CRA supports SB 654.

SB 654 modifies provisions relating to the transfer of Low- and Moderate-Income Housing Funds (LMIHF) and responsibilities associated with dissolved redevelopment agencies. SB 654's provisions modify the scope of the term "enforceable obligation" and require that any unencumbered amounts on deposit in the LMIHF of a dissolved redevelopment agency be transferred to specified entities.

The Assembly Speaker John Perez introduced **AB 1585** to help address some of the problems that have emerged with implementation of AB 1X 26. Its provisions include an urgency clause and the LMIHF related provisions in SB 654 (Steinberg). AB 1585 also expands the definition of "enforceable obligation" to include any loans between the agency and the host city or county within two years of the date of creation of the redevelopment agency or within two years of the date of the creation of a project area if the loan is specific to that project area. Other loans may be also be deemed enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes. There are other provisions clarifying the functions of successor agencies and oversight boards.

Senator Dutton (R-Rancho Cucamonga) introduced **SB 986** to ensure bond proceeds are expended on the projects for which they were issued. The bill is pending in the Senate and so far no action has occurred. SB 986 provides that all bond proceeds that were generated by a former redevelopment agency shall be deemed to be encumbered and prohibits a successor agency from sending these proceeds to the county auditor-controller. The bill requires that these bond proceeds must be used by the successor agency for the purposes for which the bonds were sold

pursuant to an enforceable obligation that was entered into either by the former agency or its successor agency by December 14, 2014.

Senator Steinberg introduced **SB 1151** on February 21. According to the Legislative Counsel's Digest, this bill would require the successor agency to prepare a long range asset management plan that outlines a strategy for maximizing the long-term value of the real property and assets of the former redevelopment agency for ongoing economic development and housing functions.

This bill would require the successor agency to submit the plan to the Department of Finance and the oversight board by December 1, 2012 and would require the approval of the plan by the department and oversight board by December 31, 2012.

On February 17, 2012 the Legislative Analyst Office provided a report on the Unwinding of Redevelopment Agencies. The report provided justification for the dissolution, talked about the changes to the distribution of property tax revenues, discussed concerns with redevelopment replacement programs and recommends that the Legislature amend the redevelopment dissolution legislation to address timing issues, clarify the treatment of pass-through payments, and address key concerns of redevelopment bond investors.

RELEVANCE TO THE STRATEGIC PLAN

Understanding the Successor Agency's roles and responsibilities will help the Successor Agency assure its funding for current obligations and maintain its financial stability, a requirement of the law and one of the City's Strategic Plan's three-year goals.

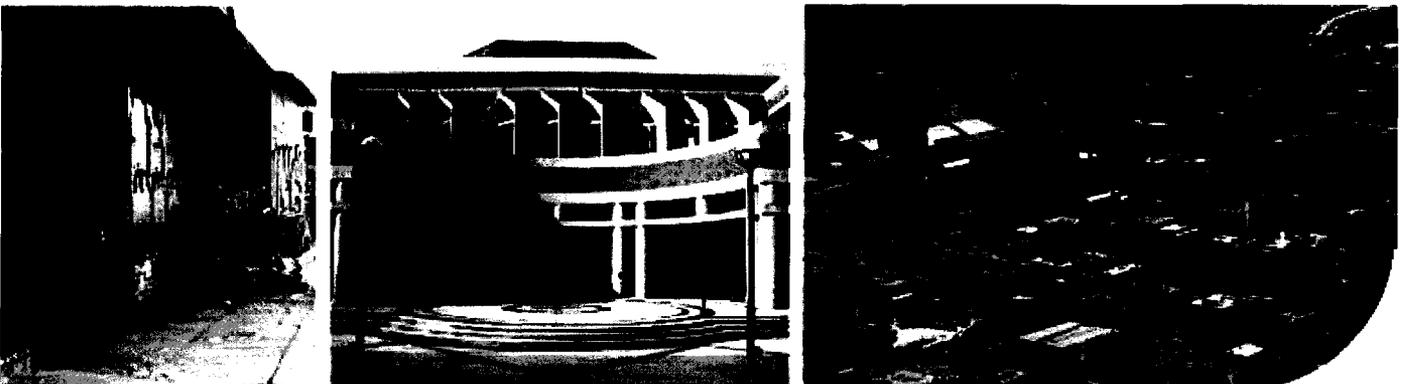
EXHIBITS

1. LAO report on Unwinding of Redevelopment Agencies
2. February 13, 2012, LA County letter on Special District Appointments
3. February 14, 2012, LA County letter on workplan, timeline and policies for making the County appointments to the oversight boards

REVIEW TEAM ONLY	
City Attorney: <u><i>Ch. Hull</i></u>	Finance Director: <u><i>DL</i></u>
City Manager: <u><i>[Signature]</i></u>	Other: _____

The 2012-13 Budget:

Unwinding Redevelopment



2012-13 BUDGET

EXECUTIVE SUMMARY

On February 1, 2012, all redevelopment agencies in California were dissolved and the process for unwinding their financial affairs began. Given the scope of these agencies' funds, assets, and financial obligations, the unwinding process will take time. Prior to their dissolution, redevelopment agencies (RDAs) received over \$5 billion in property tax revenues annually and had tens of billions of dollars of outstanding bonds, contracts, and loans.

This report reviews the history of RDAs, the events that led to their dissolution, and the process communities are using to resolve their financial obligations. Over time, as these obligations are paid off, schools and other local agencies will receive the property tax revenues formerly distributed to RDAs.

The report discusses these major findings:

- Although ending redevelopment was not the Legislature's objective, the state had few practical alternatives.
- Ending redevelopment changes the distribution of property tax revenues among local agencies, but not the amount of tax revenues raised.
- Decisions about redevelopment replacement programs merit careful review.
- The decentralized process for unwinding redevelopment promotes a needed local debate over the use of the property tax.
- Key state and local choices will drive the state fiscal effect.

The report recommends the Legislature amend the redevelopment dissolution legislation to address timing issues, clarify the treatment of pass-through payments, and address key concerns of redevelopment bond investors.

2012-13 BUDGET

HISTORY OF REDEVELOPMENT IN CALIFORNIA

Californians pay over \$45 billion in property taxes annually. County auditors distribute these revenues to local agencies—schools, community colleges, counties, cities, and special districts—pursuant to state law. Property tax revenues typically represent the largest source of local general purpose revenues for these local agencies.

In 1945, the Legislature authorized local agencies to create RDAs. Several years later, as shown in Figure 1 (see next page), voters approved a redevelopment financing program referred to as “tax increment financing.” Under this process, a city or county could declare an area to be blighted and in need of urban renewal. After this declaration, most of the growth in property tax revenue from the “project area” was distributed to the city or county’s RDA as “tax increment revenues” instead of being distributed as general purpose revenues to other local agencies serving the area. Under law, tax increment revenues could be used only to address urban blight in the community that established the RDA.

During Its Early Years, Redevelopment Was a Small Program

During the 1950s and 1960s, few communities established redevelopment project areas and most project areas were small—typically 10 acres (about six square city blocks) to 100 acres (an area about one-fifth of a square mile). The small size of the early project areas reflected, in part, competing community interests in property tax revenues, particularly from school and community college districts that otherwise would receive about half of any growth in property tax revenues. (Under the state school financing system of the time, the state did not backfill K-14 districts if some of their property tax revenues were redirected to RDAs.) Community interest in education and other local

programs, therefore, served as a fiscal check on redevelopment expansion.

The limited size of redevelopment project areas during this period also reflected the fiscal authority local governments had to raise funds from other sources to pay for local priorities. During this era, for example, the State Constitution allowed local governments to raise property and other tax rates upon a vote of their governing body and without local voter approval. Cities and counties also had wide authority to impose fees and assessments.

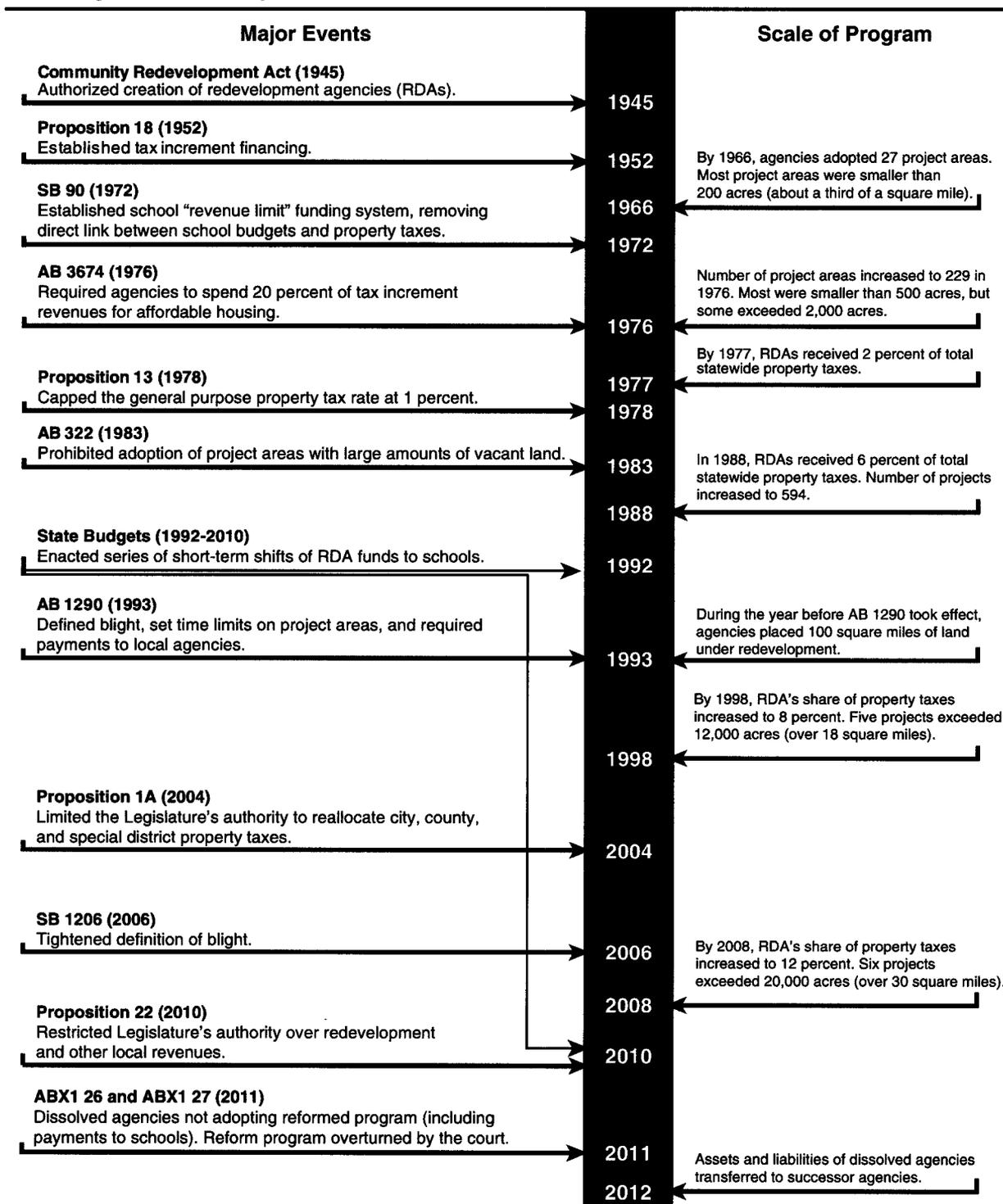
Use of Redevelopment Expanded After SB 90 and Proposition 13

After its modest beginnings, use of redevelopment expanded significantly in the 1970s and 1980s due to two major state policy changes. First, passage of Chapter 1406, Statutes of 1972 (SB 90, Dills) created a system of school “revenue limits,” whereby the state guarantees each school district an overall level of funding from local property taxes and state resources combined. Thus, if a district’s local property tax revenues do not grow—due to redevelopment or for other reasons—the state provides additional state funds to ensure that the district has sufficient funds to meet its revenue limit. Second, Proposition 13 in 1978 (and later Proposition 218 in 1996) significantly constrained local authority over the property tax and most other local revenues sources. These measures did not, however, reduce local authority over redevelopment.

With fewer fiscal checks and less revenue authority, cities (joined by a small number of counties) no longer limited their project areas to small sections of communities, but often adopted projects spanning hundreds or thousands of acres and frequently including large tracts of vacant land. Some jurisdictions placed farmland

Figure 1

History of Redevelopment



under redevelopment. At least two cities placed all privately owned land in the city under redevelopment.

Legislature Took Steps to Constrain Redevelopment

Over time, the expanded use of redevelopment led to these agencies receiving an increasing share of property taxes collected under the 1 percent rate. This, in turn, spawned concern that redevelopment—a program established as a tool to address defined pockets of urban blight—was decreasing funds needed for other local programs and increasing state costs to support K-14 education.

Beginning in the 1980s and increasingly through 2011, state lawmakers took actions to constrain local governments' use of redevelopment,

including tightening the definition of blight, imposing timelines on project areas, and prohibiting new projects on bare land. Concerned that RDAs were not using their authority to develop affordable housing, the Legislature enacted laws strengthening the statutory requirement that RDAs spend 20 percent of their tax increment revenues developing housing for low and moderate income households. The Legislature also began restricting the amount of “pass-through” payments RDAs provided other local agencies in the hope that these other local agencies might provide more active oversight. (Two nearby boxes provide information on a major reform measure enacted in 1993 and pass-through payments [see next page].)

Because most of these new statutory restrictions applied only to new redevelopment project areas and existing projects could last for

Redevelopment Reform: AB 1290

Sponsored by the statewide redevelopment association, Chapter 942, Statutes of 1993 (AB 1290, Isenberg), sought to address long-standing concerns about the misuse of redevelopment and to refocus the program on eradicating urban blight.

This measure:

- Defined a “blighted” area as one that is predominately urbanized and where certain problems are so substantial that they constitute a serious physical and economic burden to a community that cannot be reversed by private or government actions, absent redevelopment.
- Replaced the process whereby local agencies and redevelopment agencies (RDAs) negotiated the amount of pass-through revenues on a case-by-case basis with a statutory formula for sharing tax increment revenues.
- Limited RDA ability to provide subsidies and assistance to auto dealerships, large volume retailers, and other sales tax generators.

One year after AB 1290 took effect, this office reviewed the new project areas adopted pursuant to the law. We found no evidence that redevelopment projects established in 1994 were smaller in size or more focused on eliminating urban blight than project areas adopted in earlier years. (This 1994 report, *Redevelopment After Reform: A Preliminary Look*, is available on our office's website: www.lao.ca.gov.)

over 50 years, many redevelopment projects were not affected substantially by the changes. The RDAs also continued to find ways of establishing large new project areas despite the increasingly narrow statutory definitions of blight and developed land.

By 2009-10, RDAs were receiving over \$5 billion in property taxes annually—a redirection of 12 percent of property tax revenues from general purpose local government use for redevelopment purposes. The state's costs to backfill K-14 districts for the property taxes redirected to redevelopment exceeded \$2 billion annually.

Budget Acts Shifted Funds From Redevelopment

Beginning in the 1990s, the state began taking actions in its annual state budget to require RDAs to shift some of their revenues to schools to

offset the state's increased costs associated with redevelopment. The shifted funds typically were deposited into countywide accounts referred to as ERAF (Educational Revenue Augmentation Fund) or SERAF (Supplemental Educational Revenue Augmentation Fund). These state budgetary actions occurred nine times between 1992 and 2011.

Concerned about the magnitude and frequency of these budget shifts, redevelopment advocates (along with groups interested in transportation and other elements of local finance) sponsored Proposition 22. Among other things, this initiative measure (approved by the state's voters in November 2010), limits the Legislature's authority over redevelopment and prohibits the state from enacting new laws that require RDAs to shift funds to schools or other agencies.

Pass-Through Payments

Many redevelopment agencies (RDAs) made "pass-through payments" to local agencies to partly offset these agencies' property tax losses associated with redevelopment. State laws regulating these payments changed over the years.

Pre-1994 Law Allowed Amount of Payments to Be Negotiated. Before 1994, the terms of pass-through payments were negotiated between the RDA and a local agency. Most negotiations occurred between a city RDA and the county and special districts. (The K-14 districts typically were not active in these negotiations—in part because, after 1972, the state backfilled them for any property tax losses.) Pass-through agreements sometimes were negotiated as part of a settlement of a dispute over the legality of a proposed project area. Occasionally, RDAs agreed to provide 100 percent pass-through payments to the county and special districts, meaning that these agencies received their entire share of the property tax in pass-through payments. In these cases, the only property tax revenue that the RDA retained was the K-14 districts' and city's share.

Assembly Bill 1290 Replaced Negotiated Agreements With a Schedule of Payments. Seeking to encourage greater local oversight of RDA activities while still requiring RDAs to mitigate their fiscal effects on other local agencies, Chapter 942, Statutes of 1993 (AB 1290, Isenberg) eliminated RDA authority to negotiate pass-through payments and established a statutory formula for pass-through payment amounts. In contrast to the earlier negotiated agreements, post-1993 pass-through payments are distributed to all local agencies and the amount each agency receives is based on its proportionate share of the 1 percent property tax rate in the project area.

REDEVELOPMENT IN 2011

Governor's Budget Proposed Ending Redevelopment

Citing a need to preserve public resources that support core government programs, the Governor's 2011-12 budget proposed dissolving RDAs. Under the Governor's plan, property taxes that otherwise would have been allocated to RDAs in 2011-12 would be used to (1) pay existing redevelopment debts (such as bonds an agency sold to finance a retail or housing development), (2) make pass-through payments to other local governments, and (3) offset \$1.7 billion of state General Funds costs. Any remaining redevelopment funds would be allocated to the other local agencies that serve the former project area, with the allocations based largely on each agency's share of property tax revenues in the project area.

In subsequent years under the Governor's plan, all remaining redevelopment funds (after payment of redevelopment debts and pass-throughs) would be allocated to local agencies based on their property tax shares, except that some funds were redirected from special districts to counties. The Governor's plan further specified that, beginning in 2012-13, the additional K-14 property tax revenues would be provided to schools to supplement any funds they would have received under the state's Proposition 98 guarantee.

Legislature Rejected Governor's Proposal

The administration's 2011 proposal—SB 77 (Committee on Budget and Fiscal Review) and AB 101 (J. Pérez)—launched a major debate within the Legislature regarding the role of redevelopment and the importance and costs of the program. Because the Governor's proposal distributed redevelopment property tax revenues in a manner that differed somewhat from existing property tax allocation laws (that is, it paid

pass-through payments and shifted some special district property taxes to counties), the measures to implement it required approval by a two-thirds vote of the Legislature pursuant to the provisions of Proposition 1A (2004).

In March, SB 77 failed by one vote in the Assembly to secure the two-thirds vote it required to pass. Assembly Bill 101 was not taken up on the floor of the Senate. After March, legislative debate regarding redevelopment focused on proposals that (1) allowed RDAs to continue, albeit with modifications and with ongoing funding provided to schools, and (2) followed the existing statutory formulas related to property tax allocations, thereby avoiding Proposition 1A's two-thirds vote requirement.

Measures Enacted to Reform or End Redevelopment

In June 2011, the Legislature approved and the Governor signed two pieces of legislation:

- Chapter 5, Statutes of 2011 (ABX1 26, Blumenfeld), imposed an immediate freeze on RDA authority to engage in most of their previous functions, including incurring new debt, making loans or grants, entering into new contracts or amending existing contracts, acquiring or disposing of assets, or altering redevelopment plans. The bill also dissolved RDAs, effective October 1, 2011 and created a process for winding down redevelopment financial affairs and distributing any net funds from assets or property taxes to other local taxing agencies.
- Chapter 6, Statutes of 2011 (ABX1 27, Blumenfeld) allowed RDAs to opt into a voluntary alternative program to avoid

the dissolution included in ABX1 26. The program included annual payments to K-12 districts (\$1.7 billion in 2011-12 and about \$400 million in future years) to offset the fiscal effect of redevelopment.

Recognizing the considerable legal uncertainties pertaining to both measures, the Legislature specified its policy preferences in the legislation. Specifically, if any major element of ABX1 27 (such as the required payments to schools) was determined to be unconstitutional, ABX1 27 specified that all of its provisions would be null and void. In addition, ABX1 26 specified that if ABX1 27 were rendered inoperative, this would have no effect on the provisions of ABX1 26. Thus, if the redevelopment reform measure were overturned, all RDAs would be subject to the dissolution provisions in ABX1 26.

One-Time State Fiscal Relief; Long-Term Funding for Schools

The budget assumed that the increased school funding from these two bills would raise \$1.7 billion in 2011-12 (with most of the funds related to payments made by RDAs opting into the ABX1 27 program and a smaller amount resulting from increased school property taxes resulting from ABX1 26). Legislation adopted in March 2011 related to education directed the Department of Finance (DOF) to adjust the Proposition 98 calculations so that these increased funds would offset 2011-12 state General Fund spending obligations for schools. In 2012-13 and future years, ABX1 26 and ABX1 27 were estimated to generate a lower sum for K-12 school districts, potentially about \$400 million initially. The March 2011 education bill directed DOF *not* to adjust the Proposition 98 calculations to reflect these increased funds in 2012-13 and later. As a result, going forward, any funds that K-12 districts received from ABX1 26 and ABX1 27 would be in addition to amounts required under Proposition 98.

