

CITY OF MONTCLAIR

**Montclair Civic Center
5111 Benito Street
Montclair, CA 91763**

January 19, 2012

TO: Honorable Mayor and City Council

FROM: Edward C. Starr, City Manager

SUBJECT: WEEKLY REPORT: January 13-19, 2012

➤ ***CITY MANAGER/ADMINISTRATIVE SERVICES DEPARTMENTS***

- Earlier this month, I met with Assembly Member Norma Torres to address concerns with the pending February 1, 2012, dissolution date for community redevelopment agencies. In a conference call last Friday, Assembly Member Torres asked Montclair to summarize issues with the dissolution date and the need for any corrective legislation. Accordingly, the following arguments were submitted to the Assembly Member's office.

1. Of primary concern to Montclair is the inability to refinance existing loan obligations that may go into default. Montclair is not asking for authority to finance debt for new projects, but to refinance any existing notes that will go into default. For example, in 2008, Montclair and the County of San Bernardino formed the Mission Boulevard Joint Redevelopment Project Area, for the purpose of reconstructing Mission Boulevard from the Los Angeles County Line to Montclair's eastern border.

Prior to the joint agreement, Montclair used Gas Tax revenue to complete improvements and construct storm drains. However, this source of funds proved inadequate to complete major street reconstruction, construction of extensive storm drain systems, new traffic signals and street lights, and construction of median islands, sidewalks, and landscaping. To advance the necessary funds, the City and County issued approximately \$7.8 million in short-term Tax Allocation Notes in 2008. The short-term notes were issued because the Project Area did not have a five-year

history of tax-increment records necessary to issue long-term debt. Annual payment on the notes paid only interest—the principal was to be paid through issuance of long-term tax allocation notes in 2012.

The principal and last interest payment of approximately \$8.1 million must be paid on June 1, 2012. Elimination of redevelopment, and restriction on authority to refinance the notes, prevents the issuance of bonds. Accordingly, the Mission Boulevard Joint Redevelopment Area Tax Allocation Notes will default on June 1, 2012, unless the issue can be refinanced as long-term debt. Clearly, the obligation should be included on the enforceable obligation payment schedule for payment from tax increment. However, because the note becomes due June 1, 2012, and the successor agency is prohibited by ABX1 26 from refinancing or making a pull from tax increment for lump sum payments, default is likely and the bondholder can be expected to file a lawsuit.

2. By February 1, 2012, Montclair's General Fund Budget is required to assume the obligation for approximately \$1.35 million in wages and benefits (not including anticipated increases in Montclair's employer rate for public employee pensions) for positions currently employed, either in full or in part, by the Montclair Redevelopment Agency. The successor agency will receive approximately \$250,000 from tax increment to cover administrative costs—these funds can be used for personnel-related costs; however, they are also designated for operation of the successor entity and oversight committee, and any other obligations of the successor entity not allocated to enforceable obligation payment schedules. Identifying and/or developing alternative means of funding positions requires adequate time to allow for a thorough examination of all possibilities. Additional time would also provide positions identified for layoff some lead time to look for new employment.

Montclair's General Fund cannot currently assume liability for positions currently funded by the Redevelopment Agency—Montclair's General Fund continues to experience slow growth related to the recession, and does not anticipate full recovery to received revenues recorded in 2006 no sooner than 2017. Without extension of the dissolution date, Montclair must make a decisive decision to consider the layoff of approximately 10 to 14 positions as soon as February 2012.

3. Without participation of a redevelopment agency and its capacity for tax increment financing, Montclair's General Fund must assume significant liability for all future, local public works projects. In Fiscal Year 2010–11, Montclair's Redevelopment Agency received approximately \$11.3 million in tax increment for public works projects.

Approximately \$10 million of this total will be dedicated as pass-through to other taxing agencies and as debt service payment; the balance will be distributed to the City, County, special districts, schools, and County Educational Revenue Augmentation Fund, leaving very few property tax dollars for use toward personnel, services, or public works projects previously financed by the Redevelopment Agency. The California Firefighters Association and groups representing educators in supporting elimination of redevelopment, committed a major misstep in believing local government would realize a substantial increase in property tax dollars that could be used for public safety and education—the service of debt and pass-through obligations supersede all other demands, and will continue to do so over the next several decades.

Clearly, the general funds for few, if any, California cities can assume the burden of financing public works projects without producing further reductions in personnel and/or services. We must accept the reality of infrastructure development without the advantages of tax increment financing; nonetheless, the impact in human terms will be significant over the short- and long-term.

