



Workshop Meeting A G E N D A



IMPERIAL BEACH CITY COUNCIL REDEVELOPMENT AGENCY PLANNING COMMISSION PUBLIC FINANCING AUTHORITY

JULY 13, 2011

**CLOSED SESSION – 6:00 P.M.
WORKSHOP – 6:30 P.M.**

**Community Room (Behind City Hall)
825 Imperial Beach Boulevard
Imperial Beach, CA 91932**

THE CITY COUNCIL ALSO SITS AS THE CITY OF IMPERIAL BEACH REDEVELOPMENT AGENCY, PLANNING COMMISSION, AND PUBLIC FINANCING AUTHORITY.

The City of Imperial Beach is endeavoring to be in total compliance with the Americans with Disabilities Act (ADA). If you require assistance or auxiliary aids in order to participate at City Council meetings, please contact the City Clerk's Office at (619) 423-8301, as far in advance of the meeting as possible.

CLOSED SESSION CALL TO ORDER BY MAYOR

ROLL CALL BY CITY CLERK

CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION

Initiation of litigation pursuant to subdivision (c) of Section 54956.9 (1 case)

RECONVENE AND ANNOUNCE ACTION (IF APPROPRIATE)

WORKSHOP MEETING CALL TO ORDER BY MAYOR

ROLL CALL BY CITY CLERK

PUBLIC COMMENT - *Each person wishing to address the City Council regarding items not on the posted agenda may do so at this time. In accordance with State law, Council may not take action on an item not scheduled on the agenda. If appropriate, the item will be referred to the City Manager or placed on a future agenda.*

REPORTS

- 1. BUDGET DISCUSSION. (0330-30)**

ADJOURNMENT

Jacqueline M. Hald, MMC
City Clerk

Any writings or documents provided to a majority of the City Council/RDA/Planning Commission/Public Financing Authority regarding any item on this agenda will be made available for public inspection in the office of the City Clerk located at 825 Imperial Beach Blvd., Imperial Beach, CA 91932 during normal business hours.



CITY OF IMPERIAL BEACH

TO: City Council
FROM: Gary Brown, City Manager
SUBJECT: Council Workshop
DATE: July 13, 2011

Though there are many potential topics, we suggest that Council concentrate on budgeting matters for this workshop in light of the continuing weak economy and the legislature's actions on redevelopment.

The legislature adopted SB14 and AB26 which abolishes redevelopment agencies on October 1, 2011 unless, as authorized in AB27 and SB15, the city that created the redevelopment agency notifies the county auditor-controller, the State Controller and the Department of Finance that it will pay amounts established by the State Department of Finance to the county auditor-controller who will deposit the payments into a "Special District Allocation Fund, for specified allocation to certain special districts, and into the county Educational Revenue Augmentation Fund." The first year's payment by Imperial Beach is \$2.863M and succeeding years would be \$673,000. (The legislature could increase the amounts for succeeding years. Also, our city may appeal the amounts because the state's calculations did not include the city's second bond obligation.) Attached are an analysis of the laws and frequently asked questions and answers prepared by the California Redevelopment Association (CRA). The CRA plans to challenge the constitutionality of the laws within several weeks and ask for a stay of payments until the substantive questions can be adjudicated.

We'd like to discuss with Council topics such as:

1. The financial feasibility of retaining the agency.
2. Consequences of retaining and terminating the agency.
3. Fiscal impact of the agency ceasing to do business.

Related to the overall budget we'd like to review ideas for increasing revenues and ways to reduce costs. Attached are ideas for your consideration. Ideas to increase revenues are a collection of brainstorming thoughts, and we'd need to sort through them to concentrate on a few. We need to consider cost reduction and/or revenue enhancements in the range of \$300,000 – \$400,000 due to the potential impact of the loss of the redevelopment agency and the costs of retaining the agency. These numbers may change as we get a better understanding of the redevelopment laws and how they relate to redevelopment bonds and other redevelopment obligations. Another factor is CRA's legal challenge to the state's new redevelopment laws and the short and long term decisions reached by the courts. In the short term cities may not have to make payments to the County because of a stay requested by CRA, but in the longer term cities may still need to make the payments depending on court decisions.

