

32400 PASEO ADELANTO
SAN JUAN CAPISTRANO, CA 92675
(949) 493-1171
(949) 493-1053 FAX
www.sanjuancapistrano.org



MEMBERS OF THE CITY COUNCIL

SAM ALLEVATO
ROY L. BYRNES, M.D.
LARRY KRAMER
DEREK REEVE
JOHN TAYLOR

February 5, 2013

Office of the Mayor

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

Re: Response to the Grand Jury Report: The Dissolution of Redevelopment. "Where Have We Been? What Lies Ahead?"

Dear Judge Borris,

We are providing this response of the Orange County Grand Jury, as required and in the format prescribed in the Grand Jury report, The Dissolution of Redevelopment: "Where Have We Been? What Lies Ahead?"

Findings of the Grand Jury

F1. 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 the tax increment distributed related to the ROPS as authorized by ABX1 26.

City Response

The City acknowledges that the former Redevelopment Agency's (San Juan Capistrano Community Redevelopment Agency) administrative costs, including costs for housing program and project management for Fiscal Year 2010-11, as identified in Figure 7 of the Report, exceeded five percent (5%). However, effective February 1, 2012, the Successor Agency to the San Juan Capistrano Community Redevelopment Agency (Successor Agency) limited its administrative cost allowance payable from Redevelopment Property Tax (formerly tax increment) revenues to the greater of \$250,000 or five percent (5%) for the period of February 1, 2012, through June 30, 2012, and three percent (3%) for the subsequent periods as required by ABX1 26.

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.

City Response

The City agrees that no formal citizen involvement committee along the line of a Project Area Committee as authorized by Section 33385 of the Health and Safety Code was formed by the former Redevelopment Agency.

San Juan Capistrano: Preserving the Past to Enhance the Future

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

City Response

The City acknowledges that the Grand Jury's Report indicates that local external oversight may have been missing or ineffective. However, the State of California had created mechanisms responsible for overseeing the activities of redevelopment agencies. These included items such as Annual Reports of financial and compliance information to the State Controller and Housing and Community Development; annual audits; and five-year implementation plans which the former Redevelopment Agency complied with. The City agrees the newly formed oversight board offer the potential to improve external oversight and critical evaluation of projects and obligations.

Recommendations of the Grand Jury

- R1. All successor agencies should review administrative costs to ensure compliance with the limit of five percent of 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 F1)

City Response

This recommendation has been implemented. The Successor Agency's administrative budget for the administrative costs (Administrative Cost Allowance) for February 1, 2012, through June 30, 2012, was \$250,000 or approximately 3.3% of Redevelopment Property Tax (formerly tax-increment). The Successor Agency's administrative budget for Fiscal Year 2012-13 included \$250,000 for the Administrative Cost Allowance to be paid from Redevelopment Property Tax (formerly tax increment). Other administrative costs included in the Fiscal Year 2012-13 are authorized under ABX1 26 to be paid from other sources, if available. All Administrative Budgets for the Successor Agency have been approved by the Oversight Board to the San Juan Capistrano Successor Agency and submitted to the State Department of Finance.

- R2. Successor agencies and oversight boards should review the Recognized Obligation Payment Schedule with a view toward limiting the range of projects and obligations either by retiring the enforceable obligation debt as quickly as possible.

City Response

This recommendation has been implemented. Items listed on the Recognized Obligations Payment Schedule are those considered to be enforceable obligations as defined by ABX1 26 and AB 1484 or that may become enforceable obligations upon receiving a Finding of Completion from the Department of Finance, under Health and Safety Code Section 34191.4(b). These obligations have been approved by the Oversight Board and Department of Finance to be included on the ROPS. Payments on these obligations have been made as required by the contract underlying each obligation. Additionally, with the approval of the Oversight Board, and to the extent allowed by the Department of Finance, the Successor Agency has been retiring enforceable obligations by using reserves.

Also, upon receiving a Finding of Completion, bond proceeds are expected to be used for the purpose intended with the review and approval of the Oversight Board and Department of Finance.

- R4. Successor agencies and oversight board should critically review the Recognized Obligations Payment Schedule (ROPS) to evaluate the need for debt owed to the City.

City Response

This recommendation has been implemented. The Successor Agency has critically reviewed all debt owed to the City, and determined that all obligations are based on the contractual agreements between the City and Agency. These agreements are considered enforceable obligations under ABX1 26 and AB 1484 or are expected to become enforceable obligations upon receiving a Finding of Completion from the Department of Finance, under Health and Safety Code Section 34191.4(b). As such these obligations have been included on the ROPS and payments made as reviewed and approved by the Oversight Board and the Department of Finance.

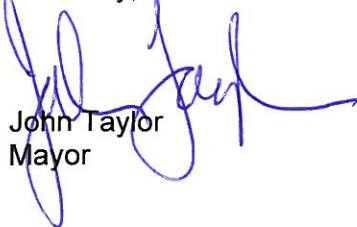
- R5. Successor agencies and oversight boards should critically review the Recognized Obligations Payment Schedule (ROPS) to the need for incentive payments to commercial entities.

City Response

This recommendation has been implemented. The Successor Agency has reviewed contractual payments to commercial entities included on the ROPS and determined they are based on legally enforceable obligations. These enforceable obligations have been reviewed and approved by the Oversight Board and the Department of Finance. The Successor Agency continues to review all contractual payments to commercial entities placed on the ROPS to ensure that only payments pursuant to approved enforceable obligations are included.

If you have any additional questions regarding the City's response, please contact Karen Brust, City Manager, at (949) 443-6315 or ldoll@sanjuancapistrano.org.

Sincerely,



John Taylor
Mayor

cc: Orange County Grand Jury
Karen P. Brust, City Manager
City Council