RDAs Expedited Activities

During the legislative debate over redevelopment, many RDAs took actions to transfer or encumber assets and future tax increment revenues in case the Governor's proposal, or something similar, was enacted.

Rush to Issue Debt. Tax allocation bonds, which pledge future tax increment revenues to make principal and interest payments, are RDAs' primary borrowing mechanism. In the first six months of 2011, RDAs issued about \$1.5 billion in tax allocation bonds, a level of debt issuance greater than during all 12 months of 2010 (\$1.3 billion). The increase in bond issuance from 2010 to 2011 was even more notable because it occurred despite RDAs being required to pay higher borrowing costs. Specifically, about two-thirds of the bond issuances in 2011 had interest rates greater than 7 percent—compared with less than one-quarter of bond issuances in 2010. In fact, RDAs issued more tax allocation bonds with interest rates exceeding 8 percent during the first six months of 2011 than they had in the previous ten years.

Rush to Transfer Assets. Many RDAs also took actions to transfer redevelopment assets—land, buildings, parking facilities—to other local agencies, typically the city or county that created the RDA. One common approach was for the RDA and city council to hold a joint hearing in which the RDA transferred (and the city accepted) ownership of all RDA property and interests. After one city council called a special meeting in March to approve such a transfer, the mayor was reported in newspapers as saying, “We have no funds now in our redevelopment coffers that can be taken.” In addition to transferring existing assets, many RDAs entered into “cooperation agreements” with their city, county, or another local agency. Under these agreements, the city, county, or other local agency would carry out existing and future redevelopment projects. Local agency staff and

officials assumed that—if the Governor’s proposal were enacted—the cooperation agreements would be an enforceable contract, requiring the allocation of future tax increment revenues as payment for performing the agreement. For example, the RDA of the City of San Bernardino entered into a project funding agreement that pledged \$525 million in future tax increment revenue to a local non-profit corporation. The corporation—controlled by local elected officials including the mayor and two city council members—was given the responsibility of carrying out a list of projects from the RDA’s capital improvement plan. Local cooperation agreements typically were not arm’s length transactions, but rather, were between closely related governmental bodies with no third party involved.

Court Found Redevelopment Reform Measure Unconstitutional

Within three weeks of the Governor signing the redevelopment legislation, the California Redevelopment Assessment (CRA) and the League of California Cities filed petitions with the California Supreme Court challenging ABX1 26 and ABX1 27 on constitutional grounds. The CRA/League’s argument focused on sections of

the Constitution (1) establishing a special fund for tax increment revenues (Article XVI, Section 16, added by Proposition 18 of 1952) and (2) restricting the Legislature’s authority to shift funds from RDAs (Article XIII, Section 25.5, added by Proposition 22).

On December 29, 2011, the court upheld ABX1 26, saying that the Legislature had authority to dissolve entities that it created and that neither Article XVI, Section 16 (the tax increment financing provision), nor Article XIII, Section 25.5 (Proposition 22) limited the Legislature’s power to dissolve RDAs.

In reviewing ABX1 27, in contrast, the court found the measure unconstitutional because it required RDAs to make payments to schools as a condition of these agencies’ continuation. The court found this violated Proposition 22’s prohibition against the state “directly or indirectly” requiring an RDA to transfer funds to schools or to any other agency. Finally, in order to address the delays associated with litigation and an earlier court stay, the court extended a variety of dates and deadlines in ABX1 26 by four months, including the date RDAs were required to shut down.

THE UNWINDING PROCESS

The Supreme Court’s ruling meant all RDAs were subject to ABX1 26 and set in motion the process laid out in ABX1 26 for shutting down and disbursing their assets. The process focuses on two goals: (1) ensuring existing financial obligations are honored and paid and (2) minimizing any additional RDA obligations so that more funds are available to transfer for other governmental purposes.

The dissolution process contains four key elements:

- ***Local Management and Oversight.*** In most cases, the city or county that created the agency is managing its dissolution as its successor agency. An oversight board, with representatives from the affected local taxing agencies—K-14 districts, the county, the city, and special districts—supervises the successor agency’s work. (We describe the work of the successor agency and oversight board further below.) All financial transactions associated with

redevelopment dissolution are handled by the successor agency and the county auditor-controller.

- **List of Future Redevelopment Expenditures.** Various local parties are tasked with developing and reviewing lists of redevelopment “enforceable obligations.” This term includes payments for redevelopment bonds and loans with required repayment terms, but typically excludes payments for projects not currently under contract. Only those financial obligations included on these lists may be paid with revenues of the former RDA. The first list of redevelopment obligations is called the Enforceable Obligation Payment Schedule (EOPS); later versions of this list are called the Recognized Obligation Payment Schedule (ROPS). Each ROPS is forward looking for six months. Most local agency cooperation agreements may be included on the EOPS, but not the ROPS.
- **Local Distribution of Funds.** Funds that formerly would have been distributed to the RDA as tax increment are deposited into a redevelopment trust fund and used to pay obligations listed on the EOPS/ROPS. Any remaining funds in the trust fund—plus any unencumbered redevelopment cash and funds from asset sales—are distributed to the local agencies in the project area.
- **State Review.** Actions of local oversight boards are subject to review by DOF. Actions by the county auditor-controller are subject to review by the State Controller’s Office (SCO). The SCO also reviews redevelopment asset transfers completed during the first half of 2011

to determine whether any of them were improper and should be reversed.

Below, we provide more information about the responsibilities of the state and local entities that play a role in winding down redevelopment.

Final Actions of the RDA and Its City or County

Before its dissolution, a key responsibility of an RDA was preparing an EOPS delineating the payments it must make through December 31, 2011. Assembly Bill X1 26 required the agency to post the EOPS to its website and to transmit copies to DOF, SCO, and its county auditor-controller by late August 2011. Under ABX1 26, payments or actions of an RDA pursuant to its EOPS do not take effect for three business days. During this time, DOF is authorized to request a review of the RDA action and DOF has ten days to approve the action or return it to the RDA for reconsideration.

In part due to confusion regarding a partial stay of ABX1 26 while the State Supreme Court reviewed this legislation, this initial oversight function was not implemented fully. The DOF advises us that many EOPS were delayed and that about two dozen of the state’s approximately 400 agencies still have not provided an EOPS. Very few of these payment schedules were reviewed in detail by DOF and, in those cases in which it raised concerns, the department is uncertain whether local agencies corrected their EOPS.

Successor Agency

Unless it voted not to, each city or county that created an RDA became its successor agency on February 1, 2012. The successor agency manages redevelopment projects currently underway, makes payments identified on the EOPS (and later, the ROPS), and disposes of redevelopment assets and properties as directed by the oversight board. A separate agency (discussed later in the report) manages the RDA’s housing assets. The work of

the successor agency is funded from the former tax increment revenues. (A nearby box discusses the limitations on the agency's administrative spending.) The agency's liability for any legal claims is limited to the funds and assets it receives to perform its functions.

Decision Whether to Serve as Successor Agency. Based on information available at this time, it appears that all cities and counties with RDAs became successor agencies with the exception of the Cities of Bishop, Los Angeles, Los Banos, Merced, Pismo Beach, Riverbank, and Santa Paula. In hearings to discuss this matter, local elected representatives and staff typically indicated that they thought that serving as a successor agency would put their community in a better position to advocate for continuing their projects and maintaining redevelopment properties. Cities electing not to serve as successor agencies, however, voiced offsetting concerns related to (1) the limitation on funds to pay successor agency administration expenses and (2) potential liabilities associated with terminated projects.

When a City or County Elects Not to Serve as a Successor Agency. Figure 2 (see next page) summarizes how a successor agency is designated in cases when a local agency that created an RDA declines the role. In the case of the City of Los Angeles and the cities in Merced, Ventura, and Stanislaus Counties, no other local agency in the

county agreed to serve as their successor agency and the Governor appointed county residents to serve on three-member governing boards of the "designated local authorities." Each authority will serve as the successor agency until a local agency elects to serve in this capacity.

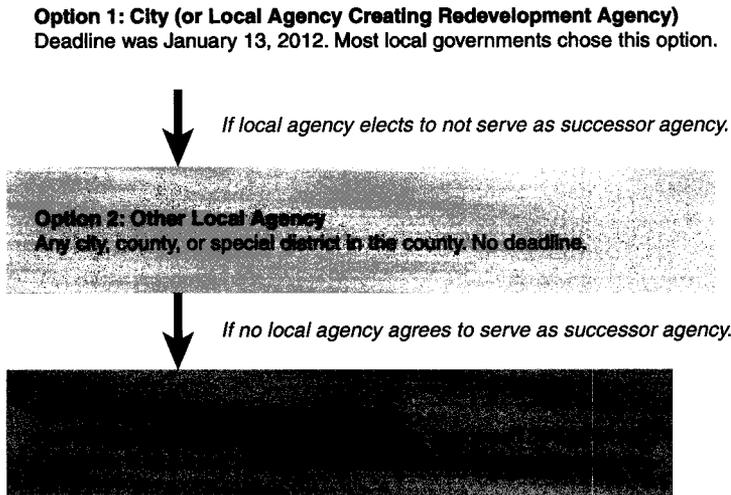
Develops Key Document: ROPS. The successor agency is responsible for drafting a ROPS delineating the enforceable obligations payable through June 30, 2012 and their source of payment, and then additional ROPS every six months thereafter. There are two major differences between the ROPS and the earlier EOPS. First, ROPS are subject to the approval of an oversight board (see next page) and certification by the county auditor-controller. Second, most debts owed to a city or county that created the RDA are no longer considered to be enforceable obligations and thus may not be listed on the ROPS. This includes most of the cooperation agreements established in 2011 and many other types of financial obligations between an RDA and the government that created it.

Frequently, RDA-city or RDA-county financial agreements were established for the purpose of reducing the sponsoring government's costs or increasing its revenues. For example, many RDAs paid a significant share of their sponsoring local government's administrative costs (such as part of the salaries for the city council and city manager). Doing so freed up city or county funds so that they

Successor Agency Administration Costs

Subject to the approval of the oversight board, Chapter 5, Statutes of 2011 (ABX1 26, Blumenfield) specifies that successor agencies may spend \$250,000 or up to 5 percent of the former tax increment revenues for administrative expenses in 2011-12 and \$250,000 or up to 3 percent in future years. The county auditor-controller may reduce these amounts, however, if there are insufficient funds to pay enforceable obligations and the administrative costs of the county auditor-controller and State Controller. Funds for successor agency administration may be supplemented with money from other revenue sources, such as funds reserved for project administration.

Figure 2
Successor Agency Formation



could be used for other purposes. Some RDAs also lent money to their city or county without charging interest on the loans, allowing the city or county to invest the funds and keep the earnings. Other sponsoring governments charged their RDAs above market interest rates for loans, thereby allowing the city or county to benefit from unusually high interest earnings. Under ABX1 26, many of these obligations would not be eligible to be placed on the ROPS.

Oversight Board

Each successor agency has an oversight board that supervises it. The oversight board is comprised of representatives of the local agencies that serve the redevelopment project area: the city, county, special districts, and K-14 educational agencies. Oversight board members have a fiduciary responsibility to holders of enforceable obligations, as well as to the local agencies that would benefit from property tax distributions from the former redevelopment project

area. As discussed in a nearby box, the seven-member board is designed so that no local agency has dominant control.

Oversight Board Will Make Major Decisions.

Assembly Bill X1 26 gives the oversight board considerable authority over the former RDA's financial affairs. In addition to approving the successor agency's administrative budget, the oversight board adopts the ROPS—the central document that identifies the financial

obligations of the former RDA that the successor agency may pay over the next six months.

The oversight board may determine that a contract between the dissolved RDA and others should be terminated or renegotiated to increase property tax revenues to the affected local agencies. For example, the oversight board may cancel subsequent stages of a project if it finds that early termination would be in the best interest of the local agencies. Similarly, it may (1) direct the successor agency to dispose of assets and properties of the former RDA or transfer them to a local government and (2) terminate existing agreements that do not qualify as enforceable obligations.

Actions of an oversight board do not go into effect for three business days. During this time, DOF may request a review of the oversight board's action. The DOF, in turn, has ten days to approve the oversight board's action or return it to the oversight board for reconsideration.

Successor Housing Agency

Under ABX1 26, the former RDA's housing functions and most of its housing assets are transferred to a successor housing agency. Housing assets that transfer to the successor housing agency include property, rental payments, bond proceeds, lines of credit, certain loan repayments, and other small revenue sources. The unencumbered balance

in the former RDA's Low and Moderate Income Housing Fund, however, does not transfer to the successor housing agency. Assembly Bill X1 26 directs the county auditor-controller to distribute the unencumbered balance in the housing fund as property tax proceeds to the affected local taxing entities. (The box on the next page provides more information on the Low and Moderate Income Housing Fund.)

Local Agencies Select Oversight Board Members

Most oversight boards are made up of the following:

- Two members appointed by the county board of supervisors, including one member representing the public.
- Two members appointed by the mayor, including one member representing the recognized employee organization with the largest number of former redevelopment agency (RDA) employees.
- One member appointed by the largest special district, by property tax share, within the boundaries of the dissolved RDA.
- One member appointed by the county superintendent of education or county board of education.
- One member appointed by the Chancellor of the California Community Colleges.

The Governor may appoint a representative for any position that has not been filled as of May 15, 2012. The oversight board may begin working as soon as it has a four-member quorum.

Board Member Compensation. Oversight board members do not receive compensation or reimbursement for expenses. No oversight board member may serve on more than five oversight boards simultaneously.

Open Government Requirement. The oversight board is a local entity for purposes of the Ralph M. Brown Act, the California Public Records Act, and the Political Reform Act of 1974. Members are responsible for giving the public access to its hearings and deliberations, disclosing any private economic interests, and disqualifying themselves from participating in decisions in which they have a financial interest.

Future Consolidation of Oversight Boards. All oversight boards within a county are consolidated by July 1, 2016. The membership on the consolidated oversight board is similar to the membership of the initial oversight board, except that the city and special district members are appointed by countywide selection committees.

As shown in Figure 3, the sponsoring city or county may elect to become the successor housing entity. If the sponsoring community declines

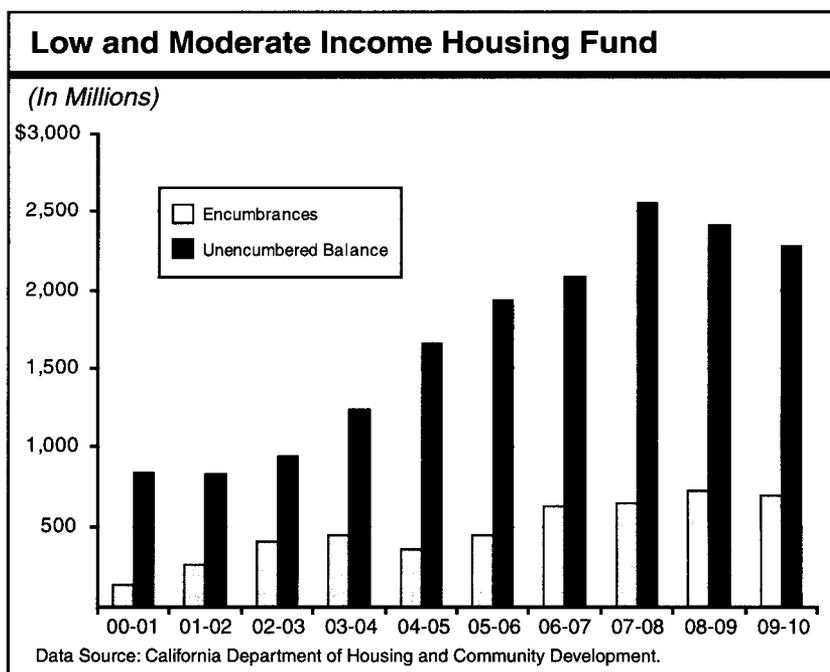
this role, then the former redevelopment agency's housing functions and assets are transferred to the local housing authority, or to the state Department

The Low and Moderate Income Housing Fund

Prior to their dissolution, state law required redevelopment agencies (RDAs) to deposit 20 percent of their annual tax increment revenues into the Low and Moderate Income Housing Fund to provide affordable housing. These housing funds were intended to maintain and increase affordable housing by acquiring property, rehabilitating or constructing buildings, providing subsidies for low- and moderate-income households, or preserving public subsidized housing units at risk of conversion to market rates.

For a variety of reasons, some RDAs retained large balances in their housing fund. As shown in the figure, RDAs' annual reports to the Department of Housing and Community Development (HCD) show that the unencumbered balances have grown over time to \$2.2 billion in 2009-10. We would note, however, that there is some uncertainty about this figure. Redevelopment agencies provide a separate annual report to the State Controller's Office (SCO) that showed an unencumbered balance in the housing fund of about \$1.3 billion. This difference occurs because HCD and SCO have separate criteria for distinguishing between encumbered and unencumbered funds. Also, the reports reflect balances for the 2009-10 fiscal year, balances that likely have changed. Some agencies may have accumulated additional balances, while others made large expenditures or transfers for affordable housing purposes or to shield assets from the proposed dissolution process.

Under Chapter 5, Statutes of 2011 (ABX1 26, Blumenfeld), the unencumbered balance is distributed as local property tax revenue. (The Legislature recently considered legislation that would require unencumbered balances in the housing fund to remain with the successor housing agency for affordable housing activities.) Based on the HCD and SCO reports, the unencumbered balance available for distribution likely is between \$1 billion and \$2 billion, but the actual balance will depend upon the spending of former RDAs since 2009-10 as well as how successor agencies and oversight boards distinguish between encumbered and unencumbered balances.



of Housing and Community Development if no local housing authority exists. Although ABX1 26 does not specify when sponsoring communities must elect to serve as the successor housing agency, it appears that most cities and counties elected to serve as the successor housing agency at the same time they considered becoming the successor agency. Unlike the successor agency, the successor housing agency's actions related to transferred redevelopment assets are not subject to the review of the oversight board or DOF.

County Auditor-Controller

The county auditor-controller administers each former RDA's Redevelopment Property Tax Trust Fund ("trust fund"). Revenues equal to the amounts that would have been allocated as tax increment are placed into the trust fund for servicing the former RDA's debt obligations, making pass-through payments, and paying certain administrative costs. The auditor then distributes any trust funds not needed for these purposes—as well as any remaining redevelopment cash balances and the proceeds of asset sales—to the local governments in the area as property taxes.

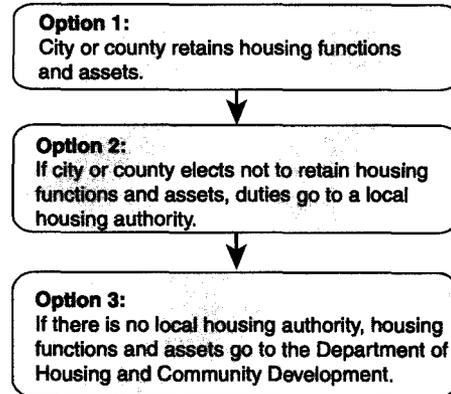
The auditor also is responsible for certifying the successor agency's draft ROPS and auditing each dissolved RDA's assets and liabilities. Assembly Bill X1 26 authorizes county auditor-controllers to recoup their administrative costs associated with these requirements from the trust fund.

State Controller

Assembly Bill X1 26 assigns the SCO responsibility for recouping redevelopment assets inappropriately transferred during the first half of 2011. Specifically, SCO is directed to determine whether the RDA transferred an asset to the city or county that created it (or to another public

Figure 3

Options for Creating a Successor Housing Agency



agency). If the asset has not been contractually committed to a third party, "the Controller shall order the available asset to be returned" to the successor agency. Under this authority, for example, the Controller could order the return of land or buildings transferred from RDA ownership to city ownership during the first half of 2011. For example, many RDAs during 2011 transferred all of their buildings and land to the city. The SCO could order the city to return these assets.

The SCO also plays an oversight role with regard to activities of the county auditor-controller that is similar to the role DOF plays in regard to the oversight board. Specifically, actions of a county auditor-controller do not take effect for three business days. During this time, the SCO may request a review of the county auditor-controller's action. The SCO has ten days to approve the county auditor-controller's action or return it to the auditor-controller for reconsideration.

Assembly Bill X1 26 specifies that SCO may recoup its costs related to these activities from tax increment revenues that previously would have been allocated to the RDA.

REDISTRIBUTING REDEVELOPMENT FUNDS

Over time, the dissolution of RDAs will increase the amount of general purpose property tax revenues that schools, community colleges, cities, counties, and special districts receive by more than \$5 billion annually. In the near term, however, there is uncertainty regarding the amount of property tax revenues that will be available, which local governments will receive the revenues, and the extent to which these increased funds will offset state General Fund education expenses.

This section begins with an example showing—for one fictional RDA—how the county auditor-controller would (1) determine the amount of redevelopment trust funds to distribute to affected taxing agencies and (2) how much additional property taxes each agency would receive. The section then examines these questions from a statewide perspective.