Given the uncertainties we suggest that staff return to a regular Council meeting(s) for Council to:

1. Decide on \$300,000 - \$400,000 in cost reductions and/or revenue enhancements to be implemented by January 1, 2012.
2. Decide whether to retain the redevelopment agency. This will entail resolutions and ordinances required by the new redevelopment laws and deciding on the sources of funds to make the payments.

(Keep in mind Council cannot make formal decisions at a workshop, but can thoroughly discuss topics.)

We look forward to discussing these matters with Council.

Attachments:

1. Analysis of SBX1 14 & 15 and ABX1 26 & 27
2. AB 1X 26-27 FAQs
3. Important Redevelopment Decisions
4. Revenue Enhancements
5. Cost Savings

Analysis of SBX1 14 & 15 and ABX1 26 & 27

What do the bills do?

SBX1 14 and ABX1 26

SBX1 14 and ABX1 26 are very similar to the Governor's initial proposal to eliminate redevelopment agencies – AB 101 and SB 77. The bills do not, however, provide for any payment to the State, as the Governor's initial proposal did. Redevelopment agencies would cease to exist as corporate governmental entities as of October 1, 2011. Until that date, agencies are prohibited from taking essentially any actions other than payment of existing indebtedness and performance of existing contractual obligations. On October 1, all agency property and obligations would be transferred to successor agencies, except for the assets of the low and moderate income housing fund, and overseen by an oversight board, the county auditor-controller and the Department of Finance, as previously proposed. Assets in the low and moderate income housing fund would be transferred to the auditor-controller for distribution to taxing agencies. Successor agencies would be charged with repaying existing indebtedness, completing performance of existing contractual obligations and otherwise winding down operations and preserving agency assets for the benefit of taxing agencies.

SBX1 15 and ABX1 27

SBX1 15 and ABX1 27 provide that, notwithstanding SBX1 14 or ABX1 26, an agency may continue to operate and function if the community has enacted an ordinance by November 1, 2011. The contents of the ordinance are not described however, it apparently involves the host city or county making a commitment to make annual payments into a Special District Allocation Fund ("SDAF") and Educational Revenue Augmentation Fund ("ERAF") established for each county and administered by the county auditor-controller. The amount of the payment for each city or county is calculated by the Department of Finance and communicated to cities and counties not later than August 1, 2011. The formula is different than previous ERAF and SERAF calculations. For FY 2011-12, the Department of Finance would:

1. Determine the net tax increment apportioned to each agency and all agencies state-wide. Net tax increment is gross tax increment received in FY 2008-09, less pass-through payments (contractual and statutory), debt service on tax allocation bonds¹ and property tax administration fees paid to the county.
2. Determine each agency's proportionate share of state-wide net tax increment by dividing each agency's net tax increment by total state-wide net tax increment.
3. Multiply \$1.7 billion by the agency's proportionate share of state-wide net tax increment.
4. Perform the same exercise using gross instead of net tax increment.
5. The amount of the payment for each city or county is the average of the agency's net and

¹ The language of the bill apparently limits the deduction for debt service to tax allocation bonds and does not recognize other forms of indebtedness for which tax increment may be pledged, including certificates of participation, revenue bonds, reimbursement agreements, etc.

gross share. There is a provision for an abbreviated appeal of the calculation to the Director of the Department of Finance.

For FY 2012-13 and subsequent years, the payments would be the sum of:

1. A base payment equal to the base payment in the prior fiscal year, increased or decreased by the percentage growth or reduction in the total adjusted amount of property tax increment allocated to the agency from project areas in existence during FY 2011-12. "Adjusted amount of property tax revenue" means gross tax increment less debt service or other payments for new debt issuances or obligations. For FY 2012-13, the base payment in the prior fiscal year is the payment described above for 2011-12 multiplied by a ratio of \$400 million to \$1.7 billion; and
2. Eighty percent (or a lesser percentage, as explained below) of the total net school share of debt service for debt issued on or after November 1, 2011, excluding low and moderate income housing fund indebtedness. The "net school share" is defined as the share of tax increment that would have been received by schools in the absence of redevelopment, less pass-through payments to schools.

