City of
HUNTINGTON PARK california
COMMUNITY DEVELOPMENT DEPARTMENT
6550 MILES AVENUE
HUNTINGTON PARK, CA 90255

OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF HUNTINGTON PARK REPORT

DATE: August 16, 2012

TO: Honorable Chair and Board Members of the Oversight Board

FROM: Jack Wong, Interim Community Development Director

BY: Fernanda Palacios, Project Manager

SUBJECT: Recommendation to approve a Resolution approving an administrative budget for the Successor Agency for the six-month period of January 1, 2013 – June 30, 2013 and a Cooperative Agreement with the City and Successor Agency

BACKGROUND: Upon dissolution of the Community Development Commission of the City of Huntington Park on February 1, 2012 pursuant to AB X1 26, the Successor Agency to the Community Development Commission of the City of Huntington Park was constituted and is governed by a board of directors consisting of the members of the City Council.

Pursuant to AB X1 26, the Successor Agency is required to undertake a number of actions related to winding down the affairs of the former Community Development Commission. For example, the Successor Agency will have a number of ongoing responsibilities, such as paying debt service on enforceable obligations of the former Redevelopment Agency and preparing an administrative budget and Recognized Obligation Payment Schedule (ROPS) for each six-month fiscal period.

"Administrative Cost allowance" is an amount payable from property tax revenues of up to 5 percent of property tax allocated to the Successor Agency on the ROPS covering the period of January 1, 2012 through June 30, 2012, and up to 3 percent of the property tax for subsequent ROPS, but not less than $250,000 per year. In the event there are insufficient funds to pay the former Redevelopment Agency's enforceable obligations, some or all of the Administrative Cost Allowance will be used to pay for the enforceable obligations. In the event there are insufficient funds to pay the former Redevelopment Agency's enforceable obligations, some or all of the Administrative Cost Allowance will be used to pay for the enforceable obligations, and these funds will therefore, not be available for administrative expenses to the Successor Agency. The Successor Agency is required to submit each proposed administrative budget to the Oversight Board for its approval and then to the County Auditor-Controller and Department of Finance for final approval.

DISCUSSION/ANALYSIS: On April 10, 2012, the Successor Agency entered into a Cooperative Agreement with the City to provide access for the Successor Agency to use City's staff, facilities, and other resources for the administration and operations of the Successor Agency and reimbursement to the City for such advances. The attached administrative budget provides additional information regarding personnel costs, benefits, indirect expenses, legal fees for the Successor Agency and Oversight Board. General administrative personnel expenses are costs associated with the general administration and operations of the Successor Agency (i.e. preparation and payment of obligations listed in the ROPS, preparation of agendas, minutes, and staff reports for meetings with the Successor Agency and Oversight Board). The attached budget shows in detail the positions, salaries and percentages estimated for general administrative personnel costs. Additionally, staff has prioritized payments under the third administrative budget.

The administrative budget does not include "Project Delivery Costs" for costs related to city staff and consultants working on specific project implementation activities, such as project management and construction inspection. Although, the Oversight Board denied staff's requests to include project delivery related costs as part of the second ROPS and recommended that these costs should be included in the administrative budget, staff is requesting the Board to consider staff's request to include Project Delivery expenses in ROPS #3. New redevelopment legislation, AB 1484, expanded the definition of administrative cost allowance to include: *"administrative cost allowances shall exclude any litigation expenses related to assets or obligations, settlements and judgments, and the costs of maintaining assets prior to disposition. Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project specific costs and shall not constitute administrative costs Section 34171 (b)"* Thus, staff recommends that Project Delivery expenses be allowed to be included in ROPS #3 for the period ending on June 30, 2013.

Project Delivery Costs will include staff costs for specific projects which were approved as part of the ROPS: Southland Steel, Middleton and Carmelita. Project delivery costs include cost for the following three positions within the Community Development Department responsible for implementing these projects- Community Development Director; Housing and Community Development Manager, and Redevelopment Project Manager and consultants on an as needed basis. Other Successor Agencies (i.e. Burbank and Pasadena) included project delivery costs as part of their first and second ROPS and were approved by their respective Oversight Boards and subsequently by the Department of Finance. The attached administrative budget is for the six-month fiscal period commencing on January 1, 2013 and ending on June 30, 2013.