Example: Determining the Amount of Funds to Be Distributed

As shown in Figure 4, the county auditor-controller determined that the former RDA would have received \$5 million in tax increment. The RDA had an agreement to pay other local governments

\$1 million in pass-through payments. The ROPS—prepared by the successor agency and approved by the oversight board—indicates that the former RDA had \$20 million in bonded indebtedness and other enforceable obligations, \$700,000 of which is due and payable from tax increment.

The successor agency’s administrative costs total \$250,000 and its cost for reimbursing the county auditor-controller and SCO for their work related to ABX1 26 totals \$50,000. The successor agency reports that the dissolved RDA had assets of \$200,000 in unencumbered cash (available for distribution immediately) and some land holdings (that will be sold over time).

In the example, the county auditor-controller would have a net of \$3 million of residual trust funds and \$200,000 in cash to distribute to the local agencies serving the redevelopment project area. This process for calculating the trust fund amount would continue every six months as long as the former RDA has enforceable obligations. After all of the enforceable obligations are paid, the project area will be closed and the property taxes formerly considered tax increment will be distributed to local agencies. These agencies also

will receive funds from the liquidation of assets of the former RDA.

What if Trust Fund Costs Are Greater Than Revenues?

In the example, there is \$3 million to distribute because revenues deposited into the trust fund are greater than its expenses. What would happen if expenses exceeded revenues? In general, this should not

Figure 4
Example: Funds to Distribute

(In Thousands)

Trust Fund	
Property taxes formerly called tax increment	\$5,000
Pass-through payments	-1,000
Enforceable obligations payable that year	-700
Successor agency administration	-250
County auditor-controller and State Controller administration	-50
Trust Funds to Distribute	\$3,000
Cash and Assets	
Unencumbered agency cash	\$200
Total Funds to Distribute	\$3,200

be the case because ABX1 26 eliminates a major redevelopment expense—the requirement to set aside 20 percent of tax increment revenues for affordable housing. In addition, the maximum allowable expenditure for successor agency administration is lower than the amount most RDAs spent from tax increment on administration in previous years.

Given these two cost reductions, most trust funds likely will have ample resources to pay their enforceable obligations and administrative costs for the county auditor-controller and SCO. Should the trust fund’s resources be insufficient, however, ABX1 26 directs the county auditor-controller to reduce the successor agency’s funding for administration and, if necessary, reduce funding for some pass-through payments. (Some pass-through payments—those that must be paid *before* debt obligations—would not be reduced.) Assembly Bill X1 26 also specifies that the county treasurer may loan funds from the county treasury to ensure prompt payment of enforceable obligations.

Example: Allocating Redevelopment Residual Funds

In our example, \$3.2 million is available for distribution to the other local agencies. Assembly Bill X1 26 directs the county auditor-controller to allocate the \$200,000 to local agencies proportionately based on each agency’s tax shares in the project area. In our fictional example, K-14 districts receive 50 percent of the property tax, counties receive 25 percent, cities receive 15 percent, and special districts receive 10 percent. Figure 5 displays how the \$200,000 in cash would be distributed among local agencies.

Assembly Bill X1 26 is less clear, however, about the distribution of the \$3 million of residual trust funds. The administration and some counties interpret the measure’s provisions as requiring

these funds to be distributed the same way that cash and funds from redevelopment asset sales are distributed: by tax shares.

In our view, however, the stronger interpretation is that these funds are distributed in a way that takes into account the payments each local agency received from pass-through payments (which, in our example, total \$1 million). That is, the \$3 million is distributed in a way that ensures that no agency receives more from the trust fund and pass-through payments *combined* than it would have if funds from both sources (\$4 million) were distributed based on tax shares.

Our understanding is that this unusual section of the legislation was drafted in an effort to avoid reallocating property taxes and thus requiring approval by two-thirds of the Legislature under Proposition 1A. While technical in nature, this matter has significant implications for the distribution of revenues—particularly for schools and cities (which receive fairly low pass-through payments) and counties and special districts (which receive comparatively high pass-through payments).

Figure 6 (see next page) illustrates the fiscal effect of “netting out” pass-through payments. In our example, the county and special districts received pass-through payments of \$750,000 and \$250,000, respectively. If these payments are *excluded* from the calculation of distribution from

**Figure 5
Example: Distribution of Funds From Cash and Assets**

(In Thousands)

K-14 districts	50%	\$100
County	25	50
City	15	30
Special districts	10	20
Totals	100%	\$200

the trust fund, counties and special districts receive \$750,000 and \$300,000, respectively, from the trust fund. Conversely, if these payments are *included* in the distribution of the \$3 million of trust funds, the county and special district's distribution falls to \$250,000 and \$150,000, respectively, and the school's and city's distribution increases. In certain cases, it is possible that the county or special district might receive *lower* total funds under ABX1 26 than it did previously. This would be the case in our fictional RDA, for example, if there were only \$1 million of trust funds to distribute. In that case, the county would get 25 percent (its property tax share) of \$2 million (\$1 million of trust fund revenues and \$1 million of pass-through revenues), or \$500,000. Using the same approach, the special district would receive 10 percent of \$2 million, or \$200,000. In effect, some of the funds that otherwise would have been distributed as pass-through payments to the county and special districts are instead distributed to other local agencies. Over time, however, as the enforceable obligations are paid off, trust fund distributions will increase for all local governments.

A nearby box provides additional information about this provision of ABX1 26.

Statewide Redevelopment Funds Available for Redistribution

Statewide, the amount of residual trust funds available to distribute to local governments will depend on the outcome of calculations—similar to Figure 4—undertaken for each former RDA in the state. These calculations will reflect the unique financial obligations, revenues, and assets of each RDA.

As shown in Figure 7, the administration estimates that \$1.8 billion of trust funds will be distributed to local governments annually in 2011-12 and 2012-13. While this estimate is subject to considerable uncertainty, it may be high because the administration understates some significant costs.

- ***Understates Costs to Pay Enforceable Obligations.*** The administration's estimate assumes enforceable obligations will be paid over 20 years at a 4.6 percent interest rate. Our review of enforceable obligations indicates that some are short-term contracts and loans and others are bonds issued years ago. Amortizing all these obligations over 20 years understates their costs in the near term. We also note that the average interest rate on redevelopment

bonds is higher than 4.6 percent. If we adjust the estimate to assume that these debts are paid over 15 years at a 5.6 percent interest rate (the average rate for bonds issued between 2006 and 2010), annual debt costs would increase by \$600 million and local governments' distributions would fall by the same amount.

Figure 6
Example: Alternative Calculations for Distributing Redevelopment Trust Fund

(In Thousands)

K-14 districts	—	\$1,500	\$1,500	—	\$2,000	\$2,000
County	\$750	750	1,500	\$750	250	1,000
City	—	450	450	—	600	600
Special districts	250	300	550	250	150	400
Totals	\$1,000	\$3,000	\$4,000	\$1,000	\$3,000	\$4,000

- *Assumes a Full Year of Implementation in Current Year.*

The administration's estimate of 2011-12 savings assumes that RDAs reduced their spending in the first half of the fiscal year. While ABX1 26 prohibited RDAs from paying during this time any obligation not listed on their EOPS, the EOPS that we reviewed appeared to authorize spending that

Figure 7
Governor's Estimate of Funds Available for Distribution
(In Billions)

Trust Fund	2011-12	2012-13
Property taxes formerly called tax increment	\$5.4	\$5.4
Pass-through payments	-1.2	-1.2
Enforceable obligations payable during year	-2.4	-2.4
Successor agency administration	—	—
County auditor-controller and State Controller administration	—	—
Trust Funds to Distribute	\$1.8	\$1.8
Cash and Assets		
Unencumbered agency cash	—	—
Total Funds to Distribute	\$1.8	\$1.8

was the same—or higher—than RDA spending in previous years. In addition, county auditor-controllers transferred half of total annual tax increment to RDAs in December or early January and

The Pass-Through Netting Out Provision

What Is the Purpose? Chapter 5, Statutes of 2011 (ABX1 26, Blumenfield), allocates the property tax revenues of former redevelopment agencies (RDAs) to K-14 districts, cities, counties, and special districts. Proposition 1A (2004) requires a two-thirds vote of the Legislature whenever it passes a law that alters the share of property tax revenues that cities, counties, and special districts receive.

Our understanding is that ABX1 26, a measure approved by a majority vote of the Legislature, took the approach of allocating all former tax increment funds (except funds pledged to enforceable obligations or required for administration) in a manner that was consistent with the state's existing property tax allocation laws. Under this approach, therefore, agencies that received a higher share of pass-through agreement funds would receive lower allocations from the trust fund.

Why Does Netting Out Affect Some Local Agencies More Than Others? Nearly two-thirds of all pass-through payments stem from pre-1994 negotiations between RDAs and local agencies. For various reasons, counties and special districts were particularly active in this negotiation process. As a result, counties and special districts receive about two-thirds of all pass-through payments. This share of pass-through payments is almost double the share that counties and special districts would receive if pass-through payments were distributed based on tax shares.

Because counties and special districts get a disproportionately large share of pass-through payments, they would get less money from trust fund distributions if these pass-through payments were included in the trust fund calculations. The K-14 districts and cities, in contrast, would get a higher share of redevelopment trust fund distributions.

did not reserve funds for deposit to the redevelopment trust fund. Due to these factors, the full fiscal effect of ABX1 26 may not begin until 2012-13. If we adjust the administration's estimate to reflect the half-year implementation of ABX1 26 in the current year, local governments' distributions would fall by at least several hundred millions of dollars.

- ***Overlooks Administrative Costs.*** Three parties may fund their dissolution-related administrative costs from property tax revenues that previously were tax increment: the successor agency, the county auditor-controller, and the SCO. While not known, these costs could be in the range of \$200 million to \$300 million in 2011-12 and 2012-13 and would reduce the funding distributions to local governments.
- ***Assumes Cooperation Agreements Are Not Paid.*** The administration's debt cost estimate implicitly assumes that the adopted ROPS will not include cooperation agreements and other non-arm's length transactions between an RDA and its city or county government. Many successor agencies, however, are listing these agreements on their draft ROPS and the statewide redevelopment association is encouraging them to do so to safeguard their right to "challenge the invalidation of these agreements." Under ABX1 26, the oversight boards can remove these costs from a ROPS before adopting it. In addition, DOF has authority over oversight board actions. We note, however, that (1) the court-revised schedule provides little time for the oversight board or DOF to complete the analyses needed to determine whether debts are appropriate for the ROPS

and (2) DOF has limited staff working on dissolution matters and oversight boards have no independent staff. Given these factors, it is possible that some adopted ROPS will show higher costs than the administration estimates, reducing the amount of trust fund revenues that will be distributed to local governments in 2011-12 by potentially hundreds of millions of dollars. (This problem could be corrected going forward by removing inappropriate debts from the next adopted ROPS.)

Other elements of the administration's estimate, however, could result in gains that could more than offset the costs identified above. Specifically:

- The administration's estimate does not account for distributions of unencumbered cash transferred from the successor agency. This is notable because many RDAs were planning to participate in the revised redevelopment program authorized by ABX1 27 and reserved significant funds to make the required payments (\$1.7 billion) to schools.
- The administration's estimate also does not account for distributions of other redevelopment assets, including the assets that were transferred during the first half of 2011 that the SCO may order returned to the successor agency and the up to \$2 billion of unencumbered funds in the affordable housing account. (As mentioned earlier, however, legislation to eliminate the distribution of housing funds is pending in the Legislature.)
- Finally, the administration's estimate does not adjust the distribution of trust funds to account for netting out pass-through

payments. While this factor does not affect the administration's estimate of total funds to be distributed, it would provide more funds for K-14 districts and cities and, conversely, less to counties and special districts.

On balance, we think the administration's estimate of the amount of funds to be distributed to local governments in 2011-12 and 2012-13 could be low, possibly by hundreds of millions of dollars. We note, however, that this assessment assumes that the unencumbered RDA cash and assets are available for distribution and that successor agencies reduce their spending to comply with ABX1 26's provision. If some or all of the assets are not distributed or successor agencies do not reduce their spending, the administration's estimate might be overstated by several hundred million to over \$2 billion. We expect to have a more refined estimate late this spring after the oversight boards begin their work and we get initial reports from county auditor-controller.

K-14 District Share of Distribution. Under the administration's interpretation of the funding distribution process, slightly more than half of all net trust funds (about \$1 billion of the \$1.8 billion) would be distributed to K-14 districts. Under our interpretation, the schools receive more funds, because the trust fund distribution would reflect each agency's property tax share *and* its pass-through payments. If we modify the administration's estimate to reflect the netting out of pass-through payments, the schools would receive about 80 percent of the distributed funds. This percentage would decline over time (as more funds are distributed outside of the pass-through process) and eventually the K-14 district share would be in the range of 45 percent to 60 percent (the K-14 district share of property taxes in most parts of the state).

Interaction With State K-14 Education Funding

As the local agencies that receive the largest share of revenues raised from the 1 percent property tax rate, K-14 districts will receive the largest share of property tax revenues from the dissolution of RDAs. These funds will grow over time as enforceable obligations are retired and property tax revenues increase. Whether these additional property tax revenues provide additional resources to K-14 education, however, depends on their interaction with the state's education finance system. As noted earlier in the report, K-14 education funding is a shared state-local responsibility. Proposition 98 establishes a guaranteed funding level through a combination of state General Fund appropriations and local property tax revenues. The extent to which the dissolution of redevelopment provides additional resources to K-14 districts or offsets state General Fund costs is uncertain and will depend on three key issues.

- ***How Much Redevelopment Trust Funds Will Be Distributed and When?*** As discussed above, the administration's estimate that a total of \$1.8 billion will be available to distribute to local governments in 2011-12 and 2012-13 could be off by hundreds of millions to billions of dollars. It is also possible that the administration's estimate will be correct, but that more funds will be distributed in 2011-12 and less in the following year—or the other way around. (This could be the case, for example, if county auditor-controller need to delay trust fund distributions to local agencies because decisions regarding the payment of some redevelopment obligations are still outstanding at the end of the fiscal year—or if all of the agency's unencumbered cash reserves are distributed in 2011-12 and no cash

reserves remain available for distribution in 2012-13.) Finally, the decision regarding whether to take pass-through payments into account in the distribution of redevelopment trust proceeds will affect the share of total trust proceeds that are provided to K-14 districts.

- How Much of These Funds Will Be Distributed to Basic Aid Districts?*** In a few districts, local property tax revenues exceed these districts' general fund amounts provided through Proposition 98. These districts, commonly referred to as "basic aid" districts, keep the excess local revenue and use it for educational programs and services at their discretion. Any trust funds distributed to these basic aid districts therefore would give them additional revenues to use for educational purposes, but would not offset state General Fund education costs. At this point, we are not able to estimate the amount of trust funds that could be allocated to basic aid districts, but—based on the distribution of tax increment revenues across the state and other factors—do not expect that they would receive more than about 10 percent of the total trust fund revenues provided to K-14 districts.
- Will Proposition 98 Be Rebench to Reflect These Additional Funds?*** The state has taken action many times to "rebench" the Proposition 98 guarantee when it made policy changes that shifted local property tax revenues to or away from schools. The net effect of these actions is that the amount of the Proposition 98 minimum guarantee is not affected by the shifts in local property taxes. The 2011-12 budget assumed that the state would rebench Proposition 98 so that the funds shifted from redevelopment would, in turn, reduce the state's education costs under Proposition 98. Going forward, however, Chapter 7, Statutes of 2011 (SB 70, Committee on Budget and Fiscal Review) directed the state not to rebench Proposition 98. As a result, the property taxes shifted from redevelopment would not reduce state education funding going forward. The 2012-13 budget plan, however, proposes to change this policy and rebench the minimum guarantee to account for the redevelopment revenues on an ongoing basis. If the Legislature adopts this proposal, therefore, the state would realize education cost savings from the amount of trust funds and assets provided to K-14 districts.

FINDINGS AND RECOMMENDATIONS

Over the coming months, the Legislature and administration will need to make many decisions regarding implementing redevelopment dissolution. Figure 8 summarizes our major findings and near-term recommendations.

Few Practical Alternatives to Ending Redevelopment

Redevelopment in 2011 bore little resemblance to the small, locally financed program the Legislature authorized in 1945. Statewide, the

RDAs received more property taxes in 2011 than all of the state's fire, parks, and other special districts combined and, in some areas of the state, more property taxes than the city or county received. Redevelopment also imposed considerable costs on the state's General Fund because the state backfilled K-14 districts for property tax revenues distributed to RDAs. Overall, redevelopment cost the state's General Fund about as much as the University of California or California State University systems, but did not appear to yield commensurate statewide benefits.

The last two decades were marked by considerable tension between RDAs and the state, with the state frequently requiring RDAs to shift money to schools and RDAs challenging these fund shifts in court. For a while, RDAs assumed that Proposition 1A (2004)—a measure that reduced the state's authority over the property tax—would insulate them from future funding shifts. After the courts found that Proposition 1A did not safeguard them from a \$1.7 billion 2009 shift and a \$350 million 2010 shift, however, RDA advocates (along with other parties) sponsored Proposition 22 to eliminate all state authority over property tax increment.

From the state's standpoint, Proposition 22's restrictions on the state's ability to control redevelopment costs and the ongoing nature of its fiscal difficulties left it with few options. The Governor proposed eliminating redevelopment. The Legislature attempted to offer RDAs an alternative: continue redevelopment, but with significant changes to reduce its state costs. A lawsuit filed by redevelopment program advocates overturned the Legislature's alternative, however, setting in motion dissolution of the redevelopment program statewide.

Over the coming months, the magnitude of administrative, policy, and legal issues associated with unwinding redevelopment inevitably will prompt proposals to slow down or stop the redevelopment dissolution process. Notwithstanding the considerable difficulties associated with ending redevelopment, the state has few practical alternatives. Simply put, the state does not have the ongoing resources to support redevelopment's continuation and the Constitution's many complex provisions prohibit the Legislature from taking actions that could revamp the program into something that the state could afford. For these reasons, we recommend that the Legislature

Figure 8

Summary of Major Findings and Near-Term Recommendations

- Although ending redevelopment was not the Legislature's goal, the state had few practical alternatives.
- Ending redevelopment changes the distribution of property tax revenues, not the amount collected.
- Design of replacement program merits careful consideration.
- The redevelopment agency unwinding process could yield important civic benefits.
 - Hold hearings to promote local review over use of the property tax.
 - Provide funding to train K-14 oversight board members.
- Alternative use of redevelopment assets raises difficult policy and fiscal issues.
- Key state and local choices will drive state fiscal effect.
- Clarifying amendments would help implementation of ABX1 26 (Blumenfield).
 - Clarify treatment of pass-through payments.
 - Address timing issues.
 - Clarify authority to take actions to ensure that funds are available to pay bonded indebtedness.

not take actions that slow or stop the dissolution process.

Ending Redevelopment Does Not Change Total State-Local Resources

Redevelopment dissolution does not change the amount of taxes property owners pay or the amount of funds local governments receive from this source. Contrary to some reports, ending redevelopment does not “lose” any funds. Instead, the key fiscal effects of redevelopment dissolution are that:

- ***More property tax revenues will be distributed to K-14 districts, counties, cities, and special districts—and less to agencies for redevelopment activities.*** This shift in property tax distributions will be modest in 2011-12, but will increase significantly over time. Within about 20 years, most redevelopment enforceable obligations will be paid and property tax revenues for K-14 districts, counties, cities, and special districts will be about 10 percent to 15 percent higher than they otherwise would have been. These property tax revenues may be used for any local program or local priority.
- ***The increased K-14 district property taxes will offset state costs for education.*** Under California law, education is a shared state-local funding responsibility. The increased property taxes for K-14 districts, therefore, will decrease the amount of state resources needed to pay for education.
- ***There is no requirement that the increased property tax revenues be used for economic development and affordable housing.*** Under prior law, RDAs annually reserved over \$3 billion of tax increment

revenues for economic development programs and over \$1 billion for affordable housing. (The RDAs spent their remaining funds providing pass-through payments to other local governments.) Although the manner in which some RDAs spent these funds was controversial, economic development and affordable housing programs had a major, dedicated revenue source. Assembly Bill X1 26 does not impose requirements on how local governments spend property taxes that they receive. As a result, it is very likely that the amount of future spending on economic development and affordable housing will be lower than it was previously.

Design of Replacement Program Merits Careful Consideration

As described in this report, the redevelopment program of the 1950s and 1960s changed over the years. During its final decades, in addition to its use for “bricks and mortar” projects, redevelopment funds were used for projects more tangentially related to economic development (such as improving flood control for the region) and to free up local general fund revenues (for example, by paying part of the city manager’s salary and other administrative costs). Redevelopment also was a major funding source for affordable housing, often providing money to start a project and additional resources to make it pencil out. Finally, redevelopment helped pay for many other local priorities, including subsidies for sport stadiums, businesses, and the arts.