The Legislature declares its intention to enact legislation in 2011-12 to prescribe a schedule of reductions in the amount of the payments related to the school share of tax increment for bonds issued for the purpose of funding projects that advance state-wide goals with respect to transportation, housing, economic development and job creation, environmental protection and remediation, and climate change.

Payments are made in two equal installments on January 15 and May 15.

Payments are divided among fire protection districts, transit districts and schools in redevelopment project areas. In FY 2011-12, the total amount paid to schools would be considered property taxes and offset State Prop. 98 obligations to fund education. The bills are ambiguous on this point, but it appears that in subsequent years, the payments would not be considered property taxes and would not offset payments to schools, thus providing no State budget relief.

A city or county may enter into an agreement with its redevelopment agency whereby the redevelopment agency will transfer a portion of its tax increment to the city or county in an amount not to exceed the required payments for the purpose of financing activities within the project area that are related to accomplishing redevelopment project goals. This would presumably compensate the city or county for the payments to the State however, use of tax increment is limited by Constitutional and statutory provisions that limit its use for general municipal purposes.

For FY 2011-12 only, an agency within a city or county that makes the required payments is exempt from making the full allocation required to be made to its low and moderate income housing fund. The agency must find that there are insufficient other moneys to make the payment.

If a city or county fails to make the required payments after adopting the ordinance, then its redevelopment agency would become subject to the elimination provisions of SBX1 14 and ABX1 26.

The bill also contains a provision designed specifically for the Los Angeles Community Redevelopment Agency that would reverse a court ruling, permitting the Agency to receive tax increment from two recent redevelopment projects adopted to replace the expiring Central Business District Redevelopment Project, using a base year of FY 2011-12.

What Are the Legal Problems?

The basic legal problem is that the bills are inconsistent with various Constitutional provisions which protect city and county property tax and redevelopment agency tax increment. These bills ignore these protections by: (1) accomplishing indirectly what cannot be done directly; and (2) calling the payments “voluntary.” “Voluntary” means acting or done willingly and without constraint or expectation of reward.” The bills’ “voluntary payment” would be done with constraint and the expectation that the payment would stave off elimination of the redevelopment agency.

Specifically, the bills violate the following provisions of the California Constitution:

1. Article XIII A, section 25.5, which prohibits city or county property tax from being used for schools.
2. Article XIII A, section 1, which prohibits the transfer of property tax to transit districts.
3. Article XIII, section 24, which prohibits the Legislature from restricting the use of taxes imposed by local governments for their local purposes.
4. Article XIII A, section 25.5, which prohibits indirect allocation of tax increment to schools, transit districts and fire protection districts.
5. Article XVI, section 6, which prohibits the transfer of city or county revenues to schools and transit districts and fire protection districts which is an unlawful gift of public funds.
6. Article XIII B, which prohibits the use of property tax to fund state mandates.
7. Article XVI, section 16, which requires all tax increment to be used to repay indebtedness incurred by the redevelopment agency to carry out the redevelopment project.
8. Article XIII A, section 25.5, which prohibits city and county property tax from being transferred to special districts without a 2/3 vote.

AB 1X 26-27 FAQs

PLEASE NOTE: AB1X 26 (the “Dissolution Bill”) and AB1X 27 (the “Continuation Bill”) are very complex and in many respects poorly drafted and ambiguous. This Q&A is intended to give general answers to general questions. Each agency should consult with its legal counsel concerning the application of the legislation to its specific circumstances.

- 1. Q: CRA intends to file a legal challenge to the Dissolution and Continuation Bills. When will that happen and what impact will it have?**

A: CRA’s and the League of California Cities’ lawsuit will be filed in the next few weeks in the California Supreme Court. CRA will seek an immediate stay of the Dissolution and Continuation Bills in order to preserve the status quo pending a decision on the constitutionality of these laws. If the Court grants a stay, some or all of the provisions of the Dissolution and Continuation Bills will be suspended until the Court makes a decision on the merits of the case. It is difficult to predict the exact parameters of a stay but, at a minimum, it should suspend the dissolution of agencies and the time for making Continuation Payments. It is difficult to predict when the Court will act on the request for a stay, but we believe it will act before agencies are dissolved (October 1, 2011), if it intends to issue a stay. Until a stay is issued, the Dissolution and Continuation Bills remain law.

