

COUNTY OF LOS ANGELES

Oversight Board Training

July 25, 2012

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TRAINING OVERVIEW

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New Rules & Clarification For Oversight Boards	
New Rules for ROPS	
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TRAINING OVERVIEW

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AB 1484 OVERVIEW

Background

- **Makes technical and substantive amendments to the original Dissolution Act (ABx1 26)**
- **Effective once it was signed by the Governor on June 27, 2012**
- **Clarifies that June 27, 2011 was the cut-off to enter into new obligations** [§34177.3(d) p. 30, ll. 15-17]
- **Significant new rules regarding the wind down process**

NEW RULES & CLARIFICATION FOR OBs

What's New

- **Submit notice of all oversight board actions to DOF**
[§34179(h) p. 39, ll. 26-29]
- **Actions must be adopted by resolution**
[§34179(h) p. 39, ll. 26-29]
- **Actions become effective in 5 business days after notice is provided to DOF**
[§34179(h) p. 39, ll. 29-32]
- **DOF has 40 calendar days to review board actions**
[§34179(h) p. 39, ll. 36-40]

NEW RULES & CLARIFICATION FOR OBs

Clarifications

- **Oversight board decisions supersede those made by successor agency or successor agency staff**
[§34179(p) p. 41, ll. 34-36]
- **May direct successor agency to provide additional legal and financial information**
[§34179(n) p. 41, ll. 29-31]
- **Can contract with county, public, or private agencies for administrative support**
[§34179(o) p. 41, ll. 32-33]

Fiduciary Duty

“Oversight boards shall have fiduciary responsibilities to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues . . .”

[§34179(i) p. 40, ll. 21-23]

NEW RULES FOR ROPS

Lessons Learned from ROPS 1 and 2

- **Begin ROPS review process early and request required documentation**
- **Provide ROPS to DOF in Excel format**
- **Identify the correct sources of funding**
- **Review all DOF letters**

NEW RULES FOR ROPS

Important Dates (2012)

- August 2012:** Begin review and approval process for ROPS #3 (covering January 1, 2013 – June 30, 2013)
- September 1, 2012:** Successor agency submits oversight board-approved ROPS #3
- October 1, 2012:** Successor agency submits results of Due Diligence Review (DDR) for housing funds
- October 15, 2012:** Oversight boards to review, approve, and transmit results of the DDR for housing funds
- December 15, 2012:** Successor agency submits results of DDR for non-housing funds

NEW RULES FOR ROPS

Important Dates (2013)

- January 15, 2013:** Oversight boards to review, approve, and transmit results of the DDR for non-housing funds
- March 3, 2013:** Successor agency submits oversight board-approved ROPS covering Jul. 1 – Dec. 31, 2013
- October 3, 2013:** Successor agency submits oversight board-approved ROPS covering Jan. 1 – Jun. 30, 2014

NEW RULES FOR ROPS

New Deadlines

- **After approving ROPS #3, plan on having ROPS approval process complete in early October and early March each year**
- **Oversight board-approved ROPS is due 90 days before the date of property tax distribution**
[§34177(m) pp. 27-28, ll. 37-40, 1-3]
- **Property tax is distributed on January 2nd and June 1st of each year**
[§34183(a)(2) p. 57, ll. 31-36]

NEW RULES FOR ROPS

Additional Submittal Requirements

- **ROPS must be submitted electronically to the County CEO's office, the auditor-controller, and DOF at the same time that it is submitted to the oversight board**
[§34177(l)(2)(B) p. 27, ll. 8-14]
- **Oversight-board approved ROPS must be submitted to the auditor-controller, the State Controller's Office, DOF, and be posted to the successor agency's website** [§34177(l)(2)(C) p. 27, ll. 15-18]

NEW RULES FOR ROPS

New Role for County Auditor-Controller

- **The auditor-controller can review the ROPS and “object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items.”**

[§34182.5 p. 56, ll. 17-21]

