

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

229C



FROM: Economic Development Agency

SUBMITTAL DATE:
December 1, 2011

SUBJECT: Agency Annual Reports

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the Annual Budget Report for Fiscal Year 2011-2012, attached hereto as Attachment "A";
2. Receive and file the Component Unit Financial Audit Report for Fiscal Year 2010-2011 attached hereto as Attachment "B";
3. Receive and file the Fiscal Statement for Fiscal Year 2010-2011, attached hereto as Attachment "C";

(Continued)

[Handwritten Signature]

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2011/12

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: Yes

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE
BY: *[Handwritten Signature]*
Jennifer L. Sargent

County Executive Office Signature

FORM APPROVED BY COUNTY COUNSEL
BY: *[Handwritten Signature]* DATE: 11-30-11
ANITA C. WILLIS Departmental Concurrence

Dep't Recomm.: Consent
Per Exec. Ofc.: Consent
Policy: Policy

RECOMMENDED MOTION: (Continued)

4. Receive and file the Annual Report of Housing Activity prepared for the California Department of Housing and Community Development (HCD) in accordance with Sections 33080.4 and 33080.7 of the California Redevelopment Law, attached hereto as Attachment "D";
5. Receive and file the State Controller's Report, attached hereto as Attachment "E"; and
6. Receive and file the Statement of Indebtedness, attached hereto as Attachment "F".

BACKGROUND:

Each year the Redevelopment Agency is required to prepare several reports that discuss the agency's annual accomplishments and plans. While the Board of Supervisors adopted the agency's budget earlier this year as part of the county's budget, Section 33360.6 of the California Community Redevelopment Law (the "CRL") requires that the agency also submit an annual budget to the Board of Supervisors that contains the agency's proposed expenditures, indebtedness, revenues, a work program, progress toward blight elimination, and an examination of achievements for the prior year. During this fiscal year, there have been changes in redevelopment that warrant a detailed description of state activities with regard to redevelopment legislation.

Proposed Changes in Redevelopment Law

While the reporting requirements for redevelopment agencies are the same as in prior years, it is important to note that the statewide redevelopment environment has experienced extreme volatility since January 2011. On January 10, 2011, Governor Brown, as part of the statewide budget process, proposed the elimination of redevelopment agencies throughout California, to be effective for Fiscal Year 2011-2012. The Governor's budget proposal stated that, while existing projects would not be affected, the \$1.7 billion that would have gone to redevelopment agencies would be shifted to the State General Fund to backfill the 2011-2012 budget. Future year redevelopment tax increment would be slated for school districts, special districts and other local services.

Subsequently, on June 29, 2011, Governor Brown signed two State of California Assembly Bills, ABX1 26 and ABX1 27. The purpose of ABX1 26 was the dissolution of redevelopment agencies throughout the State of California, to be effective on October 1, 2011. ABX1 27 is a companion bill to AB1X 26 that created an alternative voluntary redevelopment program that would allow agencies to continue redevelopment activity by voluntarily authorizing, via ordinance, the contribution of tax increment to county auditor-controller offices for deposit into a Special District Allocation Fund (SDAF) and an Educational Revenue Augmentation Fund (ERAF).

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On July 12, 2011, the Board of Supervisors adopted Resolution No. 2011-211, a nonbinding resolution of the County of Riverside indicating the Intent to Enact an Ordinance for Participation in the Alternative Voluntary Redevelopment Program, as authorized under ABX1 27. In addition, the Board of Supervisors directed the Economic Development Agency (EDA) to prepare and process an ordinance that would accept the requirements of the Alternative Voluntary Redevelopment Program, and commit to annual payments to the Riverside County Auditor-Controller (ACO) for fiscal years 2011/12, 2012/13 and annually thereafter.

Ordinance 912 was prepared in order to authorize the participation of the County of Riverside in the Alternative Voluntary Redevelopment Program, pursuant to ABX1 27, and was adopted by the Board of Supervisors on July 26, 2011, as an urgency measure. Ordinance No. 912 was deemed effective immediately upon adoption.

With the Board of Supervisors adoption of Ordinance No. 912, the freeze on new agency transactions imposed by ABX1 26 was lifted and the agency was authorized to recommence business. In the meantime, on July 18, 2011, the California Redevelopment Association (CRA) and the League of California Cities (League) filed a petition which requested that the California Supreme Court (Court) overturn ABX1 26 and ABX1 27 on the grounds that they violate the California Constitution (*California Redevelopment Association v. Matosantos [Case]*). The central claim for the challenge is that the bills violate Proposition 22, the constitutional amendment passed in November 2011, which explicitly prohibits the "seizing, diverting, shifting, borrowing, transferring, suspending, or otherwise taking or interfering with" revenue dedicated to local government, including local redevelopment funds. At the same time the petition was filed, the CRA and the League requested that the Court issue a stay to prevent the legislation from going into effect until the lawsuit is decided.