- 2. Q: How will cities/counties that have enacted a Continuation Ordinance be affected by the lawsuit?**

A: Cities and counties that enact a Continuation Ordinance will be able to continue normal operations, subject to payment of the Continuation Payments. If the Court issues a stay that suspends the time for making the Continuation Payments, then agencies would not have to make those payments unless and until the Court finally concludes they are constitutional. CRA will provide additional guidance when and if the Court issues a stay.

- 3. Q: How long will it take to decide the case on the merits?**

A: This is difficult to predict. It depends on the Court. If the Court issues a stay, the need for an immediate decision may be moderated, depending on the terms of the stay. CRA will urge the Court to decide the case as quickly as possible so that agencies can know how to plan.

- 4. Q: Should agencies be considering filing their own actions in addition to CRA’s lawsuit?**

A: CRA’s lawsuit will challenge the constitutionality of the legislation on its face as violating Proposition 22, Article XVI, section 16 and other provisions of the California Constitution. Some agencies may have special factual situations created by the legislation’s application to their specific circumstances that would be beyond the scope of CRA’s lawsuit. Agencies should consult their attorneys to determine if an individual suit would be warranted. If an agency intends to file a separate suit, please notify CRA. Copies of CRA’s pleadings will be available on its website once the case is filed.

5. Q: AB1X 26-27 became effective June 29 upon the signature of the State Budget by the Governor. What can agencies do now?

A: AB1X 26 (i.e. the “Dissolution Bill”) prescribes strict limits on what redevelopment agencies may do between its effectiveness date and October 1, 2011, when all redevelopment agencies will be legally dissolved unless the legislative body (city council or county board of supervisors) enacts an ordinance pursuant to AB1X 27 (i.e. the “Continuation Bill”) committing itself to make payments to school districts and special districts (the “Continuation Payments”). Until enactment of that ordinance (the “Continuation Ordinance”), agencies are prohibited from entering into new agreements or indebtedness, except as necessary to carry out “enforceable obligations” entered into prior to June 29. “Enforceable obligations” are defined as bonds,¹ loans, payments to the federal government or imposed by state law, judgments or settlements and contracts, including contracts necessary for the continued administration or operation of the agency.

Except to carry out enforceable obligations, an agency may not incur indebtedness (including bonds), refund or restructure indebtedness², redeem bonds, modify or amend the terms of payment schedules, execute deeds of trust or mortgages, or pledge or encumber any of its revenue. Agencies are also prohibited from making loans, entering into new agreements, amending the terms of existing agreements, renewing or extending leases, forgiving or altering the terms of loans or increasing deposits to the Low and Moderate Income Housing Fund beyond the minimum level required by law.

Except to carry out enforceable obligations, agencies are prohibited from acquiring or disposing of real property and other assets such as cash, accounts receivable, contract rights, or grant proceeds. Agencies are also prohibited from engaging in any activities related to the preparation, adoption or amendment of redevelopment plans.

6. Q: What about agency staffing?

A: Agencies are prohibited from adding staff beyond the number of staff employed as of January 1, 2011. However, agencies are specifically authorized and required to honor the terms of any collective bargaining agreements and enter into contracts necessary for the continued administration of the agency. The total number of staff may not increase, but within that limitation, new staff may be hired. Contracts with consultants are permitted if necessary for the continued administration of the agency. Many agencies have no employees and contract with their legislative body (city or county) for staff services. The language of the Dissolution Bill appears to be directed at employees of the agency and would not apply to legislative body employees who provide services to the agency under agreement.

7. Q: Are cooperation or reimbursement agreements between agencies and their host jurisdiction still valid?

A: Most redevelopment agencies have an agreement with their host legislative body (usually

¹ Note that the term “bonds” is defined broadly in the Community Redevelopment Law as “any bonds, notes, interim certificates, debentures, or other obligations issued by an agency . . .” (Health & Safety. Code Sec. 33602.) This definition would extend to more than formally issued bonds.