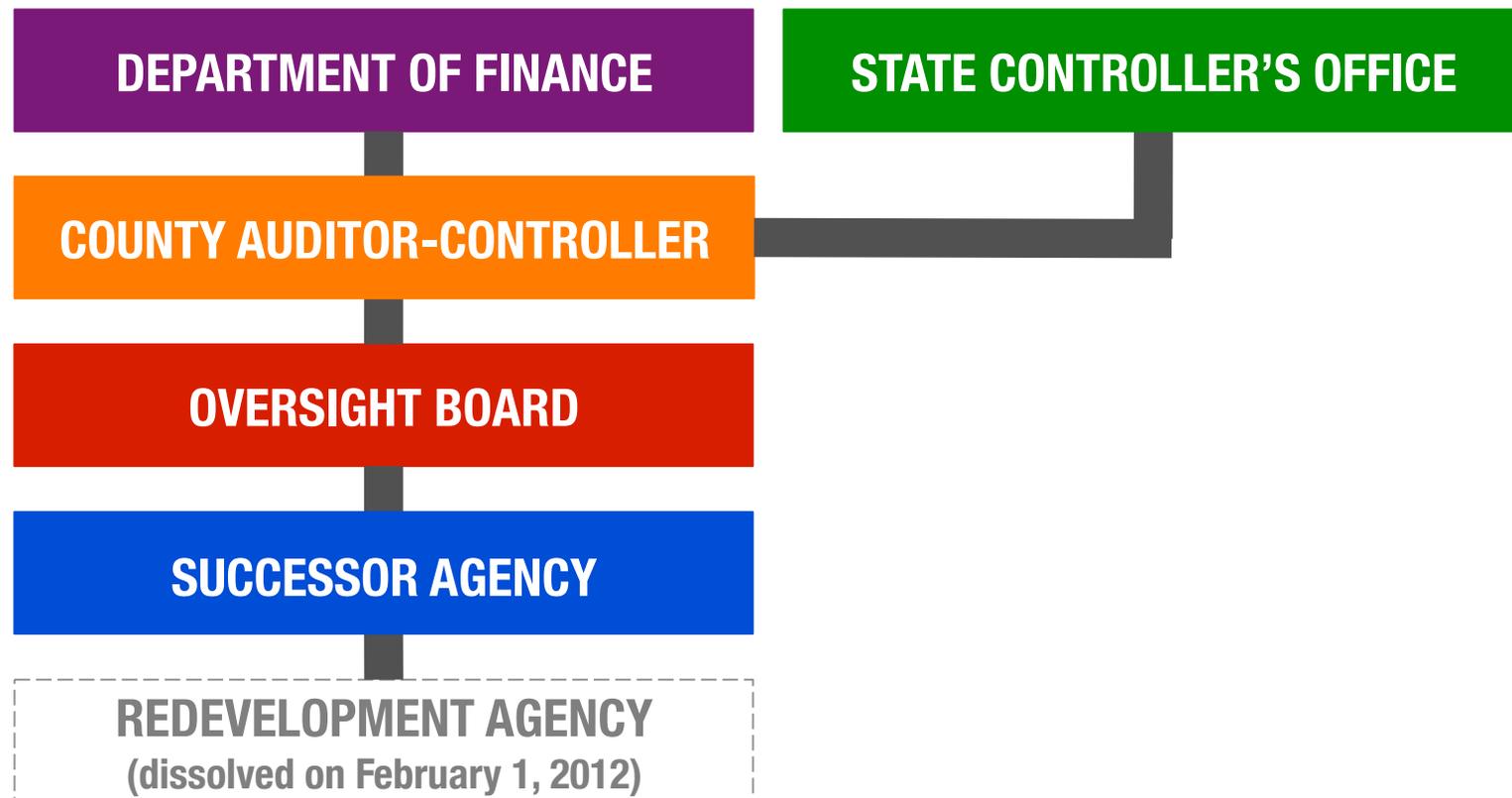
NEW RULES FOR ROPS

New Role for County Auditor-Controller

- **Auditor-controller can review ROPS before it is submitted to the oversight board or after the oversight board takes action** [§34182.5 p. 56, ll. 21-23]
- **DOF has final determination if the oversight board disputes the auditor-controller's finding** [§34182.5 p. 56, ll. 30-33]