FISCAL IMPACT: As discussed above, AB X1 26 provides for the Successor Agency to receive an annual Administrative Cost Allowance of not less than $250,000. However, the allowances are subject to reduction if there are insufficient funds to pay the former Community Development Commission's enforceable obligations.

RECOMMENDATION: It is recommended that the Oversight Board approve the attached Resolution approving the draft third Administrative Budget for the period of January 1, 2013 through June 30, 2013 and the attached Cooperative Agreement between the Successor Agency and the City of Huntington Park.

ATTACHMENT: Resolution No. OSB 2012-3 and Cooperative Agreement

RESOLUTION NO. OSB 2012-3

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF HUNTINGTON PARK APPROVING THIRD ADMINISTRATIVE BUDGET FOR THE PERIOD OF JANUARY 1, 2013 THROUGH JUNE 30, 2013 ATTACHED HEREWITH AS EXHIBIT A; AND APPROVING THE EXECUTION OF A COOPERATIVE AGREEMENT FOR ADVANCE AND REIMBURSEMENT OF ADMINISTRATIVE, OVERHEAD AND OTHER EXPENSES BETWEEN THE SUCCESSOR AGENCY AND THE CITY OF HUNTINGTON PARK

RECITALS:

WHEREAS, Pursuant to Part 1.85 of the Community Redevelopment Law (commencing with Health and Safety Code Section 34170) ("Part 1.85"), the Successor Agency to the Community Development Commission of the City of Huntington Park ("Successor Agency") is required to undertake a number of actions related to winding down the affairs of the former Community Development Commission pursuant to Health and Safety Code Section 34177(h);

WHEREAS, pursuant to Health and Safety Code Section 34177(j), the Successor Agency is required to prepare a proposed administrative budget for each six month fiscal period and submit each proposed administrative budget to the Oversight Board for approval;

WHEREAS, each proposed administrative budget shall include all of the following: (1) estimated amounts for Successor Agency administrative costs for the applicable six-month fiscal period; (2) proposed sources of payment for the costs indentified in (1); and (3) proposals for arrangements for administrative and operations services provided by the City or another entity;

WHEREAS, pursuant to Health and Safety Code Section 34177(k), the Successor Agency is required to provide administrative cost estimates, from its approved administrative budget that are to be paid from property tax revenues deposited in the Redevelopment Property Tax Trust Fund, to the County Auditor-Controller for each applicable six-month fiscal period;

WHEREAS, pursuant to the Health and Safety Code Section 34173, the Successor Agency may enter into agreements that are necessary for the administration or operation of the Successor Agency with the City of Huntington Park with the approval of the oversight board;

WHEREAS, in connection with the administration and operations of the Successor Agency, the Successor Agency is and will be utilizing the staff, facilities, and other resources of the City. The City Manager of the City serves as Executive Director of the Successor Agency, the Finance Director serves as Finance Officer of the Successor Agency, and the City Clerk serves as Secretary to the Successor Agency. Planning, finance, engineering, public works, and other City departments devote and are expected to devote substantial time with respect to the administration and operations of the Successor Agency, including gathering information relating to the Redevelopment Agency's enforceable obligations, conferring with public officials representing governmental agencies, and undertaking other activities in connection with administration and operations of the Successor Agency.

WHEREAS, by providing and making available to the Successor Agency the staff, facilities, services, and other resources of the City, including, without limitation, consultants, legal counsel, office space, equipment, supplies, and insurance, necessary to the administration and operations of the Successor Agency, the City has advanced and will continue to advance the cost of the foregoing to the Successor Agency;

WHEREAS, by Resolution No. SA-2012-5 adopted by this Board on April 10, 2012, this Board approved a Cooperative Agreement for Advance and Reimbursement of Administrative, Overhead and other Expenses (the "Cooperative Agreement") by and between the City and the Successor Agency, pursuant to which the City may loan funds to the Successor Agency for administrative costs;

WHEREAS, there has been presented to the Board for approval the Cooperative Agreement; and

WHEREAS, there has been presented to the Board for approval a proposed administrative budget for the Successor Agency for the period from January 1, 2013 through June 30, 2013 ("Administrative Budget No. 3"), reflecting the foregoing;

NOW THEREFORE, THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF HUNTINGTON PARK HEREBY RESOLVES:

Section 1. The above recitals are true and correct.