² There is a very limited exception to refunding bonds to avoid a default on outstanding bonds.

called a “cooperation agreement” or “reimbursement agreement”) pursuant to which the legislative body provides staff services, offices, equipment and other administrative necessities and the agency reimburses the cost of these. Sometimes these agreements are entered into when the redevelopment agency is established and before a redevelopment plan is adopted. Other times, these agreements are entered into later, such as upon the adoption of a new redevelopment plan. Some agencies have no written cooperation agreement, but have accomplished the same purpose through the annual adoption of their budget. Finally, since January 1, 2011, many redevelopment agencies have entered into agreements with their host legislative body pursuant to which the agency has transferred assets to the legislative body and the legislative body has agreed to complete redevelopment activities related to these assets.

During the interim period after the effective date of the Dissolution Bill and prior to October 1, 2011, it appears that cooperation agreements and reimbursement agreements for staffing and related administrative costs would remain in effect. During this interim period, the agency must continue to make payments and perform obligations under its enforceable obligations, which include “any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy” and “[c]ontracts or agreements necessary for the continued administration or operation of the redevelopment agency.” This language suggests that cooperation agreement or reimbursement agreement for agency staffing and similar costs would remain in effect until October 1, 2011, and the amounts due under those agreements should be listed on the agency’s initial repayment obligation schedule.

After October 1, 2011, nearly all agreements between cities and agencies would be rendered invalid. The Dissolution Bill explicitly states that after October 1, 2011, “. . . agreements, contracts, or arrangements between the city or county, or city and county that created the redevelopment agency and the redevelopment agency . . .” are invalid, subject to two narrow exceptions: (1) agreements entered into in connection with the issuance of bonds issued prior to December 31, 2010, solely for the purpose of repaying the bonds, and (2) agreements entered into within two years of the date of creation of the agency. This provision of the Dissolution Bill will invalidate many, perhaps most, cooperation agreements as of October 1, 2011. The successor agency will have the ability to enter or reenter into agreements with the host legislative body, subject to approval by the oversight committee. This would give the successor agency the option of contracting with the legislative body for continued staff services through a continuation of a cooperation agreement.

Other cooperation agreements, particularly those entered into since January 1, 2011, and involving a transfer of assets from the agency to the legislative body are at greater risk of being declared invalid. The Dissolution Bill declares that any transfer of assets from the redevelopment agency after January 1, 2011 is unauthorized, and grants the State Controller authority to order the legislative body to return any transferred funds or assets back to the redevelopment agency. Further, the Dissolution Bill indicates that nearly all agreements between the agency and the legislative body are terminated as of October 1, 2011. It is clear that the Dissolution Bill intends to invalidate any cooperation agreements entered into since January 1, 2011. It is questionable whether the State can invalidate these and other agreements with the legislative body in this manner, and individual agencies may choose to challenge these provisions of the Dissolution Bill based on their specific circumstances.

8. Q: What contractual obligations may an agency continue to carry out?

A: Contractual obligations entered into prior to June 29 are enforceable obligations and agencies have not only the right but the duty to carry them out.³ These would include disposition and development agreements, owner participation agreements, agreements for the purchase or sale of property, contracts for demolition, site remediation or the construction of public improvements. Moreover, new contracts necessary to implement those enforceable obligations may also be approved and carried out. For example, if a disposition and development agreement requires an agency to sell property to the developer and construct public improvements, the agency may enter into an agreement with a title insurance company to provide title insurance and may contract with a construction company to build the public improvements, even though these contracts may be entered into after June 29.

Some agencies have asked whether they may approve a disposition and development agreement when they have entered into an exclusive negotiation agreement with the developer prior to June 29. The answer to that question is more nuanced and may depend on the specific wording of the exclusive negotiation agreement. Agencies are encouraged to consult with their individual legal counsel.

9. Q: If the legislative body of an agency intends to adopt a Continuation Ordinance, what may the agency do before the ordinance is enacted?

A: Until the legislative body adopts a Continuation Ordinance, it is subject to the provisions of the Dissolution Bill.

10. Q: How soon may the legislative body enact a Continuation Ordinance?

A: The legislative body may enact a Continuation Ordinance as soon as it wants. The only statutory limitation is that the ordinance must be enacted before November 1, 2011. Until the Department of Finance notifies agencies of the amount of their Continuation Payment on August 1, 2011, agencies will not know precisely the amount of the payments, though the calculation made by CRA should be in the ballpark. The Continuation Bill also has a provision for appeal of the amount of the Continuation Payment. If a legislative body enacts a Continuation Ordinance before it is notified of the amount of its Continuation Payment, or during the appeal period, it should reserve its right to appeal.