The end of the redevelopment has prompted interest in developing a replacement program. This interest, in turn, prompts the question: Which elements of the redevelopment program should be replaced? If, for example, the goal is for local governments to have a focused tool for economic

development and affordable housing, then five approaches (summarized below) merit consideration. In reviewing the three approaches that provide local financing tools, we note that none has all of the elements that made redevelopment so attractive and valuable to California cities and counties. Specifically, redevelopment provided the sponsoring government with considerable resources and did so without: requiring the approval of local voters or business owners, directly imposing increased costs on local residents or business owners, or requiring additional voter approval prior to issuing debt. As a result, many communities may not be able to raise funds using these tools that are comparable in magnitude to the funds that they raised using redevelopment.

Business Improvement Districts (BIDs).

Local governments could rely more extensively on existing law authorizing BID assessments. State law allows local governments to use these assessments for many targeted economic development projects and activities, such as rehabilitating existing structures, providing street improvements and lighting, building parking facilities, marketing, and sponsoring public events. The BID assessments do not require local voter approval, but may not be imposed if a majority of the affected business owners object.

Infrastructure Financing Districts (IFDs).

Current law allows cities and counties to form IFDs to receive tax increment financing, provided that (1) every local agency that contributes property tax increment revenue to the IFD consents and (2) two-thirds of local voters approve their formation and any future bond issuances. In recent years, the Legislature has considered measures that would make it easier for local agencies to form these districts and issue debt. In reviewing proposals to revise IFD law, we would urge the Legislature to preserve one key component—the prohibition against redirecting another local

agency’s property tax revenues without their consent. Maintaining this provision reduces the likelihood that IFD funds are used for projects that do not benefit the broad local community.

Property Tax Debt Override. The Constitution limits property taxes to 1 percent of the value of property. Property taxes may exceed or “override” this limit only to pay for (1) local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive voter approval after July 1, 1978. The Constitution establishes a two-thirds voter approval requirement for local government bonds, but provides a lower voter-approval threshold (55 percent) for local school facility bonds that meet certain conditions. The Legislature could propose an amendment to the Constitution to extend the lower vote threshold to local property tax overrides for economic development and affordable housing purposes. Alternatively, the authority to propose overrides using the lower voter-approval threshold could be limited to local governments that satisfy certain affordable housing objectives.

Regulatory Changes. Local governments interested in promoting economic development and affordable housing could explore regulatory approaches to achieving their goals. For example, local government actions to relax on-sight parking requirements or modify zoning policies can significantly reduce the cost of constructing housing in urban areas. Similarly streamlining project approvals can help promote economic development by reducing developer uncertainty and the costs associated with time delays.

State Housing Assistance. The state administers a variety of programs aimed at reducing the cost that low- and moderate-income individuals and families pay to live in safe and adequate housing. Most notably, (1) the California Tax Credit Allocation Committee administers the federal and state Low-Income Housing Tax Credit Programs

that provide hundreds of millions of dollars of tax credits to developers annually to encourage private investment in affordable rental housing, (2) the Department of Housing and Community Development administers state general obligation bond financed programs that provide grants and low interest loans to developers of affordable housing, and (3) the California Housing Finance Agency assists first-time homebuyers and developers of affordable housing by offering them low interest loans financed through the sale of tax-exempt bonds. In considering new housing programs to replace redevelopment, the Legislature may wish to consider whether relying on the state's traditional approach (subsidizing development to increase the supply of affordable housing) or trying a different approach—such as providing housing vouchers to low-income households—might be more effective in providing aid to needy households.

The Unwinding Process Could Yield Important Civic Benefits

While criticized by some as complicated and lacking statewide uniformity, the decentralized oversight board process created by ABX1 26 could be a significant learning experience for everyone in the state. Currently, California's local governments and their residents do not have a forum to discuss and make decisions regarding the use of the local property tax by different local agencies. Instead, property taxes are allocated to each local government pursuant to a statewide formula.

Members of oversight boards will have significant authority and responsibility to compare the merits of continuing a specific redevelopment project against alternative uses for its resources by other local agencies. Oversight board members might decide that a redevelopment project meets local community priorities and continue it, or that the project's funds could be put to better use by the other local agencies in the area and terminate the

contract. In many ways, the oversight board process allows local communities to have the first local debate regarding the use of property tax revenues that California has had in decades.

Given the importance of the oversight board, the amount of funds it controls, and its highly expedited schedule, we recommend the Legislature monitor its development and progress closely. Beginning in March, we recommend the Legislature hold hearings regarding the role and operations of oversight boards with the goal of promoting best practices, encouraging information sharing across boards, highlighting public accountability, and learning about unforeseen problems.

One area where we recommend that the Legislature pay particular attention is K-14 districts' participation on oversight boards. While representatives from the County Superintendents of Schools and the community colleges indicate that they plan to participate actively on the oversight boards, we note that the K-14 district representatives may have somewhat less familiarity with the types of projects and financial matters to be discussed. Moreover, absent action by the oversight board to retain separate staff, members of the oversight board will be reliant upon the staff support provided by the successor agency.

Given the significant financial link between the actions of the oversight board and state K-14 education costs, it would be beneficial for the state to offer some training for K-14 oversight board members. The Fiscal Crisis and Management Assistance Team (FCMAT) has significant experience helping California's local educational agencies fulfill their financial and management responsibilities and has previously assisted K-14 districts on redevelopment matters. Given their expertise and relationship with K-14 districts, we recommend the Legislature appropriate funding of up to \$1 million to FCMAT to develop this training for interested K-14 oversight board members.

Alternative Use of Assets Raises Difficult Policy and Fiscal Issues

Prior to their dissolution, many RDAs owned considerable assets: land, buildings, and cash reserves. Some RDAs also had large unencumbered balances in their affordable housing funds. Under ABX1 26, successor agencies transfer all RDA assets used for a governmental purpose (such as a park or library) to the local government that provides the service. All other assets (except housing assets) are to be sold on the open market or to a local government “expeditiously and in a manner aimed at maximizing value.” Proceeds from asset sales, along with all of the unencumbered cash, are to be distributed to the local agencies as property taxes.

Shortly after passage of ABX1 26, proposals began to surface to separate some of redevelopment assets for use for statewide objectives, such as affordable housing, economic development, and environmental programs. These proposals in turn, raise difficult policy and fiscal questions for the Legislature to consider. Specifically, which level of government should make the decisions over these assets? Should it be a local decision (because RDAs were local agencies) or partly a state decision (because the state indirectly helped pay for these assets through its backfill of K-14 district property taxes)? Should the housing funds remain with agencies that failed to spend them in previous years?

The proposals pose equally difficult fiscal issues. Specifically, ending redevelopment shifts some funds that formerly would have been allocated to RDAs to other local agencies. Many cities relied on RDA funds to pay city expenses and now are experiencing fiscal stress due to the redirection of these resources. Under ABX1 26, some of this fiscal stress would be offset by the city receiving its share of the distributed cash and assets. Reserving some of this cash and assets for statewide objectives, in contrast, would reduce the

funds the city would receive from the dissolution of redevelopment.

The state General Fund also has a fiscal interest in the distribution of assets. Specifically, the budget assumes ending redevelopment will provide \$1 billion (2011-12) and \$1.1 billion (2012-13) in increased property taxes for K-14 districts and offset a comparable amount of state General Fund education expenses. While the administration’s estimate does not directly reflect revenues from asset sales and cash, their estimate is subject to a wide range of error. The asset sales and cash, therefore, effectively serve as a reserve in case other elements of the administration’s estimate do not materialize as expected.

Key State and Local Choices Will Drive State Fiscal Effect

While ending redevelopment will reduce state General Fund costs for K-14 education over the long term, many state and local decisions will affect the amount of these savings in the near term. These include:

- ***State policy decisions to use RDA cash and assets for purposes other than distribution to local agencies.*** Assembly Bill X1 26 assumes that all unencumbered RDA cash and many assets are liquidated and distributed to local agencies as property tax revenues. Reserving some of this cash and assets for use for other purposes might advance important statewide objectives, but reduces the revenues that K-14 districts receive and decreases the state’s near term General Fund savings.
- ***Local oversight board decisions to limit the range of projects and obligations included on the ROPS.*** Oversight boards that decide not to continue multistage

projects and that narrowly interpret the range of obligations to be included on their ROPS (and thus eligible for payment) will retire their former RDA's enforceable obligations quicker. This, in turn, will result in more property tax revenues being allocated to all local agencies, including K-14 districts.

- ***State and local decisions regarding treatment of pass-through payments in distributing money from the redevelopment trust fund.*** Because K-14 districts received low pass-through payments, a policy of offsetting these low pass-through payments with greater sums from the redevelopment trust fund would increase K-14 revenues and decrease state costs.

Clarifying Amendments Would Help Implementation

The major elements of ABX1 26 are unambiguous. The legislation ends redevelopment and safeguards the repayment of debt. The roles of the parties are clearly delineated and focused on preserving the revenues and assets of RDAs "so that those assets and revenues that are not needed to pay for enforceable obligations may be used by local governments to fund core governmental services."

That said, as with any major legislation, some elements of the measure would benefit from clarification. Below, we address three areas where prompt legislative action would aid the implementation process. We recommend the Legislature adopt these changes so that they take effect immediately, either in legislation with an urgency clause or as an amendment to last year's trailer bill.

Clarify Treatment of Pass-Through Payments in Distribution of Trust Fund Revenues. County auditor-controllers will begin distributing funds from the trust fund on May 16, 2012. (Due to

the court's schedule changes, county auditor-controllers will distribute the revenues formerly considered tax increment twice this spring: a small distribution on May 16 and a larger distribution on June 1. In future years, all revenues will be distributed on June 1 and January 16.) The Legislature should clarify its intent as to whether pass-through payments should be counted in the calculations to distribute trust funds. As discussed earlier in this report, we think that there is a strong legal argument that ABX1 26 requires pass-through payments to be included in the distribution formula, but all parties do not agree. Equally important, however, we think that including pass-through payments in the trust fund calculation makes sense from a policy standpoint. Under this approach, all local agencies get property tax revenues (from pass-through payments and the trust fund) in proportion to their tax shares.

Address Timing Issues Associated With Court Modifications. Due to the court's postponement of certain dates in ABX1 26, there is no formal payment schedule for enforceable obligations due between January 1, 2012 (the end of the EOPS period) and the date the oversight board approves the ROPS (presumably in the late spring). Absent a payment schedule, (1) successor agencies are not authorized to pay enforceable obligations other than bonded indebtedness and (2) county auditor-controllers will not know how much former tax increment to provide to the successor agency for payment of enforceable obligations or to distribute to local agencies.

To address this ambiguity, many successor agencies are amending their EOPS to add enforceable obligation payments due through June 30, 2012. While this approach is not specifically authorized in ABX1 26, it may be a reasonable interpretation of ABX1 26's requirement that successor agencies take actions to avoid impairment of contracts. We note, however, that EOPS are lists

of enforceable obligations identified by the communities that created the RDAs and received minimal review by DOF. The ROPS, in contrast, are to be reviewed and approved by an oversight board and certified by the county auditor-controller.

Successor agency actions to extend their EOPS, therefore, prolong the period in which the successor agency may make payments based off of self-generated lists of enforceable obligations. The extension also poses questions about further extensions of the EOPS. For example, could a successor agency extend their EOPS for another six months if its oversight board did not reach agreement on its ROPS? To address these issues, we recommend the following:

- ***Expedite the establishment of oversight boards.*** We recommend the Legislature advance the date that the Governor may make appointments to unfilled oversight board positions from May 15, 2012 to April 15, 2012. This one month change will increase the likelihood that the oversight board will complete its review and adopt a ROPS before the first spring property tax distribution date—May 16.
- ***Delay the May 16th payment if ROPS not adopted.*** If an oversight board has not adopted a ROPS by May 15, 2012, direct the county auditor-controller to notify DOF and to delay the distribution of redevelopment property taxes until the second payment date—June 1, 2012. This short delay would give the oversight board additional time to complete its work and avoid the need for the county auditor-controller to distribute property taxes based on an EOPS.
- ***Limit extension of EOPS.*** We further recommend the Legislature specify that

no agency's EOPS shall be effective after May 15, 2012 unless DOF approves the extension and identifies the successor agency on its website. This change would clarify that EOPS extensions are to be effective only for a short period, unless DOF agrees that there are extenuating circumstances.

- ***Authorize oversight boards to adopt ROPS before county auditor-controller certification.*** Under ABX1 26, county auditor-controllers play a key role auditing successor agency finances and reviewing draft ROPS before these drafts are considered by the oversight board. Notably, oversight boards are not authorized to adopt a ROPS unless the county auditor-controller has certified its accuracy. Under the court-revised time line, however, the time line of events is out of order: the county auditor-controller's audits (the basis for their determination as to whether a draft ROPS is accurate) are not due until July 2012—several weeks *after* the auditors distribute property taxes based on the ROPS. For some counties with few RDAs, the cure to this timing problem is simple: the county auditor-controller can complete the audits this spring and use them as the bases for reviewing successor agencies' draft ROPS. For counties with many RDAs, however, this may not be possible. In these cases, we recommend that the Legislature amend ABX1 26 to specify that, if a county auditor-controller's audit has not been completed by May 1, 2012, the oversight board may adopt an uncertified ROPS provided that the oversight board amends the ROPS later in response to the county auditor-controller's findings. While this

approach has its limitations, it reconciles the awkward sequence of events that result from the court's revisions to the time lines.

Clarify That Successor Agencies May Create Reserves for Future Bond Payments and County Auditor-Controllers May Reserve Property Tax Revenues for Future Bond Payments. After passage of ABX1 26, various parties expressed concerns that (1) successor agencies would not be authorized to compile the reserves necessary to pay bonds that have one semiannual payment that is larger than the other or that have payments that increase over time and (2) county auditors might be required to distribute as property tax revenues to local agencies

certain revenues that are needed to pay increased bond payments. While our reading of ABX1 26 is that it requires successor agencies and auditors to perform all obligations necessary to safeguard enforceable debt obligations, uncertainty regarding these matters continue to elicit concern. For this reason, we recommend that the Legislature amend ABX1 26 to (1) explicitly allow the oversight board to include on the ROPS any amounts necessary to create reserves for future bond payments and (2) clarify that county auditor-controllers shall not distribute as property taxes any funds needed to pay enforceable obligations.

CONCLUSION

The end of RDAs earlier this year represented a major change in California finance. Over time, schools and other local governments will receive significantly more property tax revenues—and fewer funds will be reserved for redevelopment purposes. While the process for unwinding these

complex agencies' financial affairs will be lengthy, it likely will launch important civic debates about the use of local property tax revenues and the role of government in promoting economic development and providing affordable housing.

LAO Publications

This report was prepared by Marianne O'Malley, with contributions from Mark Whitaker and Russia Chavis (housing issues). The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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Chief Executive Officer

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Board of Supervisors
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First District

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DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

February 13, 2012

All County of Los Angeles
Special Districts

SPECIAL DISTRICT APPOINTMENTS TO THE OVERSIGHT BOARD

On June 28, 2011, as part of the fiscal year 2011-12 State Budget Act, Governor Brown signed trailer bill ABx1 26 (Redevelopment Agency Dissolution Law), which eliminated Redevelopment Agencies (RDAs) throughout the State. On December 29, 2011, the California Supreme Court upheld the constitutionality of ABx1 26, and accordingly, RDAs were dissolved effective February 1, 2012.

Each former RDA has been succeeded by a successor agency, and an oversight board will be established to oversee the activities of each successor agency. ABx1 26 specifies appointment authority for one seat on each oversight board to the largest special district, by property tax share, within the territorial jurisdiction of the former RDA, and that is eligible to receive property tax revenues. The appointment to the oversight board will be made by the qualifying special district's governing board. Based on the County Auditor-Controller's records, the attached chart identifies the special district that met the ABx1 26 criteria for each successor agency. There are 71 successor agencies in the County of Los Angeles.

The following provides some background information on the dissolution of RDAs, appointments to and the role of the oversight boards.

On February 1, 2012, with the dissolution of RDAs, successor agencies were established to succeed the RDAs, and all assets, properties, contracts, leases, books and records, buildings, and equipment of the former RDAs were transferred to the control of the successor agencies. Successor agencies are responsible to continue to make payments for enforceable obligations, and expeditiously wind down the affairs of RDAs.

ABx1 26 also established oversight boards for each of the successor agencies. Oversight boards are responsible to approve and direct the actions and activities of the successor agencies. Each oversight board is composed of seven members appointed

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by the: 1) county board of supervisors; 2) mayor of the city that formed the RDA; 3) largest special district, by property tax share, in the territorial jurisdiction of the former RDA; 4) county board of education; 5) Chancellor of the California Community Colleges; 6) county board of supervisors to represent a member of the public; and 7) mayor or chair of the board of supervisors from the largest representative employee organization of the former RDA. Appointments to the oversight board must be made by May 1, 2012, and the Governor may appoint individuals to fill any oversight board member position that has not been filled by May 15, 2012 or any member position that remains vacant for more than 60 days.

Oversight board members serve without compensation or reimbursement for expenses, and have personal immunity from suit for their actions taken within the scope of their responsibilities as oversight board members. In addition, oversight board members may be appointed to up to five oversight boards, and serve at the pleasure of the entity that appointed them. Commencing on July 1, 2016, the 71 oversight boards in the County of Los Angeles will be replaced by a single oversight board.

If you have any questions regarding this matter, please contact Charlene Abe at (213) 974-2529 or Arlene Barrera of the Auditor-Controller at (213) 974-8361.

Sincerely,



WILLIAM T FUJIOKA
Chief Executive Officer



WENDY L. WATANABE
Auditor-Controller

WTF:WLW:EFS
MKZ:CA:ib

Attachment

c: Each Supervisor
Executive Officer, Board of Supervisors
County Counsel

ABx1 26 SPECIAL DISTRICT OVERSIGHT BOARD MEMBER

SUCCESSOR AGENCY/CITY	NUMBER OF AGENCIES/CITIES	NUMBER OF PROJECT AREAS	SPECIAL DISTRICT
County of Los Angeles	1	6	Consolidated Fire Protection District
City of Los Angeles	1	37	LA County Flood Control District
FIRST DISTRICT			
Azusa		9	San Gabriel Valley Municipal Water District
Baldwin Park		6	Consolidated Fire Protection District
Bell		3	Consolidated Fire Protection District
Bell Gardens		2	Consolidated Fire Protection District
Claremont		4	Consolidated Fire Protection District
Commerce		5	County Sanitation District No. 2
Cudahy		4	Consolidated Fire Protection District
El Monte		9	LA County Library
Huntington Park		5	Consolidated Fire Protection District
Industry		4	Consolidated Fire Protection District
Irwindale		3	Consolidated Fire Protection District
La Puente		1	Consolidated Fire Protection District
Maywood		3	Consolidated Fire Protection District
Montebello		4	LA County Library
Monterey Park		8	San Gabriel Valley Municipal Water District
Pico Rivera		3	Consolidated Fire Protection District
Pomona		13	LA County Flood Control District
Rosemead		2	Consolidated Fire Protection District
South El Monte		3	Consolidated Fire Protection District
South Gate		3	Consolidated Fire Protection District
Vernon		2	LA County Flood Control District
Walnut		1	Consolidated Fire Protection District
West Covina		6	LA County Library
Total First District	23	103	

ABx1 26 SPECIAL DISTRICT OVERSIGHT BOARD MEMBER

SUCCESSOR AGENCY/CITY	NUMBER OF AGENCIES/CITIES	NUMBER OF PROJECT AREAS	SPECIAL DISTRICT
SECOND DISTRICT			
Carson		8	Consolidated Fire Protection District
Compton		5	LA County Library
Culver City		4	LA County Library
Hawthorne		3	LA County Library
Inglewood		11	County Sanitation District No. 5
Lawndale		1	Consolidated Fire Protection District
Lynwood		5	LA County Library
Total Second District	7	37	
THIRD DISTRICT			
Agoura Hills		1	Consolidate Fire Protection District
San Fernando		6	LA County Library
Santa Monica		5	LA County Flood Control District
West Hollywood		1	Consolidated Fire Protection District
Total Third District	4	13	
FOURTH DISTRICT			
Artesia		1	Consolidated Fire Protection District
Avalon		1	LA County Library
Bellflower		1	Consolidated Fire Protection District
Cerritos		2	Consolidated Fire Protection District
Downey		5	County Sanitation District No. 2
Hawaiian Gardens		1	Consolidated Fire Protection District
La Mirada		5	Consolidated Fire Protection District
Lakewood		3	Consolidated Fire Protection District
Long Beach		7	LA County Flood Control District
Norwalk		3	Consolidated Fire Protection District
Paramount		4	Consolidated Fire Protection District
Rancho Palos Verdes		1	Consolidated Fire Protection District
Redondo Beach		4	LA County Flood Control District
Santa Fe Springs		9	LA County Flood Control District
Signal Hill		1	Consolidated Fire Protection District
Torrance		3	County Sanitation District No. 5
Whittier		5	Consolidated Fire Protection District
Total Fourth District	17	56	

ABx1 26 SPECIAL DISTRICT OVERSIGHT BOARD MEMBER

SUCCESSOR AGENCY/CITY	NUMBER OF AGENCIES/CITIES	NUMBER OF PROJECT AREAS	SPECIAL DISTRICT
FIFTH DISTRICT			
Alhambra		3	San Gabriel Valley Municipal Water District
Arcadia		1	County Sanitation District No. 15
Burbank		4	LA County Flood Control District
Covina		3	LA County Flood Control District
Duarte		9	Consolidated Fire Protection District
Glendale		2	LA County Flood Control District
Glendora		6	Consolidated Fire Protection District
La Verne		3	LA County Library
Lancaster		7	Consolidated Fire Protection District
Monrovia		4	LA County Flood Control District
Palmdale		5	Consolidated Fire Protection District
Pasadena		9	County Sanitation District No. 16
San Dimas		5	Consolidated Fire Protection District
San Gabriel		1	LA County Library
Santa Clarita		1	Consolidated Fire Protection District
Sierra Madre		1	San Gabriel Valley Municipal Water District
South Pasadena		1	County Sanitation District No. 16
Temple City		1	Consolidated Fire Protection District
Total Fifth District	18	66	
TOTAL	71	318	

SUMMARY OF APPOINTMENTS BY SPECIAL DISTRICT	
Number of	
<u>Appointments</u>	<u>Special District</u>
38	Consolidated Fire Protection District
11	LA County Library
7	County Sanitation District
11	LA County Flood Control District
4	San Gabriel Valley Municipal Water District
<u>71</u>	<u>Total Appointments</u>

redevelopment-Oversight Board Special Districts 02-10-12



WILLIAM T FUJIOKA
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First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

February 14, 2012

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**OVERSIGHT BOARDS FOR REDEVELOPMENT SUCCESSOR AGENCIES -
APPOINTMENTS AND SUPPORT
AND APPROVAL FOR INTERIM ORDINANCE AUTHORITY AND APPROPRIATION
ADJUSTMENT
(ALL DISTRICTS AFFECTED) (3 VOTES)**

SUBJECT

Recommendation to approve a workplan, timeline, appointment mechanism and policies for appointing County members to oversight boards which will oversee the activities of successor agencies to redevelopment agencies which were dissolved under the provisions of ABx1 26, and to approve immediate hiring authority and an appropriation adjustment for the Executive Officer of the Board of Supervisors to provide administrative support to the oversight boards.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve in concept a recommended workplan and timeline for appointing members to oversight boards which will oversee the activities of successor agencies to redevelopment agencies which were dissolved under the provisions of ABx1 26.
2. Approve an appointment mechanism for your Board's appointments to the oversight boards.