Section 2. The third Administrative Budget for the period commencing January 1, 2013 through June 30, 2013 attached hereto as Exhibit A is hereby approved

Section 3. The Board hereby approves the Cooperative Agreement for Advance and Reimbursement of Administrative, Overhead and other Expenses by and between the Successor Agency and the City attached hereto as Exhibit B and incorporated herein by reference (the "Agreement") and the Chair and Executive Director are hereby authorized and directed, acting singly, to execute the Agreement.

Section 4. The officers and staff of the Successor Agency are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable to effectuate this Resolution, and any such actions previously taken by such officers and staff are hereby ratified and confirmed.

Section 5. The Successor Agency staff is directed to provide the required cost estimates for expenses to the County auditor-controller

PASSED, APPROVED AND ADOPTED this __ day of August, 2012

_____
Chair

ATTEST:

_____
Ivonne Evelyn Umana (Rhonda Rangel), Deputy Clerk
Los Angeles County Board of Supervisors
Acting as Secretary to the Huntington Park Oversight Board

EXHIBIT A

Successor Agency to the Huntington Park Community Development Commission
January 1, 2013–June 30, 2013
Administrative Budget #3

Salaries:	Hrs.	% of Salaries		Amount	Payment Priority
Executive Director	52	0.03	$	4,940	1
Finance Officer	165	0.06	$	11,700	1
Senior Accountant	104	0.05	$	3,848	1
Finance Assistant I	104	0.05	$	2,392	1
Revenue Collections Supervisor	104	0.02	$	3,848	1
Redevelopment Project Manager	156	0.06	$	7,176	1
Secretary	48	0.02	$	1,430	1
Community Development Director	130	0.05	$	8,970	1
Housing & Community Development Manager	156	0.06	$	8,112	1
Benefits (Retirement, workers' comp & liab)					1
Retirement		0.15	$	8,904	1
Worker's Comp. & Liab		0.43	$	25,524	1
	Total Salaries & Benefits		$	82,817	
Successor Agency:					
Facilities Rent, Utilities and Telephone			$	5,000	4
Office Supplies & Other indirect expenses			$	4,000	3
Professional Legal Fees[1]			$	17,183	2
	Total Services & Supplies		$	26,183	
Oversight Board Costs:					
Professional Legal Fees[2]			$	16,000	2
	Total			16,000	
Total Salaries and Other Expenses[3]			**$**	**125,000**	

[1] Successor Agency is currently under contract with Richards, Watson & Gershon to provide legal services
[2] Legal fees for Oversight Board to be obtained through a Request for Proposals
[3] Funding Sources for Administrative Budget to be paid from the Redevelopment Property Tax Trust Fund (RPTTF) and if RPTTF funds are insufficient, then pursuant to Cooperative Agreement between the Successor Agency and City of Huntington Park

EXHIBIT B

COOPERATIVE AGREEMENT

COOPERATIVE AGREEMENT FOR ADVANCE AND REIMBURSEMENT OF ADMINISTRATIVE, OVERHEAD AND OTHER EXPENSES

This COOPERATIVE AGREEMENT FOR ADVANCE AND REIMBURSEMENT OF ADMINISTRATIVE, OVERHEAD AND OTHER EXPENSES (this "Agreement") is entered into as of April 10, 2012, by and between the City of Huntington Park (the "City") and the Successor Agency to the Community Development Commission of the City of Huntington Park (the "Successor Agency").

RECITALS:

A. The Successor Agency is required to undertake a number of actions pursuant to Part 1.85 of the Community Redevelopment Law (commencing with Health and Safety Code Section 34170) ("Part 1.85"), including winding down the affairs of the former Community Development Commission of the City of Huntington Park ("Commission") pursuant to Health and Safety Code Section 34177(h).

B. Pursuant to Health and Safety Code Section 34171(d)(1)(F), contracts or agreements necessary for the administration or operation of the Successor Agency are enforceable obligations.

C. Pursuant to Health and Safety Code Sections 34178(a) and 34180(h), with the approval of the oversight board, the Successor Agency may enter into agreements with the City.

D. In connection with the administration and operations of the Successor Agency, the Successor Agency is and will be utilizing the staff, facilities, and other resources of the City.

E. The City Manager of the City serves as Executive Director of the Successor Agency, the Finance Director serves as Finance Officer of the Successor Agency, and the City Clerk serves as Secretary to the Successor Agency. Planning, finance, engineering, public works, and other City departments devote and are expected to devote substantial time with respect to the administration and operations of the Successor Agency, including gathering information relating to the Agency's enforceable obligations, conferring with public officials representing governmental agencies, and undertaking other activities in connection with winding down the affairs of the Agency.