11. Q: When is a Continuation Ordinance officially “enacted?”

A: Upon the second reading, unless enacted as an urgency ordinance, in which case the second reading is waived.

12. Q: Once a Continuation Ordinance is enacted, what may an agency do?

A: After enactment of a Continuation Ordinance, the Dissolution Bill is inapplicable to the agency and the agency may continue to operate normally as long as its legislative body makes the Continuation Payments.

³ With the possible exception of contracts with the legislative body, as noted above.

13. Q: If the legislative body enacts a Continuation Ordinance, may it later rescind the ordinance?

A: There is nothing in the Continuation Bill that limits a legislative body's authority to rescind the Continuation Ordinance. If the legislative body rescinds the Continuation Ordinance or fails to make the Continuation Payments, then the agency becomes subject to the Dissolution Bill.

14 Q: What funds can be used to make the Continuation Payment?

A: The Continuation Payment is an obligation of the legislative body, not the agency. As such, any City or County must recognize that if it agrees to make the Continuation Payment, it is ultimately legally responsible, irrespective of what happens to the redevelopment agency or its assets. The legislative body is authorized to utilize any available funds to make the payments, subject to otherwise applicable statutory and Constitutional restrictions. However, the agency and its legislative body are authorized to enter into an agreement whereby the agency transfers to the legislative body annually an amount not to exceed the Continuation Payment for that year for the purpose of financing activities within the redevelopment project.

15 Q: May an agency use low and moderate income housing funds to make the Continuation Payments?

A: The Continuation Bill provides that if the legislative body enacts a Continuation Ordinance and makes the Continuation Payments for the 2011-12 fiscal year, its agency is exempt from making the full allocation for that year to the low and moderate income housing fund. The Continuation Bill does not authorize use of housing fund money, other than the 2011-12 set-aside, to reimburse the legislative body for the Continuation Payment. Thus, the fund balance in the low and moderate income housing fund on June 30, 2011, must continue to be used to increase, improve and preserve the supply of affordable housing in the community.

Funds from the housing set aside or from accumulated low and moderate income housing funds cannot be used to make the payments for the 2012-13 fiscal year and beyond.

16. Q: What factors should the legislative body take into consideration before making a decision to enact a Continuation Ordinance?

A: Assuming that the legislative body will rely on the agency to reimburse it for the annual Continuation Payments, the legislative body should conduct a careful review of the agency's financial condition, including an annual cash flow analysis. A conservative projection of future annual tax increment should be prepared. From the annual tax increment, the following should be deducted:

1. Pass-through payments, both statutory and contractual;⁴
2. Debt service on bonds and other obligations;
3. Housing fund set-aside (except for fiscal year 2011-12);
4. The cost of contractual obligations under agreements;
5. Property tax administration fees paid to the county.

The analysis should also take into account the time and dollar limitations contained in the redevelopment plan. After deducting the foregoing and the Continuation Payment, the legislative body will need to determine if sufficient tax increment remains to continue to fund the redevelopment program.

⁴ Note that the method of calculating these payments may change over time. For statutory payments, the percentage of tax increment will increase over time in accordance with the formula in Section 33607.5. For pass-through agreements, the specific terms of the agreements should be reviewed.

Gary Brown

From: Mike McGrane
Sent: Tuesday, July 05, 2011 7:32 AM
To: Gary Brown
Subject: FW: Important Redevelopment Decisions

Per your request



Michael McGrane
Finance Director & Treasurer
City of Imperial Beach
825 Imperial Beach Blvd.
Imperial Beach, CA 91932
Phone: (619) 628-1361 - Fax: (619) 424-3481
mmcgrane@cityofib.org - www.cityofib.com

From: Issue Update Mailing [<mailto:updates@hdlccpropertytax.com>]
Sent: Thursday, June 30, 2011 1:01 PM
Subject: Important Redevelopment Decisions



Important Redevelopment Decisions for Pending California 2011-12 Budget

With the enactment of the budget and the anticipation of the Governor signing AB 26 and AB 27, redevelopment is now entering the most turbulent period of its history in which many significant decisions are going to have to be made in a very short time frame.

