



City of La Habra

"A Caring Community"

ADMINISTRATIVE BUILDING

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July 26, 2012

Roy B. Baker III, Foreman
Orange County Grand Jury
700 Civic Center Drive West
Santa Ana, Ca 92701

Dear Foreman Baker:

I am responding to the 2011-2012 Grand Jury Report, "The Dissolution of Redevelopment: Where Have We Been? What Lies Ahead?" I am responding as required by Penal Code 933.05 (a) and (b). I am providing a response to each finding and recommendation directed to the City of La Habra as required by Penal Code 933.

Findings Response Matrix – La Habra (F1, F2, and F3)

F1. As of the date of the dissolution of the redevelopment (February 1, 2012), all city operated redevelopment agencies, except Mission Viejo and Seal Beach, were exceeding the administrative cost limits of the 5% of the tax increment distributed related to the ROPS as authorized by AB 1X 26.

Response: Agree with finding F1.

F2. Of the agencies surveyed, only Costa Mesa and Santa Ana reported having a citizen involvement committee along the line of a Project Area Committee as authorized by Section 33385 of the Health and Safety Code.

Response: Agree with finding F2.

F3. Historically, external oversight over redevelopment has been missing or ineffective in monitoring redevelopment agency compliance and performance. The newly formed oversight boards offer a potential to improve on the record by providing critical evaluation of existing projects and management of successor agency debt

Response: Disagree with finding F3. I disagree wholly with the finding because the La Habra Redevelopment Agency has annual audits done by independent auditors and had reports required by the State of California Housing and Community Development Department. The La Habra Dissolved Redevelopment Agency had zero items disallowed on their Recognized Obligation Payment Schedule after audits were done by both the Department of Finance and the Orange County Auditor Controller. The above statement is too broad a brush to paint all former redevelopment agencies as below par

due to the mismanagement of other agencies. La Habra's has a record of integrity in compliance of redevelopment laws and performance utilizing those funds in the proper manner.

Recommendations Response Matrix – La Habra (R1, R2, R4 and R5):

R1. All successor agencies should review administrative costs to ensure compliance with the limit of five percent of the tax increment or less as required by AB 1X 26 and develop a plan to reduce these cost to three percent of the tax increment received or less in 2012-2013. If these percentages fall below \$250,000, the agencies are allowed to claim the higher amount (See F1).

Response: The recommendation has been implemented for the new fiscal year.

R2. Successor agencies and oversight boards should review the Recognized Obligation Payment Schedule with a view toward limiting the range of projects and obligations thereby retiring the enforceable obligation debt as quickly as possible (see F3).

Response: The recommendation has already been implemented with the ROPS being approved by the Department of Finance, State Controllers, and OC County Auditor. Further, the continued implementation of Dissolution Act and AB 1484 will wind down the debt of the agency as quickly as possible as proscribed by the law.

R4. Successor agencies and oversight boards should critically review the Recognized Obligation Payment Schedule (ROPS) to evaluate the need for debt owned to the city (see F8).

Response: The recommendation has already been implemented as required by AB X1 26 and audited the Department of Finance and the OC County Auditor Controller. The debt owned via a loan to the City will be placed on a future Recognized Obligation Payment Schedule since it is not payable until 2014 for Oversight Board approval per the direction of the Department of Finance and current law.

R5. Successor agencies and oversight boards should critically review the Recognized Obligation Payment Schedule (ROPS) to evaluate the need for incentive payments to commercial entities (see F9).

Response: The recommendation does not apply and will not be implemented because it is not warranted; we have no incentive payments to commercial entities as enforceable obligations.

If you have any other further questions please feel free to call me at (562) 905-9645.

Sincerely,



Linda Padilla Smyth,
Economic Development and Housing Manager