On August 11, 2011, the Court agreed to hear the Case, and also issued an order granting a stay of the provisions of ABX1 26 and ABX1 27, except for most of the provisions of Part 1.8 of Division 24 of the Health and Safety Code that were enacted in ABX1 26. Subsequently, on August 17, 2011, the Court issued a revised order that did not stay any of the provisions of Part 1.8 and further removed the stay of paragraph (2) of subdivision (b) Section 34194 of the Health and Safety Code as enacted in ABX1 27. One of the requirements of the August 17, 2011 revised order required all redevelopment agencies to adopt an Enforcement Obligation Payment Schedule (EOPS) by August 29, 2011, regardless of any action taken to participate in the Alternative Voluntary Redevelopment Program.

On August 25, 2011, the Deputy Executive Director of the agency acted as the designee for the Executive Director of the agency, and adopted the EOPS per the guidance provided by the California Redevelopment Association and the California League of Cities on August 23, 2011. The EOPS was subsequently e-mailed to the State of California Department of Finance, hand-carried to the Riverside County Auditor-Controller's Office, and sent via overnight carrier to the State Controller's Office, thus meeting the August 29, 2011 deadline set forth by the Court.

On September 13, 2011, the Riverside County Board of Supervisors and the Board of Directors for the Redevelopment Agency for the County of Riverside adopted the Enforceable Obligation Payment Schedule, and authorized transmittal of the EOPS and the minute order to the State of California Department of Finance, the Riverside County Auditor-Controller's Office, and the State Controller's Office pursuant to ABX1 26 and the August 17, 2011 revised order enacted by the California Supreme Court. In addition, as directed by the Court, EDA staff posted the EOPS on the agency website.

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Annual Reporting Requirements and Submittals

California Health and Safety Code (HSC) section 33080 details redevelopment agency annual reporting requirements. The following table shows the specific HSC section for each requirement, as well as the corresponding attachment as prepared by the Redevelopment Agency for the County of Riverside.

Document	HSC Section	Attachment
Annual Budget Report (Report on Agency Activities)	33080.1 (b-h) 33080.4 33080.7	A
Independent Financial and Compliance Audit	33080.1 (a)	B
Fiscal Statement	33080.5	C
Report of Annual Housing Activity (HCD Report)	33080.1 (c) 33080.4 33080.7	D
Financial Transactions Report (State Controller Report)	33080.3	E
Statement of Indebtedness	33675	F

Annual Budget Report

The Annual Budget Report (Attachment "A") contains all of the information required in the HSC sections noted above, including, but not limited to; description of progress in alleviating blight, description of housing activities, list of agency owned property, redevelopment plan limits for all project areas, and other information. The report is consistent with the budget previously adopted by the Board of Supervisors. Staff recommends that the Board approve the attached Annual Budget Report for Fiscal Year 2011-2012.

Independent Financial and Compliance Audit

HSC section 33080.1 requires the agency to annually present to the Board of Directors an independent audited financial report for the previous fiscal year. Staff recommends that the Board receive and file the attached audited financial statement from Teaman, Ramirez, and Smith, Inc. (Attachment "B"), which includes the independent financial audit, an opinion of the financial statements, and the agency's financial position. The report also contains tests of the agency's compliance with certain provisions of laws, regulations, contracts, and grants that could have a direct and material effect on the determination of financial statement amounts.

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Fiscal Statement

Section 33080.5 mandates the inclusion of a fiscal statement as part of the Agency Annual Reports. The fiscal statement has been prepared for Fiscal Year 2010-2011 (Attachment "C") that contains information on the amount of indebtedness, the amount of tax increment revenues received by the agency, the amount of tax increment revenue paid to any taxing entities (including specified information about payments made to school districts and community college districts), and other information.

Report of Annual Housing Activity (HCD Report)

The agency is also required to submit an annual housing activity report, prior to December 31 of each year, to the California Department of Housing and Community Development, in accordance with HSC sections 33080.1, 33080.4 and 33080.7. Annual housing expenditures and commitment of redevelopment funds for fiscal year 2010-2011, totaled approximately \$6,727,530 as shown in Attachment "D". These expenditures include investments in the Redevelopment Homeownership Program; rehabilitation housing programs; Mobile Home Housing Program; infill housing projects; new construction of single family housing; and new construction of multi-family and special needs housing projects.

State Controller's Report

An annual report on all financial activities in redevelopment project areas is required to be submitted to the State Controller's Office prior to December 31. This report is found as Attachment "E". Staff recommends that the Board direct agency staff to forward the report to the State Controller's Office with the authorization to amend the report prior to submission, if necessary.

Statement of Indebtedness

The purpose of the Statement of Indebtedness (SOI) is to provide a mechanism for an agency to receive its annual tax increment revenues from the county auditor. HSC section 33675 requires agencies to complete an SOI and submit to the county auditor by October 1 of each year. The SOI must be certified by the agency's chief fiscal officer. The SOI was submitted to the Riverside County Auditor-Controller's Office before October 1, 2011. The SOI is included with the Agency Annual Reports as Attachment "F", in order to include the indebtedness information in the annual report, and provide a complete picture of redevelopment debt for the prior and upcoming fiscal years.

Recommendation

Staff recommends that the Board approve the Annual Budget Report and accept the above documents, after which they will be submitted to the State Controller's Office and California Department of Housing and Community Development.