F. By providing and making available to the Successor Agency the staff, facilities, services, and other resources of the City, including, without limitation, consultants, legal counsel, office space, equipment, supplies, and insurance, necessary to the administration and operations of the Successor Agency, the City has advanced and will continue to advance the cost of the foregoing to the Successor Agency.

G. The City and the Successor Agency desire to enter into this Agreement to acknowledge the foregoing recitals and to provide for an appropriate method of reimbursement of such advances by the Successor Agency to the City.

NOW, THEREFORE, THE PARTIES DO HEREBY AGREE AS FOLLOWS:

Section 1. The City shall make available to the Successor Agency its staff, facilities, services, and other resources, including, without limitation, consultants, legal counsel, office space, equipment, supplies, and insurance, necessary to the administration and operations of the Successor Agency. The Successor Agency shall have access to the foregoing staff, facilities, services, and other resources of the City.

Section 2. The value of the City staff, including all employee retirement and other benefits, facilities, services, and other resources of the City, including, without limitation, office space, equipment, supplies, and insurance, necessary to the administration and operations of the Successor Agency made, and to be made, available to the Successor Agency for each six-month fiscal period beginning with the fiscal period commencing on January 1, 2012 and ending on June 30, 2012, determined in accordance with Section 3 hereof, shall constitute an advance to the Successor Agency by the City for each six-month fiscal period, to be repaid in accordance with Section 4 of this Agreement.

Section 3. The City Manager has prepared a cost accounting plan attached hereto as Exhibit A and incorporated herein by reference, based upon reasonable allocations and generally accepted cost accounting principles, documenting the value of the City staff, including all employee retirement and other benefits, and the facilities, services, and other resources of the City made, or to be made available, to the Successor Agency pursuant to Section 1 hereof for each six-month fiscal period beginning with the fiscal period commencing on January 1, 2012 and ending on June 30, 2012. For each six month fiscal period, or such other times as the City Manager deems appropriate, the City Manager shall review the cost accounting plan for its accuracy in reflecting the value of City staff and resources advanced to the Successor Agency. The City Manager shall revise the cost accounting plan as he or she determines is necessary based on such periodic review.

Section 4. Within a reasonable time following the end of each six month fiscal period, beginning with the fiscal period commencing on January 1, 2012 and ending on June 30, 2012, the Successor Agency shall pay the City the amount of the reimbursement set forth in Exhibit A from available funds of the Successor Agency. In the event that insufficient funds are available to the Successor Agency, any unpaid amounts shall be carried over to the next six-month fiscal period.]

Section 5. The parties hereto agree to take all appropriate steps and execute any documents which may reasonably be necessary or convenient to implement the intent of this Agreement.

Section 6. Each party shall maintain books and records regarding its duties pursuant to this Agreement. Such books and records shall be available for inspection by the officers and agents of the other party at all reasonable times.

Section 7. This Agreement is made in the State of California under the Constitution and laws of the State of California, and is to be so construed.

Section 8. This Agreement will be become effective upon approval of the Oversight Board to the Successor Agency.

Section 9. This Agreement may be amended at any time, and from time to time, by an agreement executed by both parties to this Agreement and approved by the Oversight Board to the Successor Agency.

SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF HUNTINGTON PARK

By _____
Andy Molina, Chair

ATTEST:

_____
Rosanna Ramirez, Secretary

CITY OF Huntington Park

By _____
Andy Molina, Mayor

ATTEST:

_____
Rosanna Ramirez, City Clerk

APPROVED:

_____ _____
Date

Oversight Board to the Successor
Agency to the Community Development Commission of the City of Huntington Park

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS
CITY OF HUNTINGTON PARK)

I, _____Secretary of the Oversight Board, DO HEREBY CERTIFY that the foregoing Oversight Board Resolution No. OB 2012-3 was duly adopted by the Oversight Board and approved by the Chair at a meeting of said Oversight Board held on the 8th day of August, 2012 and that it was so adopted as follows:

AYES:

NOES:

ABSENT:

ABSTAINING:

Dated:

_____
Ivonne Evelyn Umana (Rhonda Rangel), Deputy Clerk
Los Angeles County Board of Supervisors
Acting as Secretary to the Huntington Park Oversight Board