NEW RULES FOR ROPS

Dissolution Organizational Structure



NEW RULES FOR ROPS

Administrative Cost Allowance

- **The administrative cost allowance does not include:**
 - Costs paid from bond proceeds
 - Litigation expenses related to assets or obligations
 - Settlements and judgments
 - Costs of maintaining assets prior to disposition
 - Project-specific costs

[§34171(b) p. 11, ll. 30-39]
- **Oversight boards are permitted to reduce the minimum \$250,000 administrative cost allowance**

[§34171(b) p. 11, ll. 26-28]

NEW RULES FOR ROPS

Enforceable Obligation Provisions

- **Successor agencies can create new enforceable obligations if they are necessary to wind down the work of the redevelopment agency**
[§34177.3(b) p. 29, ll. 35-36]
- **This may include hiring staff, professional administrative services, legal counsel, and procuring insurance** [§34177.3(b) p. 29, ll. 37-38]

NEW RULES FOR ROPS

Enforceable Obligation Provisions

- **New reserves are permissible when required by the bond indenture or when the next property tax allocation from RPTTF will not cover bond payments due in the following six-month period**

[§34171(d)(1)(A) p. 12, ll. 10-14]

NEW RULES FOR ROPS

Enforceable Obligation Provisions

- **Oversight boards cannot restore funding for enforceable obligations that were deleted or reduced by DOF**
[§34178(a) p. 35, ll. 34-37]
- **Exceptions:**
 - For decisions reached as a part of the “meet & confer process”
 - When required by court orders
 - Under new authority granted to agencies after being issued a Finding of Completion

DUE DILIGENCE REVIEW

Overview of Due Diligence Review

- **New requirement must be completed by all successor agencies for housing and non-housing funds**
- **Goal is to get a precise accounting of what cash assets are available for distribution to taxing entities**

[§34179.5(a) p. 42, ll. 2-4]

DUE DILIGENCE REVIEW

Overview of Due Diligence Review

- **Oversight boards approve the Due Diligence Reviews submitted by successor agency** [§34179.6 p. 44, ll. 29-30]
- **Oversight boards also will facilitate public review of the documents** [§34179.6(b)-(c) p. 45, ll. 12-29]
- **After convening a public comment session, the oversight board approves the review and transmits the determination to DOF** [§34179.6(c) p. 45, ll. 18-24]

DUE DILIGENCE REVIEW

The Basics

- **Successor agencies must employ an auditor-controller-approved accountant to conduct the review**
[§34179.5(a) pp. 41-42, ll. 40, 1-3]
- **Review must detail all assets, liabilities, revenues, and approved obligations**
[§34179.5(c) pp. 42-44]
- **The review must include a separate accounting for the Low and Moderate Income Housing Fund**
[§34179.5(c)(5) pp. 43-44]

DUE DILIGENCE REVIEW

The Basics

- **Oversight board can adjust amounts in Review based on additional information** [§34179.5(c) p. 45, ll. 24-26]
- **Oversight board can authorize retention of restricted funds, non-cash assets, and cash balances contractually committed or needed for ROPS during the fiscal year** [§34179.5(c) p. 45, ll. 29-33]

DUE DILIGENCE REVIEW

The DDR Must Include:

- **Dollar value of all assets transferred from the former RDA to the successor agency** [§34179.5(c)(1) p. 42, ll. 31-33]
- **Dollar value of all assets transferred from the former RDA or successor agency to the RDA's sponsoring entity or any public or private entity between Jan. 1, 2011 – Jun. 30, 2012** [§34179.5(c)(2)-(3) pp. 42-43, ll. 34-39, 1-6]

DUE DILIGENCE REVIEW

The DDR Must Include:

- **Expenditure and revenue accounting information**
[§34179.5(c)(4) p. 43, ll. 7-8]
- **Identify transfers and funding sources for FY 2010-11 and FY 2011-12**
[§34179.5(c)(4) p. 43, ll. 8-9]
- **Reconcile successor agency assets, liabilities, and balances to those reported by RDA to SCO in FY 2009-10**
[§34179.5(c)(4) p. 43, ll. 9-11]
- **Provide a separate accounting for the balance in the Low and Moderate Income Housing Fund and all other funds**
[§34179.5(c)(5) p. 43, ll. 12-14]