On **August 1st**, the Department of Finance will publish the amount of 2011-12 remittance amounts that must be paid by each redevelopment agency that "volunteers" to continue as a redevelopment agency. Agencies have only until **August 15th** to appeal and only if there is an error in the numbers or the agency's tax increment revenue has declined ten percent or more as a percentage of its tax allocation debt service and interest payments.

Prior to **October 1st** if a community intends to volunteer to make the payments and remain an active agency, it must enact a non-binding resolution of intent and notify the county auditor-controller, the Department of Finance and the State Controller.

On **October 1st** those redevelopment agencies that do not volunteer to pay remittances to the state will be dissolved and their assets transferred to Successor Agencies.

October 1st is the due date for Statements of Indebtedness. This will be the final statement of indebtedness for dissolving redevelopment agencies. For continuing redevelopment agencies it is important that all of the agencies' debt is listed. Future bonded indebtedness not listed on this statement of indebtedness will trigger additional payments to school districts which will reduce the amount of bond proceeds available for redevelopment purposes.

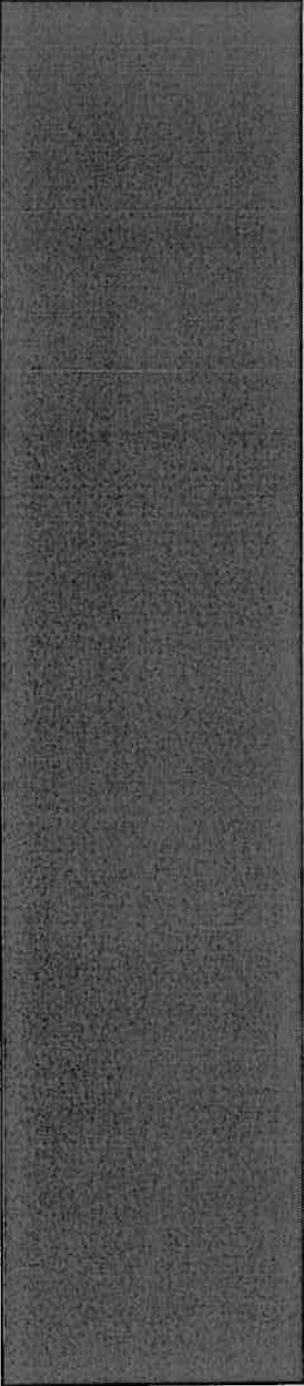
By **November 1st** the community must enact an ordinance to continue to exist and comply with the provisions of AB 27 including a commitment to make payments for the benefit of the State.

November 1st Successor Agencies submit their draft Redevelopment Obligation Payment Schedule to the State Controller and Department of Finance.

The fundamental decision each redevelopment agency must make within this timeframe is whether to stay in business as an active redevelopment agency or surrender its revenues and assets to a successor agency. To make that determination each redevelopment agency must examine the economic viability of continuing. Such an examination involves projecting its tax increment revenues into the future with consideration of the costs of the remittances, of its redevelopment plan limits, and its current and future level of debt service payments. Compounding the difficulty of the decision is the complexity and imprecise language of AB 26 and AB 27.

HdL Coren & Cone is uniquely qualified to assist your agency in making this important decision. We already maintain tax increment projections for your project areas. We have the documentation of the redevelopment plan limits. We have your taxable values. We have your tax-sharing agreements. These are some of the base components for the analysis necessary to make the decision necessary about the future of your redevelopment agency.

In the coming days and weeks we shall provide additional information and computations to assist you. As part of our effort we will need all your financial data including debt service schedules, statements of indebtedness, and all agreements that contain a commitment of tax increment revenue. To the extent we do not have all of the information we will contact you for the information. You can review the information we do have by checking our web site's Document Search System (www.hdlcompanies.com/docs), an on-line library of city redevelopment and finance



documents that we've collected through our work with clients. Given the tight deadlines we will be providing our assistance on a first come, first served basis. So please get us the necessary documents (in a PDF format) as soon as possible.