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3. Approve policies governing nominations and appointments to oversight boards.
4. Approve interim ordinance authority for the Executive Office of the Board of Supervisors, pursuant to County Code Section 6.06.020, for one (1.0) Head, Commission Services; two (2.0) Head Board Specialists; and four (4.0) Senior Board Specialists to enable the Executive Office to undertake administration of the oversight boards. In addition, we are requesting backfill authority to fill any vacancy from internal appointments to these positions.
5. Approve an appropriation adjustment in the amount of \$427,000 which includes \$247,000 for salaries and employee benefits, and \$180,000 for services and supplies to support the first five months of the five-year dissolution plan. The appropriation will be funded with intrafund transfer.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On January 17, 2012, among other actions regarding implementation of ABx1 26 (dissolution of community redevelopment agencies), your Board directed this Office, in conjunction with the Auditor-Controller, County Superintendent of Education, and special districts who will have authority to make appointments to oversight boards under the terms of ABx1 26, to report back to your Board no later than February 7, 2012 with a recommended mechanism for making such appointments. On February 3, 2012, based on discussions with your offices and County departments, we requested a one-week extension.

On February 1, 2012 Redevelopment Agencies (RDAs) in the State of California were dissolved according to ABx1 26. All assets and properties of the former RDAs that were funded by tax increment are to be expeditiously disposed of. For all 71 former RDAs in the County, with the exception of the City of Los Angeles, the host cities have become the former agencies' successor agencies. (The City of Los Angeles has opted not to assume this role, and a three-member successor agency has been appointed by the Governor to fulfill this role.)

The actions of the successor agencies will be directed and approved by an oversight board, consisting of seven members appointed by:

- The County Board of Supervisors (2) – one representing the County and one a member of the public;
- The city that formed the RDA (2) – one representing the city and one representing the former agency employees (note that for County unincorporated areas, per ABx1 26 as it applies to the County, one "city" appointment will be

made by the County Superintendent of Education, while the other [who must represent the employees of the former redevelopment agency], would be made by your Board);

- The largest special district by property tax share in the former agency's jurisdiction (1);
- The County Board of Education (1); and
- The Community College District (1).

In all but 11 of the 71 former RDAs, a County special district, under the direction of your Board, is the largest special district under the terms of the law. Therefore, based on the two Board appointments and 60 special district appointments, your Board will need to make 202 appointments. To the extent some or all appointees serve on multiple oversight boards (i.e., up to five each), the total number of "unique" appointments may be significantly less.

Oversight boards shall:

- Have fiduciary responsibilities to holders of enforceable obligations of the former RDA and to the taxing entities that benefit from distributions of property tax as the assets and obligations of the former RDAs are wound down. The legally enforceable obligations of the former RDAs (bonds, contracts) will continue to be paid, but the excess property tax remaining after those payments will be distributed to the taxing entities (schools, county, city, etc.) to fund basic government services.
- Serve without compensation or reimbursement of expenses; may serve on up to five oversight boards; and will have personal immunity from suit for their actions taken as oversight board members. Each member of an oversight board will serve at the pleasure of the entity that appointed them. Commencing on July 1, 2016, the 71 oversight boards in the County will be replaced by a single oversight board.

Recommendations

Below are recommendations for your Board's consideration to approve a workplan, timeline, appointment mechanism and policies to govern County appointments to oversight boards.

Workplan and Timeline

Attachment I includes a recommended Workplan and Timeline for making County appointments to the oversight boards, coordinating with other appointing entities,

and preparing to convene and support the boards. We are recommending your Board's approval in concept as minor adjustments may need to be made as the process unfolds. We have every intention of accelerating the timeline wherever feasible.

Appointment Mechanism

Regarding an appointment mechanism for the County's appointments (the two County appointments and the County special district appointment), we recommend that each Supervisor nominate oversight members for successor agencies in their district, to be confirmed by your full Board, except those relating to the City of Los Angeles Successor Agency and the County's Community Development Commission, discussed below. County staff will provide the Board with lists of potential nominees for their consideration.

CDC and LA City

For CDC and LA City, we are proposing that the Supervisorial Districts with the greatest number of projects areas from those agencies nominate the members of those oversight boards:

- For CDC, the three County nominations would be made by Districts 1, 2, and 5. (The "city" appointments would be made by the County Superintendent of Education and your Board as described above.)
- For LA City, nominations would be made by Districts, 1, 2 and 3.

Policies

The following are policies of the Los Angeles County Board of Supervisors pertaining to nominations and appointments for County or special district (where the Board of Supervisors serves as the governing body of a special district) members to oversight boards which will oversee the activities of redevelopment successor agencies under the provisions of ABx1 26:

1. Appointees should represent the interests of the County of Los Angeles, the holders of enforceable obligations of the former RDA, and the taxing entities that benefit from distributions of property tax as the assets and obligations of the former RDAs are wound down. As cities are provided the authority to make two separate appointments to such oversight boards to represent their

interests, the County should not appoint members clearly representing city interests, including mayors, council members, city managers, city employees or contractors/consultants closely aligned with cities.

2. County employees may be appointed to oversight boards (except for the "member of the public" appointment), and may receive their normal salary for fulfilling duties associated with such appointment.
3. The appointee representing the County (as opposed to the "member of the public" appointee) need not be a County official or employee.
4. Members of the Board of Supervisors may be appointed to oversight boards (except for the "member of the public" appointment), and may receive their normal salary for fulfilling duties associated with such appointment. (Please note, County Counsel is seeking conclusive clarification on this issue.)
5. Members appointed representing a Board-governed special district do not need to be employees of, or affiliated, with the special district.
6. Appointees do not need to reside in the County of Los Angeles.
7. Desirable qualifications for appointees include the following:
 - **Specific Skills.** Some accounting, audit, legal or finance background would be helpful, as one of the primary tasks of the oversight boards will be to analyze the list of enforceable obligations submitted by the successor agencies, and to approve only those that are deemed to be legally enforceable.
 - **Availability.** Actions related to the critical roles of the oversight boards will require a quorum, so meeting attendance will be essential. Oversight board meetings will be public, Brown Act meetings, and could include evening meeting times. The work and meeting frequency of each oversight board will vary depending on the size and complexity of the former RDA.
 - **Independence.** It is anticipated that disputes will arise with successor agencies over which obligations should be covered. It is important to stress that oversight boards are not policy-making bodies. Rather, they will be required to uphold their fiduciary responsibilities using the definition of a legal obligation as it is defined in the law, not as negotiated with cities. It is possible that the oversight board meetings will be attended by numerous groups who wish to see the activities of the former RDAs be continued, contrary to the instructions contained in the law.

Exemptions from this policy require a majority vote of the Board of Supervisors.

The Executive Officer of the Board has sent a letter to each successor agency in the County to coordinate on the establishment of the oversight boards, offering administrative support for convening the meetings of the boards and scheduling orientation/training sessions. The training sessions will include Brown Act meeting requirements (coordinated by the Executive Office of the Board), as well as guidance on oversight responsibilities under the law (we are securing consultant assistance to provide this training). We believe that consistency in support of the operations of the 71 boards would enhance their productivity and no other agency is better situated to provide this support than the County of Los Angeles.

As outlined in Attachment II, the Executive Office of the Board proposes the addition of 7.0 positions to provide appropriate levels of support to the oversight boards. Consistent with the staffing structure for the City Selection Committee, the Executive Office would divide the 71 agencies into four regional sectors, with two teams responsible for supporting the meetings that would continue until 2016. Due to the greater upfront workload, we also propose utilization of temporary clerical and 120-day retiree staff to support the oversight boards during the first year of establishment, as the panels review audit findings and recommendations and make determinations of enforceable obligations.

It is estimated that 10,480 hours of temporary/120-day service hours of support will be necessary. For Year 1, the total cost will be \$902,434 for which we are requesting five months of funding in the amount of \$427,000 for FY 2011-12. This includes the Salaries and Employee Benefits (S&EB) for the 7.0 positions and Services and Supplies (S&S). For Year 2, the cost will be reduced to \$805,034, largely due to the reduction of the temporary/120-day staff. In year three, the cost will decrease to \$680,234, again as a result of the elimination of temporary/120-day staff.

As the successor agencies disband, the Executive Officer will reduce the added staffing through attrition. These positions will be red-tagged to ensure follow up over the next several years. We believe that the proposed staffing model and associated costs will be sufficient to ensure oversight and continuity of the 71 Oversight Boards throughout the County.

Implementation of Strategic Plan Goals

The recommended actions are consistent with the Fiscal Management Initiative under Goal 1 of the Strategic Plan: Operational Effectiveness.

FISCAL IMPACT/FINANCING

The appropriation adjustment for FY 2011-12, in the amount of \$427,000, will provide spending authority for S&EB in the amount of \$247,000 and S&S in the amount of \$180,000 to implement the recommended actions (Attachment II). The appropriation will be funded with intrafund transfer. The annualized cost of the S&EB and S&S will be included in the FY 2012-13 Recommended Budget.

Dissolution of the redevelopment agencies and reallocation of revenue beyond the agencies' enforceable obligations may result in underdetermined additional revenue to the County as these excess revenues, if any, are distributed back to taxing entities.

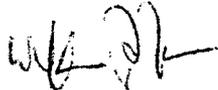
FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Not Applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of these recommendations will allow the County to proceed with its role in implementing the dissolution of redevelopment agencies as provided by ABx1 26, and help ensure the agencies are dissolved consistent with the law and that any resulting revenues due the County are protected.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:EFS:MKZ
CA:RTM:ib

Attachments (2)

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Community Development Commission/Housing Authority

REDEVELOPMENT SUCCESSOR AGENCIES' OVERSIGHT BOARDS
Workplan and Timeline for Appointments, Training and Support

Action	Timeframe	Responsible Party
Resolve questions regarding eligible County and other agency appointments, including conflicts of interest	Week of January 30 th	County Counsel
Issue letter to all cities regarding appointments process and administrative support for boards	Week of January 30 th	Executive Officer of the Board
Identify groupings of boards which each nominee could serve on. The number of boards that a single member can serve on will vary depending on size and complexity of the agency.	Week of January 30 th	CEO and other team members
Identify any criteria and potential desirable qualifications for board members	Week of January 30 th	CEO and other team members
Obtain Board approval of conceptual mechanism for making County appointments to oversight boards	February 7, 2012	CEO
Meet with Board offices to solicit their needs and preferred approaches in appointment process; solicit names of nominees already identified.	Week of February 6 th	CEO and other team members
Identify prospective nominee categories (e.g., County employees, retirees, commissioners, non-profits, CBOs, professional associations, etc.) and develop list for Board consideration	Week of February 6 th	CEO and other team members, County departments, consultants
Coordinate with LACOE and County Board of Education on possible candidates	Week of February 13 th	CEO and other team members, consultants
Gather/develop training materials and manual for oversight boards	Complete by early March	County team, consultants
Confirm prospective nominees with Board offices.	Week of March 6 th	CEO and other team members
Coordinate with all confirmed nominees	Mid-March	CEO/Executive Officer of the Board
Place nominations of Board Agenda.	Target March 27 Agenda	CEO/Executive Officer of the Board
Coordinate the following on their appointments: <ul style="list-style-type: none"> • San Gabriel Valley Municipal Water District • Chancellor of the Community Colleges Districts • Cities 	Early April	CEO/Executive Officer of the Board, consultants
Provide training to boards in groupings	Throughout April	Consultants, team members
Provide administrative support, as necessary	April	Executive Officer of the Board
Determine space and logistical needs; make arrangements, as necessary	April	CEO/Executive Officer/BOS

PINK (1)

LA FORM 5009

1-1-2012
COUNTY OF LOS ANGELES
DEPARTMENT OF BOARD OF SUPERVISORS

COUNTY OF LOS ANGELES
REQUEST FOR APPROPRIATION ADJUSTMENT
DEPARTMENT OF BOARD OF SUPERVISORS

DEPT'S NO. 061
February 7, 2012

AUDITOR-CONTROLLER:

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. PLEASE CONFIRM THE ACCOUNTING ENTRIES AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF EXECUTIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2011-12

3 - VOTES

SOURCES

BOARD OF SUPERVISORS
A01-BS-6800-10010
Intrafund Transfers - \$427,000
DECREASE APPROPRIATION

USES

BOARD OF SUPERVISORS
A01-BS-1000-10010
Salaries and Employee Benefits - \$247,000
INCREASE APPROPRIATION

BOARD OF SUPERVISORS
A01-BS-2000-10010
Services and Supplies - \$180,000
INCREASE APPROPRIATION

SOURCES TOTAL: \$ 427,000

USES TOTAL: \$ 427,000

JUSTIFICATION

To request an increase in Salaries and Employee Benefits and Services and Supplies appropriation at no Net County Cost for the Redevelopment Oversight Commission. This appropriation adjustment reflects a five-month funding period beginning February 2012.

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES



AUTHORIZED SIGNATURE Hanna Cheru

45 - C FEB 14 2012

BOARD OF SUPERVISOR'S APPROVAL (AS REQUESTED/REVISED)

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

REFERRED TO THE CHIEF EXECUTIVE OFFICER FOR ...

- ACTION
- RECOMMENDATION

- APPROVED AS REQUESTED
- APPROVED AS REVISED

AUDITOR-CONTROLLER

BY *John Sisk*

CHIEF EXECUTIVE OFFICER

BY *Hanna Cheru*

B.A. NO. 158

February 3, 2012

Feb 3, 2012

SEND 6 COPIES TO THE AUDITOR-CONTROLLER

CITY OF COVINA
AGENDA ITEM COMMENTARY

MEETING DATE: March 6, 2012

ITEM NO.: CC 4

STAFF SOURCE: Dilu de Alwis, Finance Director 
Steven Smith, Management Analyst

ITEM TITLE: FY 2011-12 2nd Quarter Update on Major Funds

STAFF RECOMMENDATION

Receive and file the budget update report for the quarter ended December 31, 2011.

FISCAL IMPACT

None.

BACKGROUND

The current City of Covina Budget Policy requires staff to provide quarterly reports to the City Council on the status of budgeted revenues and expenditures.

The attached report gives an overview of the budgets for the General, Redevelopment Agency, and Enterprise Funds for the City of Covina as of December 31, 2011. For analysis purposes, we have used 50% of budget to determine whether revenues and expenditures are trending over or under budget. Of the major funds presented in the report, General Fund expenditures are at 55.4% of budget. All other funds are below the 50% mark. General Fund and CRA revenues are below the 50% guideline; the net of Enterprise Fund revenues are at 62.2% of budget

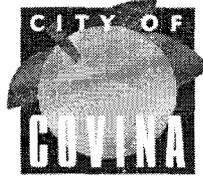
RELEVANCE TO STRATEGIC PLAN

None.

EXHIBITS

A. Budget Report for Quarter Ended 12/31/11

REVIEW TEAM ONLY	
City Attorney: 	Finance Director: 
City Manager: _____	Other: _____



City of Covina

Quarterly Report

Fiscal Year 2011-2012, Quarter Ended 12/31/11

March 2012

OVERVIEW

The accompanying financial report reflects the City's budget position for the quarter ended 12/31/11. Included in this report are the General Fund, Redevelopment Agency, and Enterprise Funds, with a more detailed focus on the General Fund. For analysis, we have used 50% of the total fiscal year budget as a baseline to determine whether revenues and expenditures are trending over or under budget. Budgeted amounts include any revisions to the Adopted Budget based on Council action as of 12/31/11. Every effort was made to capture the quarter's revenues and expenditures as accurately as possible, using an approximate accrual of both.

The City's cash balance as of 12/31/11 is \$7,252,725.10, a decrease from \$8,405,881.45 for the quarter ended 9/30/11. This total includes the combined cash balances of all City funds and is not limited to the General Fund. **CRA's cash balance as of 12/31/11 is \$4,116,489.43, a decrease from \$4,165,521.67 for the quarter ended 9/30/11.** This total includes the combined cash balances of all Redevelopment funds. The cash balances for both the City and Redevelopment Agency are strictly available cash and are exclusive of any long-term investments. *As a point of reference, the cash balances as of 12/30/10 was \$4,717,556.22 for the City and \$3,698,357.70 for CRA.*

The decrease quarter-over-quarter in the City's cash balance is because expenditures exceeded revenues through mid-year. This is due to unbudgeted Liability Claims and Legal Fees mentioned later in this report and in a more detailed report sent to Council on 2/21/12. Although expenditures are exceeding revenues, this is not uncommon at this point in the year. While expenditures are ongoing, revenues tend to be more cyclical, with large, lump-sum payments being received in second half of the year.

The decrease quarter-over-quarter in CRA's cash balance is also due to expenditures exceeding revenues by approximately \$49,000. As of the writing of this report, CRA has been dissolved by the State; however, as this report is for activity through 12/31/11, it is included here.

GENERAL FUND

At the end of the first quarter, General Fund revenues were received at 45.2% and expenditures were at 55.4% of budget.

Total Revenue and Expenditures

General Fund	Budget	YTD Actual	%
Revenue	28,618,660	12,923,788	45.2%
Expenditures	29,460,981	16,321,915	55.4%

The net of all General Fund expenditures is over the 50% guideline for the quarter. This is due to extraordinary circumstances related to Public Liability Claims and Legal Fees related to ongoing litigations. These items were detailed in the Mid-Year Budget Adjustment report to Council on 2/21/12. However, any action taken on that matter would be reflected in the 3rd quarter report. As these were exceptional situations, there is no indication of an ongoing, operations budget shortfall.

"Expenditures by Program" show several categories under or slightly over 50% of budget; and General Government and Community Development markedly over. The overage in General Government is related to the aforementioned situations related to litigation. The overage in Community Development is due to a lump-sum capital outlay of \$427,000 pertaining to the imminent domain action taken on the property at 155 E San Bernardino Rd.

The Public Works Department budget appearing *below* the 50% guideline is largely due to the timely application of Interdepartmental Charges. Interdepartmental Charges are “credits” from non-General funds and help to reduce the net cost of General Fund expenditures. These charges are recognized on a flat-rate, monthly basis, regardless of the actual expenses that have been incurred.

Miscellaneous Revenue at 248.6% of budget is due to the recognition unbudgeted revenue, related to the formerly Enterprise Fund revenues mentioned above. Part of this revenue will go to fund the City’s “lifeline” program for water customers.