DUE DILIGENCE REVIEW

The DDR Must Include:

- **Total value of each fund as of June 30, 2012**
[§34179.5(c)(5)(A) p. 43, ll. 15-16]
- **Itemized statement of legally restricted amounts**
[§34179.5(c)(5)(B) p. 43, ll. 17-18]
- **Itemized statement of the values of any non-cash assets (listing housing assets separately)**
[§34179.5(c)(5)(C) p. 43, ll. 22-27]
- **Itemized list of any current balances that are pledged to an enforceable obligation**
[§34179.5(c)(5)(D) p. 43, ll. 28-31]

DUE DILIGENCE REVIEW

The DDR Must Include:

- **Listing of approved enforceable obligations**
[§34179.5(c)(5)(D) p. 43, ll. 31-33]
- **Projection of annual spending requirements to satisfy obligations** [§34179.5(c)(5)(D) p. 43, ll. 33-34]
- **Projection of annual revenues available to fund obligations** [§34179.5(c)(5)(D) p. 43, ll. 34-35]

DUE DILIGENCE REVIEW

The DDR Must Include:

- **Total net balances available after deducting encumbered funds** [§34179.5(c)(6) p. 44, ll. 10-12]
- **The resulting sum will constitute the amount available for taxing entities** [§34179.5(c)(6) p. 44, ll. 15-19]

DUE DILIGENCE REVIEW

Oversight Board Timeline

- October 1, 2012:** DDR for housing is submitted to oversight board for approval prior to this date
- October 1-8, 2012:** Oversight board must convene a public hearing regarding the submitted Review
- October 15, 2012:** Deadline for oversight board to review and approve of the Review for housing
- January 8, 2013:** Deadline for oversight board to convene a public hearing regarding the non-housing Review
- January 15, 2013:** Deadline for oversight board to review and approve of the Review for non-housing funds

DUE DILIGENCE REVIEW

Successor Agency & DOF Timeline

October 15, 2012: Oversight board-approved DDR for housing is submitted to DOF

November 9, 2012: DOF makes final determinations on the Review of housing

January 15, 2012: Oversight board-approved DDR for non-housing is submitted to DOF

April 1, 2013: DOF makes final determinations on the Review of non-housing

POST FINDING OF COMPLETION ACTIONS

Overview

- **Issuance of “Finding of Completion” allows successor agencies to:**
 - **Retain dissolved RDA assets** [§34191.5(c)(2) p. 71, ll. 19-23]
 - **Reinstate loan agreements between former RDA and City** [§34191.4(b)(1) pp. 68-69, ll. 38-40, 1-4]
 - **Spend bond proceeds issued prior to Jan. 1, 2011**
[§34191.4(c)(1) p. 70, ll. 3-5]
- **Requires each successor agency to submit a Long Range Property Management Plan within 6 months**
[§34191.5(b) p. 70, ll. 28-33]

POST FINDING OF COMPLETION ACTIONS

Long Range Property Mgmt. Plans

- **What is the LRPMP?**
- **A long-range strategic plan that will govern the disposition of all properties except housing assets and governmental use properties** [§34191.5 pp. 70-71]
- **It must include an inventory of all properties indicating their proposed use or sale** [§34191.5(c)(1) pp. 70-71]
- **Non-housing property transfers to Community Redevelopment Property Trust Fund of successor agency** [§34191.4(a) p. 68, ll. 30-35]

POST FINDING OF COMPLETION ACTIONS

LRPMP Process

- **Plan must be submitted within six months after receipt of Finding of Completion** [§34191.5(b) p. 70, ll. 30-33]
- **Oversight board must consider and approve the Plan** [§34191.5(c)(2)(C) p. 71, ll. 37-40]
- **DOF must approve LRPMP before property disposition occurs** [§34191.5(c)(2)(C) p. 71, ll. 37-40]
- **Oversight board meetings considering disposition of assets require 10-day public notice** [§34181(f) p. 53, ll. 24-27]

POST FINDING OF COMPLETION ACTIONS

Loan Agreements

- **Agreements entered into between former RDA and city are deemed enforceable obligations upon:**
 - Oversight board approval
 - Oversight board must find that the loan was for **legitimate redevelopment purposes**

