



August 7, 2012

The Honorable Thomas J. Borris
Presiding Judge of the Superior Court
County of Orange
700 Civic Center Drive West
Santa Ana, CA 92701

**Subject: Response to Grand Jury Report- "The Dissolution of Redevelopment:
Where Have We Been? What Lies Ahead?"**

Dear Judge Borris:

In accordance with the California Penal Code (CPC), Section 933 and 933.05, the City of La Palma is submitting this response to the above mentioned Grand Jury Report. As stipulated in CPC Section 933.05(a),(b),(c), the responses are provided for each finding and recommendation with statements of agreement or disagreement either wholly or partially and the corresponding reasons for each.

Per the requirements and instructions contained in the report pages 29-32, the City of La Palma is responding to Findings (F.1, F.2, and F.3) and Recommendations (R.1, R.2, R.4, and R.5).

Responses to Grand Jury Findings:

F.1 As of the date of dissolution of redevelopment (February 1, 2012), all city operated redevelopment agencies, except Mission Viejo and Seal Beach, were exceeding the administrative costs limit of 5% of the tax increment distributed related to the ROPS as authorized by ABX1 26.

Response: The City of La Palma agrees in part with this finding. We cannot verify other agencies' administration costs as a percent of tax increment. In regards to the City of La Palma, the report indicates that La Palma's Redevelopment Administrative costs as a 16.71% of tax increment revenue. We do not know how the Grand Jury arrived at this figure or what is included in it. On a going forward basis, we note that the La Palma Successor Agency submitted an Oversight Board approved ROPS to the DOF reflecting an Administrative Cost Allowance of the minimum \$250,000 as authorized by AB1X 26.

F.2 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: The City of La Palma agrees in part with this finding. We do not know the status of other Redevelopment Agencies and having citizen involvement committees. In regards to the City of La Palma, when the project areas were established and when specific plans were established in these project areas, there were citizen involvement committees used for input. However, the City does not maintain an on-going committee subsequent to the plans being approved.

F.3 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 that record by providing critical evaluation of existing projects and management of the successor agency debt.

Response: The City of La Palma disagrees partially with this finding, as far as it applies to the City of La Palma. We cannot answer for other Redevelopment Agencies. We do not agree that external oversight has been missing or ineffective in monitoring redevelopment compliance and performance. There has been several redevelopment reform measures enacted which required the additional reporting and disclosure such as Annual Reports and Five-Year Implementation Plans.

The Redevelopment Agency annual reports and implementation plans are brought before the City Council in public open meetings. These reports and plans identify what projects were going on, been completed and the results of redevelopment activity within the City. There has always been complete transparency by the Agency on its finances and project status. As noted in the Grand Jury report, the State Controller and Department of Finance monitor expenditures and are recipients of these mandated annual reports and implementation plans.

Responses to Grand Jury Recommendations:

R.1: 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 ABX1 26 and develop a plan to reduce these costs 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 FI.)

Response: This recommendation has been implemented by the City of La Palma. The La Palma Successor Agency will only be reimbursed based on the limit established by AB1X 26. At this time, the Successor Agency submitted the Oversight Board approved ROPS reflecting annual administrative cost allowance for the \$250,000 minimum.

R.2 Successor agencies and oversight boards should review the Recognized Obligations 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: This recommendation has been implemented by the City of La Palma. The La Palma Successor Agency and Oversight Board have reviewed the ROPS and determined what obligations are deemed enforceable. The La Palma Redevelopment Agency was a very well run entity. The property tax increment from its project areas exceeded debt service. As such the La Palma ROPS is well below the property tax increment generated from the project area and will result in residual payments to other taxing agencies after enforceable obligations are paid.

R.4 Successor agencies and oversight boards should critically review the Recognized Obligations Payment Schedule (ROPS) to evaluate the need for debt owed to the city. (See F8.)

Response: This recommendation has been implemented by the City of La Palma. The La Palma Successor Agency and Oversight Board have reviewed and approved the debt owed to the City on the ROPS. Further, we note that since the preparation of the Grand Jury Report, AB 1484 was signed into law which contains a safe harbor provision for City debt.

R.5 Successor agencies and oversight boards should critically review the Recognized Obligations Payment Schedule (ROPS) to evaluate the need for incentive payments to commercial entities. (See F9.)

Response: The recommendation will not be implemented because the La Palma Successor Agency does not have any incentive payments to commercial entities.

If you have any questions regarding the responses provided herein, please do not hesitate to contact Douglas D. Dumhart, Community Development Director at (714) 690-3322 or via his e-mail at douglasd@cityoflapalma.org

Respectfully submitted,



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Mayor

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