Expenditures by Program

Expenditures	Budget	YTD Actual	% Expended
General Government	3,172,870	2,724,335	85.9%
Public Safety	20,888,959	10,874,976	52.1%
Public Works	1,142,447	406,086	35.5%
Culture & Recreation	3,428,071	1,795,064	52.4%
Community Development	513,314	351,779	68.5%
Non Departmental	23,810	23,920	100.5%
Other Financing/Transfers	291,510	145,755	50.0%
Total Expenditures	29,460,981	16,321,915	55.4%

“Expenditures by Major Category” show several categories over 50% of budget for the fiscal year. This again is due to the noted expenditures in Legal Fees and Liability Claims

Expenditures by Major Category

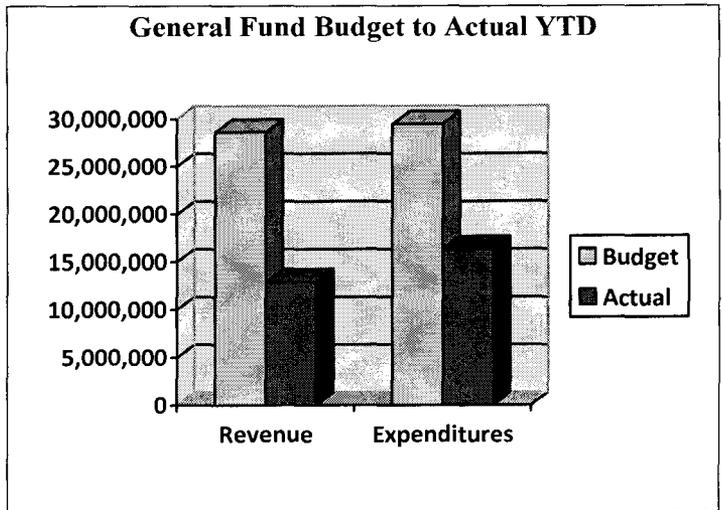
Expenditures	Budget	YTD Actual	% Expended
Personal Services	17,623,990	8,739,234	49.6%
Professional & Technical	10,791,189	6,130,218	56.8%
Property Services	2,019,921	938,071	46.4%
Other Services & Charges	2,299,277	2,091,959	91.0%
Supplies	582,334	206,280	35.4%
Capital Outlay	675,570	472,970	70.0%
Contingency	34,830	26,338	75.6%
Interdepartmental Charges	(4,857,820)	(2,428,910)	50.0%
Other Financing	291,510	145,755	50.0%
Total Expenditures	29,460,801	16,321,915	55.4%

Revenues are currently below the 50% guideline. For comparison purposes, the net of all General Fund revenue is approximately \$222,000 *more* than for the same period for Fiscal Year 10/11. This is largely due to the recognition of revenues in the General Fund that were previously recognized by the Enterprise Funds as well as slightly higher tax revenue.

On a positive note, Property Tax Revenues are tracking right at the 50% mark; however, our other two largest tax revenues – Sales Tax and Utility Users Tax – are at about 40% of budget. It should also be noted that the Licenses & Permits and Charges for Services revenues are over the 50% guideline.

Revenues by Major Category

Revenue	Budget	YTD Actual	% Received
Taxes	23,918,680	10,762,754	45.0%
Licenses & Permits	452,500	238,333	52.7%
Intergovernmental	958,700	116,467	12.1%
Charges for Services	1,852,300	1,118,110	60.4%
Fines & Forfeits	961,000	358,735	37.3%
Employee Benefit Charge	-	21	100.0%
Investment Earnings	246,700	59,468	24.1%
Miscellaneous	73,380	182,401	248.6%
Other Financing Sources	150,000	87,500	58.3%
Total Revenues	28,613,260	12,923,788	45.2%



REDEVELOPMENT AGENCY

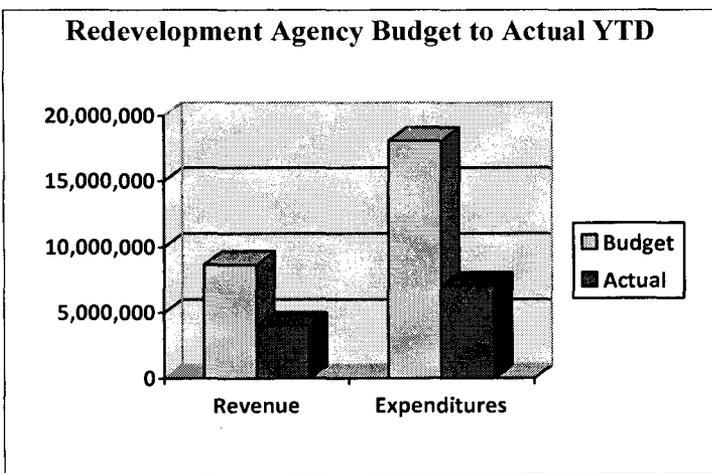
Redevelopment Agency Budget Condition: The Redevelopment Agency consists of three major components: Low-Moderate Income Housing, Tax Allocation Debt, and Redevelopment.

At the end of the quarter, CRA revenue was at 46.4% and expenditures were at 39% of budget

Redevelopment	Budget	YTD Actual	%
Revenue	8,677,320	4,024,451	46.4%
Expenditures	18,090,621	7,063,469	39.0%

CRA expenditures being at only 39% is due largely to budgeted funds in “Other Financing” not having been expended by the end of the second quarter. As previously mentioned and as Council is well aware, the State dissolved the Redevelopment Agency as of 1/31/11, so final reporting on the Agency’s budget will occur in the next quarter’s report.

Expenditures	Budget	YTD Actual	% Expended
Low-Moderate Income	5,414,140	1,289,364	23.8%
Tax Allocation	6,563,110	2,995,094	45.6%
Redevelopment	6,113,371	2,779,011	45.5%
Total Redevelopment	18,090,621	7,063,469	39.0%



ENTERPRISE FUNDS

Enterprise Fund Budget Condition: The City maintains three Enterprise Funds (a fund established to account for operations financed and operated in a manner similar to private business enterprise). For the City of Covina, these three funds are the Water Utility, Environmental Services, and Sewer Funds

At the end of the first quarter, the combined Enterprise Fund revenues were at 62.2% and expenditures were at 18.1% of budget.

Enterprise Funds	Budget	YTD Actual	%
Revenue	11,453,295	7,121,054	62.2%
Expenditures	34,354,413	6,229,228	18.1%

The Environmental Services budget is slightly above 50% of budget through mid-year. This is due to ongoing, unbudgeted payment to Covina Disposal related to the continued receipt of payments against accounts sent to our collection agency. This was detailed in the Mid-Year Budget Adjustment report sent to Council on 2/21/12. The

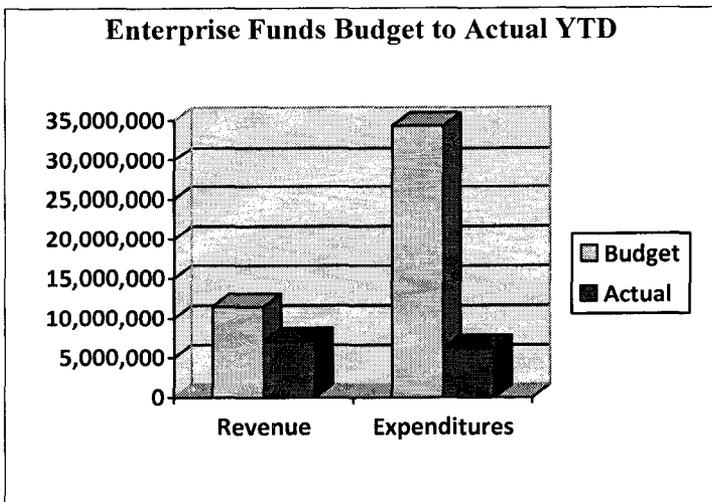
Water and Sewer Funds are under the 50% guideline for the year. This is primarily due to budgeted capital projects That had not commenced through the end of the quarter.

Expenditures	Budget	YTD Actual	% Expended
Water Utility	20,039,970	4,724,998	23.6%
Environmental Services	1,084,820	569,493	52.5%
Sewer	13,229,623	934,737	7.1%
Total Enterprise Funds	\$ 34,354,413	\$ 6,229,228	18.1%

The combined Enterprise Fund revenues were at 62.2% of budget for the quarter. All funds recognized revenues in excess of 50%.

For the Water and Environmental Funds, revenues exceeded expenditures for the quarter. This is generally what we expect to see from Enterprise Funds, as their revenues need to cover their costs of operations. In the Sewer Fund, expenditures slightly exceeded revenues. However, a majority of the budgeted expenditures for Sewer Fund will be paid for from money already received from the sale of bonds.

Revenue	Budget	YTD Actual	% Received
Water Utility	8,848,000	5,603,155	63.3%
Environmental Services	1,085,295	600,351	55.3%
Sewer Fund	1,520,000	917,548	60.4%
Total Enterprise Funds	\$ 11,453,295	\$ 7,121,054	62.2%





CITY OF COVINA
AGENDA ITEM COMMENTARY

MEETING DATE: March 6, 2012

ITEM NO.: CC 5

STAFF SOURCE: Steve Henley, Director of Public Works
Kalieh Honish, Assistant Director of Public Works *KH*
Vivian Castro, Environmental Services Manager
Michele Saint, Management Analyst

ITEM TITLE: City Council to adopt **Resolution No. 12-7053**, appropriating Department of Conservation (DOC) funds to the current fiscal year budget and allocating those funds for the purchase of five solar trash compactors for areas of high refuse volume throughout the city

STAFF RECOMMENDATION

Adopt **Resolution No. 12-7053**, appropriating \$35,000 in Department of Conservation (DOC) funds to the current fiscal year budget and allocating those funds to Account No. 2520-5550-54990 for the purchase of five (5) solar trash compactors for areas of high refuse volume throughout the city.

FISCAL IMPACT

Solar compactors will be purchased with DOC grant money which the Department of Conservation provides the City with an entitlement grant of approximately \$12,000 annually to further recycling collection activities and litter reduction. The current fund balance in the DOC grant is \$51,100 with annual grant amount of \$12,800 approved this past January. Accordingly, purchasing the solar compactors will have no General Fund impact.

BACKGROUND

On February 18, 2011, Governor Brown's office issued a directive to all state agencies who administer state grant funds to review the use of all promotional items and disallow further purchases of such items. Previous expenditures utilizing DOC grant funds such as stainless steel water bottles, reusable shopping bags made with recycled plastic bottles, pens and pencils are now an ineligible use of funds. With purchasing options severely limited due to the new restrictions and Big Belly solar compactors remaining an eligible expense, Environmental staff plan to allocate more DOC funds to the purchase of these units in this current fiscal year and beyond.

There are three solar compactors currently in operation at the following locations: downtown Starbucks location and two on the Metrolink Station platform. All compactors were placed at these specific locations to address overflowing refuse concerns. The solar compactors have effectively mitigated the refuse overflow at all locations and reduced the number of special

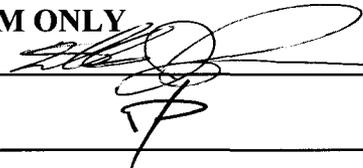
collections. With the purchase of additional units, our goal is to reduce the incidences of refuse overflow and debris in the public right-of-way to ensure compliance with stormwater regulations.

RELEVANCE TO THE STRATEGIC PLAN

This item is directly related to the City's 2009-2012 three year goal of "becoming an environmentally sustainable community" by reducing pollution through efficient collection and the use of a sustainable energy source.

EXHIBITS

A. Resolution No. 12-7053

REVIEW TEAM ONLY	
City Attorney: 	Finance Director: 
City Manager: _____	Other: _____

RESOLUTION NO. 12-7053

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COVINA, CALIFORNIA, TO APPROPRIATE \$35,000 IN DEPARTMENT OF CONSERVATION (DOC) FUNDS TO THE CURRENT FISCAL YEAR BUDGET AND ALLOCATE THOSE FUNDS TO ACCOUNT NO. 2520-5550-54150 FOR THE PURCHASE OF FIVE SOLAR TRASH COMPACTORS FOR AREAS OF HIGH REFUSE VOLUME THROUGHOUT THE CITY

WHEREAS, the City of Covina is a municipal corporation duly organized and existing pursuant to the Constitution and laws of the State of California (“City”); and

WHEREAS, the budget of the City of Covina for fiscal year commencing July 1, 2011 and ending June 30, 2012 was approved on June 21, 2011; and

WHEREAS, the approved budget is in accordance with all applicable ordinances of the City and all applicable statutes of the State; and

WHEREAS, the reallocation of the appropriations between departmental activities may be made by the City Manager, amendments (increases/decreases) to the Budget shall be by approval and Resolution of the City Council; and

WHEREAS, the Public Works Department wishes to mitigate refuse overflow concerns by placing five solar compactors at areas of high refuse volume throughout the city to eliminate litter; and

NOW, THEREFORE, BE IT RESOLVED of the City of Covina, California, does hereby resolve as follows:

SECTION 1. Amend the fiscal year 2011-2012 Public Works Department operating budget as follows: \$35,000 from Department of Conservation (DOC) funds to 2520-5550-54990 for the purchase of five solar compactors for areas of high refuse volume throughout the city

SECTION 2. The City Clerk shall certify to the passage and adoption of this Resolution.

Passed, approved and adopted this _____ day of _____, 2012

John C. King, Mayor

ATTEST:

Kay Manning, City Clerk

APPROVED AS TO FORM:

City Attorney

CITY OF COVINA
AGENDA ITEM COMMENTARY

MEETING DATE: March 6, 2012

ITEM NO.: CC 6

STAFF SOURCE: Daryl Parrish, City Manager

ITEM TITLE: Adopt Resolution 12-7054 Supporting the Transfer of Ontario International Airport (ONT) from the Los Angeles World Airports (LAWA) to the City of Ontario for Local Control

STAFF RECOMMENDATION:

Adopt Resolution 12-7054 to support the transfer of Ontario International Airport (ONT) from the Los Angeles World Airports (LAWA) to the City of Ontario for local control.

FISCAL IMPACT:

None.

BACKGROUND:

At the February 21, 2012 City Council meeting, the Council directed staff to present a resolution supporting the City of Ontario's efforts to gain local control of the Ontario International Airport.

LAWA has operated ONT since 1967; in 1985, LAWA assumed ownership. Since then, the airline industry and economy have changed in such a way that ONT has seen a drastic reduction in passenger traffic and revenues under LAWA operation have negatively impacted ONT. In a study commissioned by ONT, ONT has lost over one-third of its passenger traffic, which has affected the local economies of ONT's surrounding municipalities.

The City of Ontario believes local control can restore the airport to pre-economic downturn flight levels. Under local control, ONT can attract more airlines and flights, which would dramatically reduce the number of vehicle trips from the San Gabriel Valley to LAX.

A February 19, 2012 San Gabriel Tribune article states, in part, that the Southern California Association of Governments "believes a local entity would better serve 'decentralization' of airport travel in Southern California." In addition, the Los Angeles Economic Development Corporation has called for LAWA to shift control of ONT as well as the responsibility and risk that comes with that control so that LAWA can focus its energy on modernizing LAX.

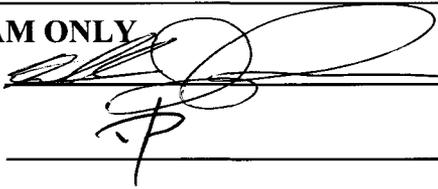
RELEVANCE TO THE STRATEGIC PLAN:

None.

EXHIBITS:

A. Resolution No. 12-7054 supporting the City of Ontario's efforts to gain local control of ONT.

REVIEW TEAM ONLY

City Attorney:  Finance Director: 

City Manager:  Other: _____

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COVINA, CALIFORNIA, IN SUPPORT OF THE TRANSFER OF ONTARIO INTERNATIONAL AIRPORT (ONT) TO THE CITY OF ONTARIO FOR LOCAL CONTROL

WHEREAS, the City of Covina recognizes that local control of ONT will help ensure that all of Southern California will have sufficient airport capacity to meet the long-term demand for air travel in the region;

WHEREAS, the Southern California Association of Governments Regional Council enacted a resolution recommending the transfer of ONT to local control as being in the best interest of Los Angeles and the Southern California region; and

WHEREAS, the Los Angeles Economic Development Corporation called on Los Angeles World Airports to shift control of ONT to another entity so that LAWA can focus its energy on modernizing Los Angeles International Airport; and

WHEREAS, the City of Covina has historically supported local control and has supported efforts of local cities to retain and regain local control; and

WHEREAS, after transfer to local control, ONT can operate on the same basis as airports in Burbank, Orange County, Long Beach and Palm Springs—as low cost secondary airports under local control.

NOW THEREFORE, BE IT RESOLVED AND ORDERED by the City Council of the City of Covina, as follows:

SECTION 1. The City Council hereby supports the transfer of ONT to local control in furtherance of airport regionalization and the region's economy.

SECTION 2. The City Council requests the cities of Los Angeles and Ontario commit the necessary resources and effort to affect the transfer of ONT to local control at the earliest possible date.

SECTION 3. This action shall be communicated to the Mayors of Los Angeles and Ontario, the Acting Administrator of the Federal Aviation Administration and state and federal elected representatives.

PASSED, APPROVED AND ADOPTED this 6th day of March, 2012.

Mayor, City of Covina

ATTEST:

City Clerk, City of Covina

APPROVED AS TO FORM;

City Attorney

CERTIFICATION

I, Catherine M. LaCroix, Deputy City Clerk of the City of Covina, hereby CERTIFY that Resolution No. 12-7054 was adopted by the Covina City Council at a regular meeting of the City Council held this 6th day of March, 2012, and was approved and passed by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Catherine M. LaCroix
Deputy City Clerk

CITY OF COVINA
AGENDA ITEM COMMENTARY

MEETING DATE: March 6, 2012

ITEM NO.: CC 7

STAFF SOURCE: Steve Henley, Director of Public Works
Kalieh Honish, Assistant Director of Public Works
Laura Lara, Assistant Civil Engineer



ITEM TITLE: Award of Bid - Cypress Reservoir Refurbishment –
Project No. W-1102

STAFF RECOMMENDATION

That the City Council:

- a. Approve the construction drawings for the project; and
- b. Award the bid for the Cypress Reservoir Refurbishment, Project No. W-1102, to Spiess Construction Company, Inc. (Spiess) as the lowest responsive and responsible bidder in the amount of \$1,305,550.00.

FISCAL IMPACT

The construction project and all ancillary activities, i.e. inspection, quality control and assurance, material testing, survey, compaction testing, etc., will be funded entirely by the proceeds of the City's 2010 Water Revenue Bonds; which are budgeted within Account No. 6011-5060-55420. Accordingly, awarding the bid for the project will have no negative fiscal impact.

BACKGROUND

Originally constructed in 1896, the Cypress Reservoir is the Water Utility's oldest active reservoir and pump station. Project No. W-1102 consists of the complete renovation of this reservoir and pump station including replacement of the existing deteriorated wooden roof with an aluminum dome; cleaning and sealing of the reservoir tanks; reconstruction of the tank floor; reconstruction of the control room; and re-piping of the inlet and outlet pipe systems.

The project was duly noticed and advertised and bids for the project were received in the City Clerk's office on February 21, 2012. As shown on the attached Exhibit B, Spiess' bid was determined to be the lowest responsive and responsible bidder with a bid of \$1,305,550.00. The highest bid was received by Paso Robles Tank in the amount of \$1,918,436.00. The Engineer's Estimate for the project was \$1,535,000.00.

Spiess currently carries valid "A" (General Engineering Contractor), "B" (General Building Contractor), "C27" (Landscaping), and "C33" (Painting) licenses. Staff has also verified that Spiess has successfully completed similar project for a variety of cities and private water districts throughout California.

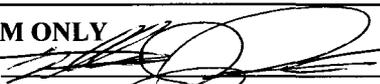
The project is exempt from the provisions of the California Environmental Quality Act (CEQA) as a Class 3 Categorical Exemption (Section 15303). A Notice of Exemption for the project was previously prepared and filed with the Los Angeles County Recorder on April 21, 2011.

RELEVANCE TO THE STRATEGIC PLAN

While not directly responsive to any of the currently identified objectives of the Strategic Plan improvements of the City's water supply system to develop operational redundancy support the specific Strategic Plan's Goals of enhancing financial stability and becoming an environmentally sustainable community.