[§34191.4(b)(1) pp. 68-69, ll. 38-40, 1-4]

POST FINDING OF COMPLETION ACTIONS

Use of Bond Proceeds

- **Authorizes the expenditure of proceeds derived from bonds issued prior to Jan. 1, 2011 in a manner consistent with the original bond covenants**

[§34191.4(c) p. 70, ll. 3-22]

More Flexibility in Refunding of Bonds

- **Oversight board approval and DOF review**
- **Subordination of pass-through payments to taxing entities**
[§34177.5(c)(1) p. 32, ll. 31-36]
- **Greater certainty to bond holders**
- **Petition to DOF to provide written confirmation that DOF approval of enforceable obligations with payments over time is final & conclusive and reflects approval of all future payments** [§34177.5(i) p. 35, ll. 4-15]
- **Validation act may be brought within 30 days of oversight board approval** [§34177.5(e) p. 33, ll. 28-37]

Bond Proceeds: Non-Housing

- **Use of unencumbered bond proceeds**
- **Such expenditures are considered enforceable obligations (must be separately listed on the ROPS)**
[§34191.4(c)(2)(A) p. 70, ll. 16-18]
- **Consistency with the bond covenants, otherwise defease or purchase bonds** [§34191.4(c)(2)(B) p. 70, ll. 19-22]

Bond Proceeds: Housing

- **Housing bond proceeds are considered housing assets** [§34176(g)(1)(A) p. 22, ll. 3-15]
- **Use of bond proceeds with a series of conditions** [§34176(g)(1) p. 22]

Housing Assets

- **Housing asset transfer and documentation**
[§34176(a) pp. 18-19]
- **Housing asset definition**
[§34176(e) pp. 20-21]
- **Repayment of Loans/deferrals owed to LMIHF**
[§34176(e)(6) p. 21, ll. 13-29]
- **Mixed-use development**
[§34176(f) pp. 21-22, ll. 30-39, 1-2]
- **Unencumbered housing bond proceeds**
[§34176(g)(2) pp. 22-23, ll. 37-40, 1-2]

Housing Assets

- **Real property assets**
- Encumbered funds
- Loan or grant receivables
- Rents/payments from operations
- Amounts owed to LMIHF
- Mixed Use Assets
- Housing Bond Proceeds

Oversight Board Role in Asset Transfer

- **Approves schedule for repayment of amounts owed to LMIHF** [§34171(d)(1)(G) p. 13, ll. 23-27]
- **Determines whether mixed-use asset remains intact or split** [§34176(f) p. 21, ll. 30-38]
- **For housing transfers after Aug. 1, 2012, directs transfer after 10-day public notice**
[§34181(f) p. 53, ll. 24-27]

Use of Excess Bond Proceeds

- **Expenditure must be on ROPS, for oversight board approval** [§34176(g)(2) pp. 22-23, ll. 40, 1-2]
- **Review limited to determination whether bond use is consistent with bond covenants and sufficient funds are available** [§34176(g)(1)(B) p. 22, ll. 24-28]

OTHER ISSUES

Overview

- **Limits on successor agency authority** [§34177.3 pp. 29-30]
- **Requirement for successor agency annual audits**
[§34177(n) p. 29, ll. 24-26]
- **Loans to successor agency**
[§34173(h) pp. 17-18, ll. 37-40, 1-5]
- **Cessation of pass-through payments**
[§34187(b) p. 65, ll. 26-29]
- **Disposition of housing and governmental use assets**

RESOURCES

Available Resources

Department of Finance Website

http://www.dof.ca.gov/assembly_bills_26-27/view.php

The Successor Agency

The County Auditor-Controller

<http://auditor.lacounty.gov/wps/portal/ac>

County Counsel

Successor Agency Staff Analyses/Reports

County Website (URL forthcoming)

Chief Executive Office

email: oversightboard@ceo.lacounty.gov

MAJOR POINTS

Major Takeaways

- **Additional oversight board duties**
- Oversight boards and successor agencies should work towards obtaining a “Finding of Completion”
- DOF has asserted a more prominent role in the dissolution process
- Oversight board training manual will be updated

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