We are aware that the Community Redevelopment Association is planning a legal challenge to AB 26 and AB 27 that may result in a stay of the legislation and possibly overturn all or a portion of the new law. While we hope for the best we feel it is imperative that we prepare for the worst.

Please call us with any questions.

HdL Coren & Cone

Revenue Enhancements

1. \$10 Notary Fee
2. Portable/Temporary sign- Recovery Fee \$10.00
3. Wedding Ceremony Fee \$75.00 for residents
4. Rent out Council Chambers
5. Annual Business License Subscription- \$50.00
6. CD/DVD fee (For Meetings) \$5.00
7. Lien Fee
8. Demand Letter Fee- \$25.00 (\$50.00-Expedite- 2 day)
9. Temporary Staffing Pool
10. Fee Increases- 5% increase - \$45K per year
11. Encroachment permits, Home Occupancy Permits
12. Increase Costs/Charges for facility rentals
13. Parking meters (Electronic 2-hour) Along Seacoast Drive
14. Surface parking lots- Seacoast Drive/Palm
15. Fire Response Call Fee
16. Special Event Fee Increase (See #10 & 11)
17. Dog Drop-off Fee
18. Cost Allocation- Enterprise Accounts
19. Sell Adult School Property
20. Legal Services Fee (For permit Process)
21. Law Enforcement Fee
22. Crash Tax
23. Party Ordinance
24. Noise & Parking fines
25. Field lighting & Rental Fee
26. Increase revenue for soccer field use
27. Facility Management Contract (Private)
28. Sidewalk Repair Fee
29. Assessment District 62- Full Cost Recovery
30. Lighting District for whole city
31. Special Districts- Fire, Sheriff, Utilities, Etc.
32. Tax on Medical Marijuana
33. Short-Term Vacation Fee/Permit- T.O.T
34. Adding New Fees
35. Casino/Gaming
36. Sell Water Rights if we have any
37. Electric Wave/ Hydrodynamic energy
38. Franchise Fee Increase- EDCO & Cal Am & Phone Companies, Etc.
39. In-Lieu Sewer Fees
40. Utility User Fees
41. Fats, Oils & Greases (FOG) Fee
42. Advertising – Bus Stops, Lifeguard Towers, Pier, Website, Sports Park, City Hall ,Etc.

43. Fine Increases
44. Off-Leash Fine Increases
45. Enforce Posted Sign Regulations
46. Gasoline/Rent Increases for Sheriff
47. No Special Event cost waiver
48. Sell Census Data
49. Toll Booth on Palm (West or North)
50. Increase Property Tax at Estuary—review federal law
51. Tax on Rental Property based on amount of rent collected
52. Bernardo Shores T.O.T Investment
53. T.O.T Increase
54. School Pay full SRO Cost
55. Move Façade Improvement – Match Program
56. Sales Tax on Services
57. Right-of-Way dedication—sell to adjacent property owners
58. Find a New Contractor for Parking Ticket Fine Recovery

Cost Savings

<u>Cost Saving Ideas</u>	<u>Estimated Savings</u>
1. Hiring "thaw" – The City Manager would review and approve filling any vacancy	\$6,400 per month per vacancy
2. Stop all travel out of San Diego County	\$40,000
3. Eliminate part-time position in the Fire Department	\$14,000
4. Not fill one Firefighter Paramedic Position	\$78,000
5. 4 day work week (36 hours, pay for 38)	\$175,000
6. Community Services Officer	\$98,000
7. School Resource Officer	\$210,000
8. Eliminate part or all of recreation programs (could change fees sufficient to cover all costs.)	\$204,000
9. Ask each department for a list of reductions equal to 2.5% of their general fund budgets	\$425,000
10. No 4 th of July Fireworks	\$15,000
11. Eliminate Public Information Contract	\$15,000
12. Donovan Groundkeeping Contract	\$55,000
13. Senior Program	\$28,000
14. Typical Costs for	
a) Clerical Position	\$58,000
b) Labor/Maintenance Position	\$63,000
c) Professional Position	\$85,000
d) Department Head	\$180,000
15. Not fill ACM Position	\$90,000
16. Furloughs	\$12,000/day
17. Stop repairing sidewalks (Reimbursement Potential \$50,000)	\$50,000