EXHIBITS

- A. Project Plans on file with the Public Works Department
- B. Bid Summary

REVIEW TEAM ONLY	
City Attorney: 	Finance Director: 
City Manager: 	Other: _____

BID SUMMARY								
Cypress Reservoir Refurbishment								
Project No. W-1102								
February 21, 2012								
ITEM NO	DESCRIPTION	QTY	UNIT	Spies	UECI	Vido	4-Con	Engineer's Estimate
1	Mobilize/demobilize	1	L.S.	44,200.00	50,000.00	75,000.00	115,000.00	60,000.00
2	Public convenience, safety and traffic control	1	L.S.	5,000.00	3,000.00	5,000.00	5,000.00	5,000.00
3	Excavation and excavation safety	1	L.S.	1,000.00	6,000.00	3,000.00	1,500.00	7,500.00
4	Remove existing Cypress Reservoir wooden roof	1	L.S.	79,000.00	105,950.00	110,000.00	105,000.00	65,000.00
5	Install aluminum roof	1	L.S.	800,000.00	779,800.00	821,000.00	825,000.00	900,000.00
6	Reconstruct control room	1	L.S.	16,100.00	33,175.00	30,000.00	36,000.00	65,000.00
7	Install new pump control valves	2	EA.	70,600.00	75,200.00	60,000.00	70,000.00	90,000.00
8	Install new 6" reinforced concrete floor and access ladder, West Reservoir	1	L.S.	141,000.00	134,780.00	125,000.00	150,000.00	125,000.00
9	Install new 6" reinforced concrete floor and access ladder, East Reservoir	1	L.S.	71,000.00	64,738.00	55,000.00	50,000.00	90,000.00
10	Repair vertical & horizontal crack in the reservoir walls	200	L.F.	7,000.00	6,000.00	4,000.00	10,000.00	20,000.00
11	Remove, recoat, and reinstall existing inlet piping (2 locations)	1	L.S.	13,250.00	9,500.00	15,000.00	11,000.00	30,000.00
12	Salvage, reinstall, and replace electrical equipment	1	L.S.	19,000.00	22,000.00	22,000.00	25,000.00	25,000.00
13	Salvage, reinstall, and replace SCADA equipment	1	L.S.	27,400.00	28,000.00	30,000.00	20,000.00	25,000.00
14	Pressure testing and disinfection	1	L.S.	7,000.00	12,000.00	6,500.00	6,000.00	20,000.00
15	Start-up and test	1	L.S.	4,000.00	6,500.00	5,000.00	3,500.00	7,500.00
CONSTRUCTION COST				\$1,305,550.00	\$1,336,643.00	\$ 1,366,500.00	\$ 1,433,000.00	\$ 1,535,000.00
			5)	SCW	\$1,486,479.00			
			6)	MMC	\$1,490,410.00			
			7)	Paso Robles Tar	\$1,918,436.00	1,918,601.00		

**SUCCESSOR AGENCY TO THE
COVINA REDEVELOPMENT AGENCY
AGENDA ITEM COMMENTARY**

MEETING DATE: March 6, 2012

ITEM NO.: PH 1

STAFF SOURCE: Daryl Parrish, Executive Director of Successor Agency
Robert Neiuber, Deputy Executive Director of Successor Agency
William J. Priest, Assistant City Attorney
Lisa Brancheau, Redevelopment Manager of Successor Agency

ITEM TITLE: Public Hearing to consider final acceptance of the Heritage Plaza Park project, to approve issuance and recordation of a Notice of Completion with the Los Angeles County Recorder, and to consider liquidated damages and penalties against MG Enterprises, the Heritage Plaza General Contractor.

SUCCESSOR AGENCY RECOMMENDATION

Open the Public Hearing to consider final acceptance of the Heritage Plaza Park project, to approve issuance and recordation of a Notice of Completion with the Los Angeles County Recorder, and to consider liquidated damages and penalties against MG Enterprises, the Heritage Plaza General Contractor.

FISCAL IMPACT

There is no fiscal impact to the General Fund.

The Heritage Plaza Project was constructed utilizing the following fund sources:

Land and Water Conservation Grant Funds obtained by the Parks & Recreation Dept.:	\$ 63,000.00
Project Area Two Public Purpose Bond Undesignated Fund:	\$1,133,453.00
Land Proceeds:	<u>\$ 335,547.00</u>
Total:	<u><u>\$1,532,000.00</u></u>

The following has been expended for work completed by MG Enterprises:

Contract with MG Enterprises approved by the Agency Board on March 24, 2011:	\$1,260,000.00
Contingencies Expended for Change Orders – ((\$252,000 approved by the Agency Board on March 24, 2011))	<u>\$ 239,771.19</u>
Total:	<u><u>\$1,499,771.99</u></u>

Negotiations on final change order requests have been completed. The final cost for project construction is \$1,499,771.99 and within the project budget approved by the Agency Board.

BACKGROUND

At a Special Meeting held on March 24, 2011, The Agency Board awarded a construction contract to MG Enterprises in the amount of \$1,260,000, with 20% contingencies for construction of Heritage Plaza Park located at 400 N. Citrus Avenue. During construction, additional costs were incurred due to changes in the project. Despite the extra work, the project still came in on-budget since, as indicated above, a reasonable contingency was built into the budget.

The project is now complete in all respects. However, MG Enterprises worked 111 calendar days past the project completion deadline (October 19, 2011). Section 6-9.1 of the Contract Provisions imposes liquidated damages in the maximum amount of \$500 per calendar day in excess of the time set for completion. This amounts to a maximum of \$55,500 in liquidated damages. MG Enterprises has made claims with the City for additional day credit totaling 182.5 work days, based upon changes in work, unexpected delays, etc.

The project encountered significant delays as a result of being located adjacent to the Covina Police Department, Olson Citrus Walk Project construction, and School Street cul de sac improvements. The intense simultaneous construction activities that took place, while positive for increased Downtown rejuvenation, required extensive coordination with multiple parties and triggered a significant readjustment to Heritage Plaza project material deliveries, project scope and ultimately the timing of the construction work. City staff believes that 111 additional contract days are justified, resulting in no liquidated damages being due to the City from MG Enterprises. City staff is therefore recommending that the City Council credit MG for these additional contract days and effectively waive liquidated damages under this Contract.

In addition, MG Enterprises enlisted the work of a subcontractor that was not listed on its submitted bid document. The Public Contract Code requires a bidder to list in its bid all subcontractors that will perform 1/2% or more of the total bid. MG's bid was \$1,260,000. Therefore, any subcontractor performing work over \$6,300 must have been listed by MG on its bid. The only subcontractor listed in MG's bid was AVI Schecter, the electrical subcontractor. If a subcontractor is not identified for a particular element of the work, the General Contractor warrants that it will do it and may not hire unlisted subcontractors to do it after being awarded the contract, except in cases of public necessity or emergency determined at a public meeting by the City Council. Staff's investigation has found that MG Enterprises retained KB Engineering to perform subcontracted plumbing work in the amount of \$110,000. This was not brought to the City's attention at the time, no necessity/emergency request was made by MG and, therefore, no such determination was made by the City Council. Public Contract Code Section 4110 authorizes the City Council, after conducting a public hearing, to impose a penalty upon MG Enterprises up to 10% of the illegally subcontracted work or \$11,000. Staff believes that this penalty is appropriate, fair and in accordance with the Public Contract Code, given the additional staff and City Attorney time involved in researching, documenting and resolving this particular issue.

At present, the City is holding 10% of the contract amount, or \$149,977.19 as retention to be paid to MG Enterprises after the project is finally accepted. Should the City Council decide to

CITY OF COVINA
AGENDA ITEM COMMENTARY

MEETING DATE: March 6, 2012

ITEM NO.: NB 1

STAFF SOURCE: Robert Neiuber, Community Development Director^N
Anthony Arroyo, Director of Human Resources

ITEM TITLE: Report on “50th Anniversary for the Friends of the Library” event

STAFF RECOMMENDATION

That the City Council receive and file the report.

FISCAL IMPACT

None.

BACKGROUND

On January 30, 2012, the Covina Planning Department received an Administrative Conditional Use Permit (ACUP) application from The Friends of the Covina Library to hold their 50th Anniversary event on June 23, 2012, from 10:00 Am to 5:00 PM. The event that they plan to hold would include a booth area in the Library parking lot for local youth and adult non-profit groups to set up displays and sell items (a booth would also be available for the City and Council members), an area for local authors to speak and/or sell their books and for the board of Trustees of the Library to speak in the Community Room, a book sale area in the patio of the Library, an area for bands to play music in the parking lot, and tours of the Library would be offered in the Library (See EXHIBIT A for a layout map).

The ACUP was circulated to the City Departments and comments were received back from Building, Engineering, Police, Fire, and Risk Management, and a letter was sent out to The Friends of the Library regarding their ACUP on February 14 (See EXHIBIT B). Based on the initial information in the ACUP the following comments were received from Building: Provide accessible bathrooms, do not obstruct accessible parking. Risk Management reviewed the information and based on the layout, which shows that majority of activities are taking place in the parking lot that has cement car stops and that the event could increase pedestrian crossings of 2nd Avenue they recommended denial of the event in its current configuration. Engineering did not provide any comments as the event is not in the public right-of-way. Police did not have any concerns at the time of initial review, and Fire stated that they had no comments. Though not mentioned in the letter, other issues would need to be addressed if this event were to move forward including but not limited to; The Friends will need to provide insurance to indemnify the City for the event as it is on City property, will electricity be needed in the parking lot and how will that be addressed, how would the driveway entrances be secured (blocked off) so that cars cannot enter the event area, will there be a stage for the event, will there be a charge to participate in the event as a vendor, and will vendor participation be limited to just local non-profits.



CITY OF COVINA

125 East College Street • Covina California 91723-2199 (626) 384-5450

Planning Division

Vidal Marquez X5455
- Planning

ADMINISTRATIVE CONDITIONAL USE PERMIT APPLICATION

Applicant Data

File No. (Completed by City of Covina) ACU 11-045

Fee (payable to City of Covina) N/A Number of Plans Seven (7)

Applicant's Name NORM KEMZ

Mailing Address 17047 BROOKPORT
COVINA Zip Code 91722

Telephone Number (626) 967-8829

Applicant's Representative FRIENDS OF THE COVINA LIBRARY

Mailing Address 234 N. 2ND AVE
COVINA Zip Code 91723

Telephone Number (626) 967-8829

Property Data

A NOTARIZED CONSENT LETTER FROM THE PROPERTY OWNER SHALL BE SUBMITTED WITH THE APPLICATION IF SOMEONE OTHER THAN THE OWNER IS THE APPLICANT.

Property Owner's Name and Address CITY OF COVINA
Zip Code _____

Address and Location of Property 234 N. SECOND AVE
COVINA Zip Code 91723

Legal Description of Real Property (Attach supplemental sheet if necessary)

Present Use of the Property PARKING LOT - CLOSE TO PUBLIC

Present Zoning of the Property _____

Present General Plan Designation _____

Request 50TH ANNIVERSARY OF THE "FRIENDS OF COVINA LIBRARY" JUNE 23, 2012

Description of Event (Attach additional sheet(s) on 8 1/2" x 11" paper).

Estimated Number in Attendance: 100

Planning Division
City of Covina
10 JAN 25 2012
125 E. College Street
(626) 858-7231

VERIFICATION

State of California)

ss:

County of Los Angeles)

FRIENDS OF THE CUYUNA LIBRARY, being duly sworn, deposes and says:
(Name of Applicant)

_____ is/are the petitioner for a ACU,
(he/she/they) (type of application)

that _____ has/have familiarized _____ self/selves with
(he/she/they) (him/her/them)

the relevant provisions of the Zoning Ordinance, that _____ has/have
(he/she/they)

read the foregoing and know(s) the contents to be true to _____ own
(his/her/their)

knowledge, except the matters stated on information or belief and those matters and things
which _____ believe(s) to be true.
(he/she/they)

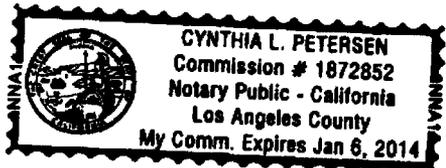
Signed Norman Klemz

State of California)

County of Los Angeles)

Subscribed and sworn to before me this
19 day of Dec, 20 11
by NORMAN KLEMEZ,
proved to me on the basis of satisfactory evidence
to be the person who appeared before me.

Cynthia L. Petersen



FRIENDS OF COVINA LIBRARY

Dear Member

We are inviting you to celebrate the Friends of Covina Library's 50th Birthday Celebration and Open House of the Covina Library. The event will be Saturday, June 23rd at the Covina Library.

Our mission is to make this date a notable one. We are all proud of the success that the Friends has accomplished over the many years. We would like to extend a invitation to the people of Covina and the surrounding area to partake in this celebration.

Therefore, we are having a planning meeting on January 21, 2012 to plan for this event and we are inviting you to come and help us. The meeting will be at 10:00AM on January 21st in the Covina Library Community Room.

Some of the plans that we need help with are:

1. Inviting all youth and adult non-profit groups to set up a booth to either sell items or dispel information about their group. This will be done in the parking lot of the Library. The area will be cordoned off for that purpose.
2. Local Writers will be invited to speak and either/or sell their books in the Community Room
3. The Friends will set up a Book Sale area in the patio for anyone who would like to purchase books at a reasonable price.
4. Several bands in the area will be contacted to play during the day and will be set up in a area in the parking lot.
5. A booth will be available for the Covina City Council and Mayor to come and greet everyone and maybe dedicate the day for the Friends.

6. The board of Trustees for the Covina Library will also be invited to speak.
7. There will be tours of the Covina Library itself where the general public can speak to the people who run the library and see the services that the Covina Library offers.

All this takes time and planning and cannot be done by one person. So you are invited to the next meeting of the Birthday Celebration on January 21, 2012 at 10:00AM to see what ways you can help to make this a memorable day.

Please give me a call at 626-967-8829 if you cannot come to the meeting but are willing to help in some way.

Sincerely

Norm Klemz
President
Friends of the Covina Library

Time 10-5



CITY OF COVINA

125 East College Street • Covina California 91723-2199 (626) 384-5450

Planning Division

INSTRUCTIONS FOR OBTAINING AN ADMINISTRATIVE CONDITIONAL USE PERMIT IN THE CITY OF COVINA

The City of Covina requires sponsors of temporary, occasional activities conducted outside of buildings in commercial, industrial, park, school, and other areas to receive an Administrative Conditional Use Permit (ACUP). Typical functions that require an ACUP include:

- a. Temporary fund-raising activities;
- b. Outdoor promotional sales activities;
- c. Seasonal sales activities (such as Christmas tree lots); or
- d. Special public or quasi-public events (such as Bingo and Monte Carlo nights).

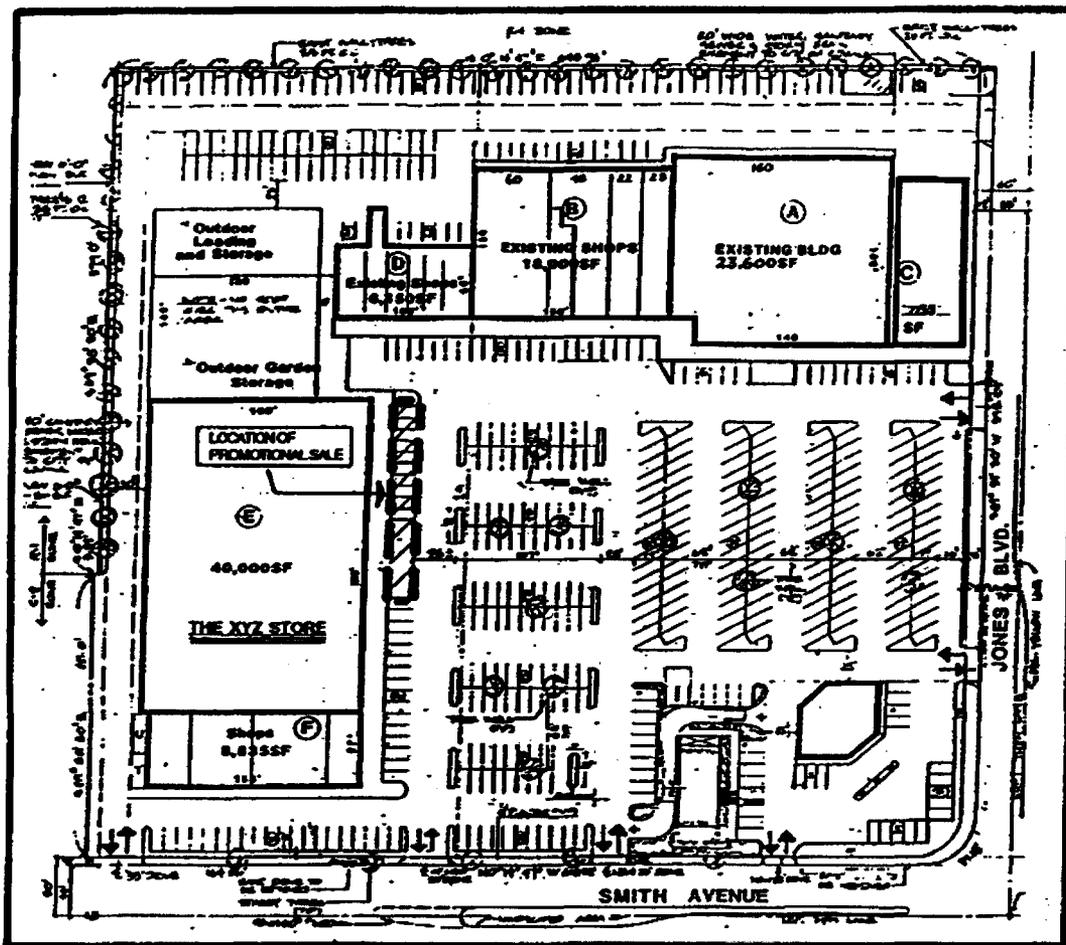
The purpose of the ACUP process is to ensure such events are safe and do not significantly disrupt the welfare of surrounding residents and businesses. Representatives from the City's Planning, Building, Fire, Police, and Engineering Departments look over the requests to make sure they will be conducted in a safe and reasonable manner. The City Code permits a group to hold no more than two events in any calendar year for periods not exceeding fourteen (14) days, though Christmas tree lots and pumpkin patches may operate longer. It should be noted that private parties/social gatherings on residential properties and public school-sponsored fundraising activities conducted on school campuses are not subject to this process. The below guidelines describe the general Administrative Conditional Use Permit steps applicants must take. For clarification on the above or any matter presented in the handout, please speak to Covina Planning Division personnel.

ADMINISTRATIVE CONDITIONAL USE PERMIT APPLICATION GUIDELINES

1. Applicant picks up ACUP application (included in this handout) from and talks with the Planning Division as much in advance of activity as possible to ensure familiarity with the process and requirements and to resolve any matters with City staff, business/organization personnel, etc. FOR CHRISTMAS TREE LOTS, THERE IS AN ADDITIONAL FIRE DEPARTMENT HANDOUT THAT SHOULD BE CONSULTED.

2. Applicant submits completed application to Planning Division at least thirty (30) days prior to activity (to allow sufficient time for staff review). Be sure to provide all needed information, including property owner's approval, if necessary, an event description, seven (7) copies of the site plan (see last page for details), AND, IF REQUESTED, ANY ADDITIONAL INFORMATION TO ASSIST STAFF REVIEW.
3. BECAUSE OF COVINA PUBLIC SAFETY RESOURCE LIMITATIONS (I.E., THE POLICE DEPARTMENT CANNOT SERVE AN UNLIMITED NUMBER OF EVENTS ON A PARTICULAR SINGLE DAY), THE CITY MAY NOT BE ABLE TO APPROVE CERTAIN ACUP REQUESTS UNLESS CHANGES IN DATES ARE MADE. THIS IS ANOTHER REASON TO PICK UP AN APPLICATION AS EARLY AS POSSIBLE. SEE PLANNING STAFF FOR CLARIFICATION
4. There is a City review fee, which must be submitted along with the application. EXEMPT FROM THE FEE ARE FUND RAISING EVENTS HELD BY CIVIC, RELIGIOUS, FRATERNAL, AND EDUCATIONAL ORGANIZATIONS, AS DETERMINED BY THE CITY.
5. Following City review, if staff determines that the proposed temporary activity will be conducted in an adequate, safe, and functional manner with respect to the above noted areas/departments, then the Planning Division will formally approve the permit, notifying the applicant in a type-written letter mailed approximately twenty-five (25) days after the application is filed. AS PART OF THE APPROVAL PROCESS, THE CITY WILL IMPOSE REASONABLE CONDITIONS NECESSARY TO PROTECT THE PUBLIC HEALTH, SAFETY, AND WELFARE.
6. Besides the basic Administrative Conditional Use Permit, additional City permits may be required for such matters as a trailer placement, temporary electrical and/or water hookup, and banner or temporary signage installation. CONSULT CITY STAFF FOR CLARIFICATION PERTAINING TO THIS AREA, ALSO, IF ANY FOOD AND/OR ALCOHOLIC DRINKS WILL BE SERVED AT AN EVENT, THEN APPROVAL WILL BE NEEDED FROM, RESPECTIVELY, THE COUNTY HEALTH DEPARTMENT AND/OR THE STATE DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL (ABC). CONTACT THOSE AGENCIES FOR THEIR REQUIREMENTS AND PERMIT PROCEDURES.
7. FAILURE TO OBTAIN AN ADMINISTRATIVE CONDITIONAL USE PERMIT OR ANY RELATED PERMITS IN CONJUNCTION WITH AN ABOVE-DESCRIBED TEMPORARY ACTIVITY IS A MISDEMEANOR AND SUBJECTS OPERATOR TO CITATION AND FINE.

**SAMPLE SITE PLAN FOR COVINA
ADMINISTRATIVE CONDITIONAL USE PERMIT PROCESS**



EVENT:

Parking lot sale - general merchandise
 The XYZ Store - 923 North Smith Avenue, Covina
 From December 3 through 12, 1993 - 7:00 a.m. to 10:00 p.m. each day
 Contact person: John Doe (of XYZ) - (818) 555-2345

NOTE: INDICATED 'PROMOTIONAL SALE' AREA WILL BE SEPARATED AND SECURED WITH TEMPORARY FIVE (5) FOOT HIGH CHAINLINK FENCE. THERE WILL NOT BE ANY TENTS USED.

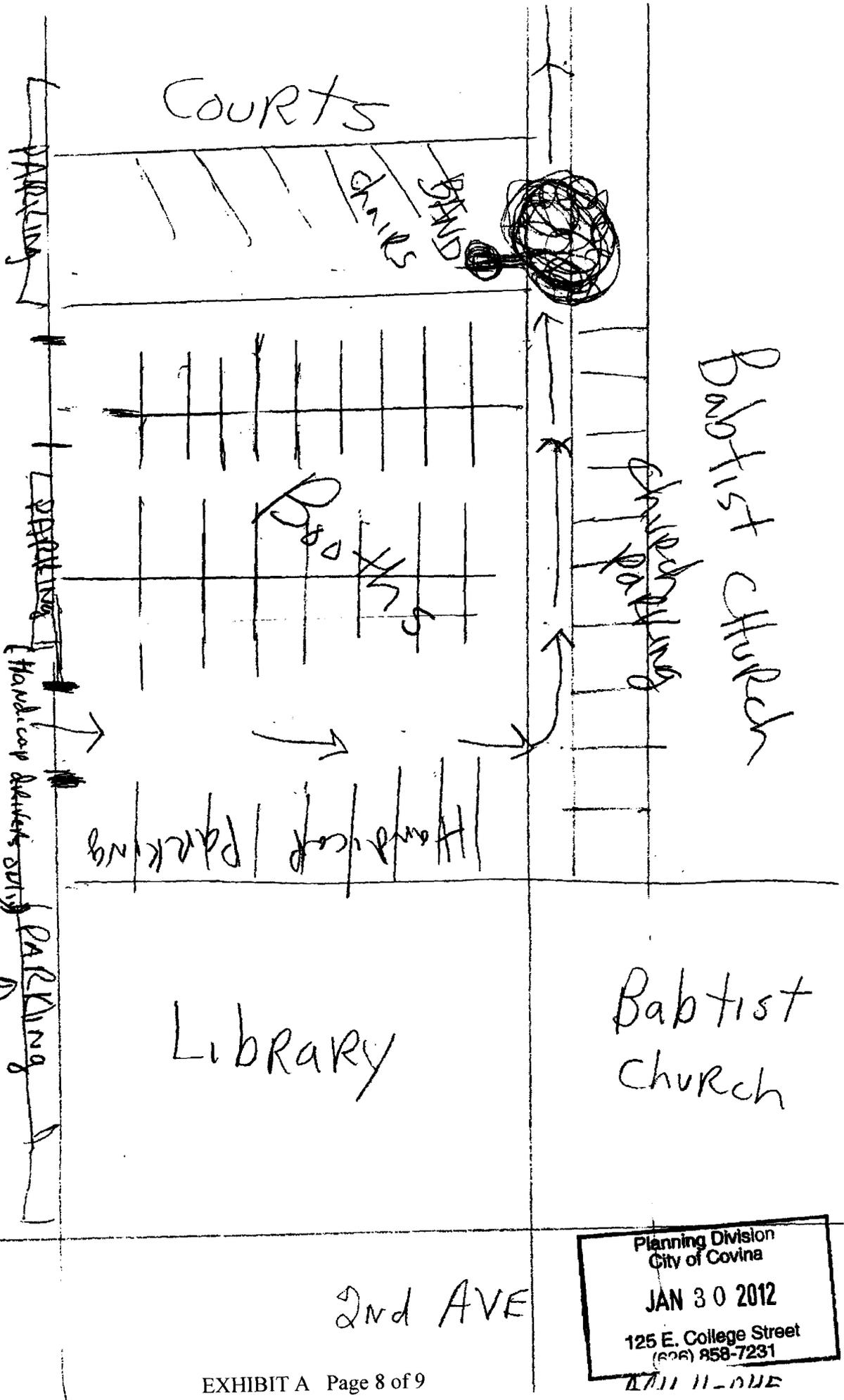
**SITE INGRESS/EGRESS
POINTS**



PLEASE NOTE THE FOLLOWING:

1. Submitted site plan must illustrate specific location of temporary activity in relation to buildings, structures, walkways, parking, vehicular access, street ingress/egress, etc. The site plan may be either a reproduction of an official, detailed project plan (such as shown above) or a hand drawn diagram, if clean, neat, and reasonably to scale. Include a north arrow.
2. Be sure to write on plan a) the name and street address of activity sponsor, b) dates and times of event, and c) the name and phone number of event's contact person, as shown with sample plan.
3. In terms of details for temporary activity itself, please clarify a) entire limits of activity location, b) location, type, and height of any fencing used, c) location, size, type, and materials of any tents used (fire retardation certificate required), d) location and type of and fire extinguishers and hose bibs used, and e) locations of any portable toilet(s) used. (IF THERE WILL NOT BE ANY TENTS USED, PLEASE SO INDICATE ON PLAN.)
4. For Christmas tree lots, see separate Covina Fire Department handout on additional information to be submitted with application and shown on plan.
5. BESIDES ITEMS 1 - 4 ABOVE, THE PLANNING DIVISION MAY REQUEST ANY ADDITIONAL REASONABLE DETAILS TO BE ILLUSTRATED ON THE PLAN TO FACILITATE APPLICATION REVIEW.

PARKING
at church
parking



I+ALIA

PARKING
Handicap Accessible spots

PARKING
at Police Center

Planning Division
City of Covina
JAN 30 2012
125 E. College Street
(626) 858-7231



file



CITY OF COVINA

125 East College Street • Covina, California 91723-2199
www.covinaca.gov

February 14, 2012

Norm Klemz
Friends of the Covina Library
17047 Brookport Street
Covina, CA 91722

Subject: Administrative Conditional Use Permit, ACU 11-045 to conduct a "50th Anniversary for the Friends of Covina Library" event on Saturday, June 23, 2012 from 10:00 A.M. to 5:00 P.M. at the City of Covina Library parking lot located at 234 N. Second Avenue, in Covina

Dear Mr. Klemz:

The City of Covina Community Development Department, Planning Division has completed the review of your application for an Administrative Conditional Use Permit (ACU) to conduct the above referenced event on Saturday, June 23, 2012 between the hours of 10:00 A.M. and 5:00 P.M. Unfortunately at this time the Planning Division is unable to approve your request to hold the above referenced event located at the Covina Library parking lot due to the following:

1. The following comment from the Human Resources Department is applicable:
 - a. The requested event shall be denied due to the potential risk factors such as injury to individuals surrounding the cement blocks in the Library parking lot and risk to individuals traveling from the municipal parking lot on Italia Street crossing Second Avenue to the event.
2. The following requirements from the Building Division are applicable:
 - a. Do not block existing accessible parking stalls, paths of travel, or building entrances and exits.
 - b. Provide accessible restrooms at all times during the event.

If you have any questions or need additional information, please contact the Planning Division at (626) 384-5450.

Sincerely,

Vidal F. Márquez
Planning Intern

**Cc: Robert Neiuber, Director of Community Development
Shelby Williams, City Planner
Anthony Arroyo, Director of Human Resources
Flent McClain, Deputy Building Official**

CITY OF COVINA
AGENDA ITEM COMMENTARY

MEETING DATE: March 6, 2012

ITEM NO.: NB 2

STAFF SOURCE: Robert Neiuber, Director of Community Development *N*
William J. Priest, Assistant City Attorney

ITEM TITLE: Interim Urgency Ordinance establishing a 45-day moratorium on the permitting of new smoke shops and tobacco stores (City-wide)

STAFF RECOMMENDATION

1. Waive first reading, read by title only and adopt the attached **interim urgency ordinance No. 12-206** (Exhibit "A") establishing a 45-day moratorium on the permitting of new smoke shops and tobacco stores (City-wide).
2. Direct staff to study revisions to the City's existing zoning regulations to address smoke shops and tobacco stores.

FISCAL IMPACT

None.

BACKGROUND

Recently the Planning Department has received inquiries and considered a number of applications for new smoke shops within the City. This proliferation of smoke shops and tobacco stores and the products that they sell has raised concerns about the compatibility of this use in the zones that it is currently allowed. More specifically, the Police Department has expressed concerns that such facilities may promote illegal drug use and may conflict with the long-term planning goals of the City of Covina. Permitting the sale of tobacco and/or tobacco paraphernalia may promote the consumption and purchase of tobacco by children and minors by increasing their exposure to tobacco and tobacco-related paraphernalia. Such exposure may have negative effects upon the welfare of children and minors, as well as the operation of nearby commercial and residential uses. The proposed urgency ordinance establishes a moratorium on the operation of new smoke shops and tobacco stores in order to allow the City to study the impacts of such uses.

The proposed urgency ordinance temporarily prohibits new smoke shops and tobacco stores from opening in Covina until a detailed study of possible regulations for such establishments may be made. As noted above, smoke shops and tobacco stores may have negative impacts that include threatening the welfare of children and minors by increasing their exposure to illegal drug-related paraphernalia and creating a high concentration of illegal drug-related uses incompatible with other businesses and residences in the neighborhood.

For purposes of this moratorium staff is defining Smoke Shop and Tobacco Store as any retail store where 10% or more of the store's floor area and shelf space is devoted to tobacco and related paraphernalia including but not limited to pipes, papers and lighters. The City currently does not restrict the location and operation of such uses in retail zones. Once the City has completed its study of the potential impacts of smoke shops and tobacco stores, it may then amend its land use regulations to restrict the location of such uses and impose any other reasonable conditions that it deems necessary.

Staff believes that this moratorium is necessary to allow the City to time establish a comprehensive policy that addresses concerns about smoke shops and tobacco stores and their impacts to the surrounding community. Additionally, adoption of the moratorium will give staff time to move forward with any necessary changes to the land use regulations.

Further, California case law has established that moratorium ordinances cannot prohibit the processing of applications - only their approval. Nevertheless, it is staff's opinion that this proposed moratorium is a proactive approach to address a potential significant impact to the residents of the community, while minimizing legal risks. Therefore, staff is recommending that the City Council adopt the Urgency Ordinance and direct staff to study and draft a comprehensive policy on smoke shops and tobacco stores.

Adoption of the moratorium ordinance will require a 4/5 vote of the City Council.

Compliance with the California Environmental Quality Act (CEQA)

Staff recommends that City Council find that this ordinance is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

RELEVANCE TO THE STRATEGIC PLAN

Adoption of this Urgency Ordinance will assist in the development of a sustainable community by pursuing the adoption of land use and aesthetic standards that promote neighborhood compatibility.

EXHIBITS

A. Interim Urgency Ordinance No. 12 – 2006

REVIEW TEAM ONLY		
City Attorney: _____	M ²	Finance Director: _____
City Manager: _____	✓	Other: _____

INTERIM URGENCY ORDINANCE NO. 12-2006

**AN INTERIM URGENCY ORDINANCE OF THE CITY OF COVINA,
CALIFORNIA, ESTABLISHING A MORATORIUM ON THE
DEVELOPMENT OF NEW SMOKE SHOPS AND TOBACCO STORES
(CITY-WIDE) FOR A PERIOD OF 45 DAYS, PENDING THE ADOPTION OF
ANY AND ALL NECESSARY AMENDMENTS TO THE CITY'S LAND USE
REGULATIONS, AND SETTING FORTH THE FACTUAL BASIS FOR
SAME AS AN URGENCY ORDINANCE**

THE CITY COUNCIL OF THE CITY OF COVINA, CALIFORNIA, DOES HEREBY
ORDAIN AS FOLLOWS:

SECTION 1. This interim urgency ordinance is adopted pursuant to Section 65858 of the California Government Code.

SECTION 2. The City of Covina shall not issue or approve any business license, building permit, conditional use permit, variance, site plan approval, or other land use entitlement for the development of any new smoke shop or tobacco store within the City of Covina during the time that this interim ordinance is in effect. For purposes of this Section 2, the term "smoke shop and tobacco store" shall mean a retail store where 10% or more of the store's floor area and shelf space is devoted to the sale or display of tobacco, tobacco smoking products, and related smoking paraphernalia including but not limited to pipes, papers and lighters, or any combination thereof.

SECTION 3. *Urgency Findings.* In accordance with California Government Code, Section 65858 and in order to protect the public health, safety and welfare, the City Council of the City of Covina hereby finds, determines and declares that this interim urgency ordinance is necessary because:

- A. The proliferation of new smoke shops and tobacco stores within the City presents a current and immediate threat to the public health, safety and welfare in that such facilities and the products that they carry has raised concerns about the compatibility of this use in the zones that it is currently allowed. More specifically, the Police Department has expressed concerns that such facilities may promote illegal drug use. Such a business may have negative effects upon the welfare of children and minors as well as the operation of nearby commercial and residential uses. The City has received numerous inquiries regarding the development of new smoke shops and tobacco stores within the City and, the City anticipates that it will receive additional applications and inquiries in the near future. The City must prohibit the further development of new smoke shops and tobacco stores until the City Council completes its analysis of how best to regulate these kinds of uses so that the City remains in compliance with Federal and State Law, while mitigating the negative secondary effects identified above to the greatest extent possible.

- B. Government Code, Section 65858 authorizes the City to adopt an interim Urgency Ordinance to protect the public safety, health and welfare and to prohibit uses which may be in conflict with a contemplated General Plan or zoning proposal which the City is considering, studying or intends to study within a reasonable time.
- C. The purpose of this moratorium is to protect the public safety, health and welfare of the citizens of the City of Covina by prohibiting the approval of land use entitlement applications and other permits for smoke shops and tobacco stores within the City. The issuance or approval of any building permit, conditional use permit, variance, site plan approval, or other land use entitlement for the development of new smoke shops and tobacco stores would result in a threat to the public health, safety and welfare in that the standards or regulations in the City's municipal code addressing such facilities are outdated. Additionally, to allow the approval of land use entitlements for the development of new smoke shops and tobacco stores in the City at this time while the City considers amending its zoning regulations could result in the establishment of inconsistent land uses which would be harmful to the public health, safety and welfare.

SECTION 4. The City Council hereby enacts this interim urgency ordinance by not less than a four-fifths (4/5) vote, and in light of the findings set forth in Section 3, under the authority granted to it by Article XI, Section 7 of the California Constitution and Section 65858 of the California Government Code, which allows the City to adopt an interim urgency ordinance prohibiting land uses which may be in conflict with a zoning proposal that the City Council, planning commission or the planning department is considering or studying or intends to study within a reasonable time. The City Council hereby directs the Planning Division of the Community Development Department to consider and study possible means of regulating new smoke shops and tobacco stores including zoning and other regulations permissible under Federal and State law.

SECTION 5. Ten (10) days prior to the expiration of this interim urgency ordinance, or an extension thereof, the City Council shall issue a written report describing the measures which the City has taken to address the conditions which led to the adoption of this ordinance.

SECTION 6. This interim urgency ordinance shall take effect immediately upon its adoption by a four-fifths vote of the City Council. This interim urgency ordinance shall continue in effect for forty-five (45) days from the date of its adoption and shall thereafter be of no further force and effect unless, after notice pursuant to California Government Code Section 65090 and a public hearing, the City Council extends this interim urgency ordinance pursuant to California Government Code Section 65858.

SECTION 7. Not later than fifteen (15) days following the passage of this interim urgency ordinance, the ordinance, or a summary of the ordinance, along with the names of the City Councilmembers voting for and against the ordinance, shall be published in a newspaper of general circulation in the City of Covina.

SECTION 8. The City Council finds that this ordinance is not subject to the California

Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

SECTION 9. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have adopted this ordinance, and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more sections, subsections, subdivisions, sentences, clauses, phrases, or portions thereof be declared invalid or unconstitutional.

PASSED AND APPROVED this 6th day of March, 2012.

Mayor

ATTEST:

Deputy City Clerk

APPROVED AS TO FORM;

City Attorney

CERTIFICATION

I, Catherine LaCroix, Deputy City Clerk of the City of Covina, do hereby certify that the foregoing Urgency Ordinance 12-2006 was introduced and adopted at a regular meeting of the City Council of the City of Covina, duly held the 6th day of March, 2012, and duly passed by the following vote of the Council:

AYES:

NOES:

ABSTAIN:

ABSENT:

Catherine LaCroix
Deputy City Clerk

CITY OF COVINA
AGENCY ITEM COMMENTARY

MEETING DATE: March 6, 2012

ITEM NO.: NB 3

STAFF SOURCE: Catherine LaCroix, Deputy City Clerk 

ITEM TITLE: Mayor and City Council to consider proposed appointment to the Covina Library Board of Trustees

STAFF RECOMMENDATION

Mayor to consider suggested appointment to the Covina Library Board of Trustees and the City Council to ratify said appointment by Mayor or schedule interview of applicant.

FISCAL IMPACT

There is no fiscal impact associated with this item.

BACKGROUND

In July 2011, recruitment efforts began for the City's Boards, Commissions and Committees; however, insufficient applications were received to fill all the vacancies on the Library Board of Trustees. The City Clerk's Office has since received one application for the remaining vacancy on the Library Board. The applicant meets the requirements for appointment.

Pursuant to Education Code Section 18910, the Mayor is responsible for appointing members to the Covina Library Board, with the consent of the legislative body of the municipality.

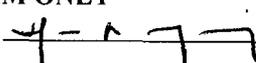
The applicant appointment would be for the remainder of the term, expiring on June 30, 2012.

RELEVANCE TO THE STRATEGIC PLAN

There is no direct relevance to the Covina Strategic Plan.

EXHIBITS

A. Application: Gayle Mitchell

REVIEW TEAM ONLY	
City Attorney: 	Finance Director: 
City Manager: 	Other: _____

COPY

CITY OF COVINA

BOARD, COMMISSION AND COMMITTEE MEMBER
CANDIDATE APPLICATION

RECEIVED BY
COVINA CITY CLERK
12 FEB 21 11:11 AM '12

INSTRUCTIONS: Complete this application and return it to the City Clerk's Office, 125 East College Street, Covina, CA 91723.
If you have any questions, please contact the City Clerk's Office at (626) 348-5430.

Please TYPE or PRINT clearly in ink.

BOARD, COMMISSION OR COMMITTEE: Library Board of Trustees,

Your Name: Gayle Mitchell (Worrell)

Home Address: [REDACTED]

Business Address: [REDACTED]

Home Telephone No: [REDACTED] Cell Telephone No: [REDACTED]

Occupation: Physician / Mother Business Telephone No: ()

Why do you wish to serve the City? Since moving to the city in 2002, I have been a faithful library user, as my children have grown we have been involved in local swimming, T-bar and farmers markets. We want

What experience or education have you had relative to this field of concern?
A busy mother who allows her children to use the library and local city services. Both children use the library for book reports. I use it for school resources. to be involved in the growth of our city

What other City boards, commissions or committees have you served?
None

To what civic service organizations do you belong? None, this will be my first.

How did you become interested in this field of concern? I am familiar with your children's library and have been impressed with the level of care and services offered.

Will you be able to attend all meetings of the Board/Commission/Committee? Yes No
(If NO, please explain) Most of them yes

Are you willing to file a State financial disclosure statement as required? Yes No

Are you able and willing to complete the Local Government 101 requirements? Yes No
(If NO, please explain)

Is an application for a re-appointment? Yes No

[Handwritten Signature]
Signature of Applicant

Dated: 2-1-2012

CITY OF COVINA
AGENCY ITEM COMMENTARY

MEETING DATE: March 6, 2012

ITEM NO.: NB 4

STAFF SOURCE: Daryl J. Parrish, City Manager
Marco A. Martinez, City Attorney
Catherine LaCroix, Deputy City Clerk

ITEM TITLE: City Council to discuss and consider City Council reorganization

STAFF RECOMMENDATION

City Clerk to conduct the election for Mayor and Mayor Pro Tempore.

FISCAL IMPACT

There is no fiscal impact associated with this item.

BACKGROUND

Two members of the City Council, Mayor King and Mayor Pro Tem Stapleton, have requested that this item be brought to the City Council for discussion and action. The City Council has traditionally rotated the position of Mayor and Mayor Pro Tempore every year at the second City Council meeting in March. In election years, such a transition is required by California Government Code Section 36801. That section provides as follows:

§ 36801. Selection of mayor and mayor pro tempore

The city council shall meet at the meeting at which the declaration of the election results for a general municipal election is made pursuant to Sections 10262 and 10263 of the Elections Code and, following the declaration of the election results and the installation of elected officials, choose one of its number as mayor, and one of its number as mayor pro tempore.

However, in non-election years there is no set time during which the mayoral transition takes place. Further, according to the City Attorney, the California Attorney General has opined that (except for the guidance of Section 36801) there is no fixed term for the mayor and mayor pro tem of a general law city. Thus, they serve at the pleasure of the council that selects them.

In this case, Mayor King and Mayor Pro Tem Stapleton are requesting that the Council consider the selection of the mayor and mayor pro tem at the first meeting in March. However, in keeping with the City's tradition of seating and new mayor and mayor pro tem at the second meeting in March, the selections will not be effective until that second meeting. Such a process allows the outgoing and incoming mayor and mayor pro tem to invite family and friends to the transition ceremony. In addition, it allows City staff to prepare for the ceremonial transition that occurs during this meeting.