4. Extension of the dissolution date to April 15, 2012 would provide local governments and the Legislature additional time to address implementation requirements of ABX1 26. Local governments will meet ABX1 26 requirements; however, many deadlines within the law are unreasonable, not compatible, unclear and/or unspecific, and are restrictive in their immediate effect on successor agencies. The Legislature would gain additional time to address many of the glaring errors contained in ABX1 26, thereby ameliorating some of the more egregious implementation requirements.
 - a. ABX1 26 provides for establishing a successor housing authority. However, the law prohibits the transfer of existing low-moderate income housing funds to the successor housing authority; all real property assets may be transferred.

To pursue low–moderate income housing projects, cities require the infusion of housing fund capital—there is no alternative funding source identified to achieve low–moderate income housing projects. SB 654 is intended to address this issue; however, it is not apparent the measure will clear the Legislature or be signed by Governor Brown.

Montclair has maintained an active low–moderate income housing program, utilizing housing funds to develop attractive, urbanscape housing projects in City districts that would substantially benefit from effective expenditure of housing fund dollars. Montclair's San Antonio Gateway Project (featuring four multifamily and senior housing apartment complexes and one special needs complex nearing its construction phase) is an excellent example of housing fund dollars effectively and wisely spent for the benefit of community residents.

- b. Commencing on April 15, 2012, the successor agency must submit its first recognized obligation payment schedule (ROPS) to the State Controller and Department of Finance. Commencing May 1, 2012, only those payments listed on the ROPS can be paid; however, each ROPS must be approved by an oversight committee. Successor agencies (which become operational February 1, 2012) are prohibited from meeting payment obligations on the ROPS until approved by their respective oversight committees—delayed payments could lead to default, recall of debt, and other fiduciary concerns. Furthermore, there are no clear guidelines related to appointments to oversight committees and preventing potential conflicts of interest.
- c. ABX1 26 fails to recognize interagency loans between the parent city and its redevelopment agency as enforceable obligations (except for loans made in the initial two–year start–up period). Montclair has historically loaned its Redevelopment Agency General Fund revenue to facilitate infrastructure improvement and development projects. Without means for the Redevelopment Agency to pay loans back to the City of Montclair, the City's General Fund, already hard pressed by the effects of the recession, would be adversely impacted.

Maintenance of a healthy reserve fund in the General Fund is essential to maintain solvency and provide cash flow for routine operations of Montclair. Concern with health of the General Fund Reserve has become more problematic in recent years: Montclair has had to borrow General Fund reserves to maintain operations, address delayed tax payments from the state, meet federal and state mandates, provide support for other project-related funds experiencing their own recession-related shortfalls, and assist the Redevelopment Agency with project costs.

Without return of funds loaned to the Redevelopment Agency, Montclair's General Fund Reserve will be adversely affected, further eroding our capacity to maintain services, retain employees, and pursue necessary community improvements/ projects.

Certainly, the City of Montclair is concerned about the loss of community redevelopment agencies and the impact on future development of the economic base for California, Montclair, and the region. Impacts on the construction industry and housing, bond, and finance markets will be detrimental. Moody's Investors Service has already downgraded by one notch all California tax allocation bonds rate Baa2 and above; and all California tax allocation bond ratings remain for review for possible downgrade.

A Redevelopment Workshop with the City Council was conducted last Tuesday, regarding ABX1 26-related requirements, and the City Council indicated it is willing to provide the necessary direction to address the economic impacts and mandates of ABX1 26.

➤ **COMMUNITY DEVELOPMENT DEPARTMENT**

- At Monday's City Council meeting, military banners were presented to three recently discharged servicemen. This year's honorees were:

David Burch	U.S. Marine Corps	Jan. 2004 – Oct. 2011
John Anthony Luna	U.S. Marine Corps	March 2007 – Dec. 2010
Michael Gonzalez	U.S. Marine Corps	Aug. 1990 – July 2011

New banner applications are accepted in the fall, and banners are displayed from January through November. The banners of discharged veterans are presented to the veteran and/or family every January.

Congratulations are extended to our veterans and, on behalf of the City of Montclair, many thanks for your service to our country.

A picture from the presentation is included on Page 8.

➤ **POLICE DEPARTMENT**

- On Saturday, January 14, a Ramona Avenue resident woke to find someone ransacking his house, having entered through a window. The suspect was busy stealing items—including a cell phone, a shirt, car keys, and computers—when the resident confronted him and a fight ensued. The suspect struck the resident several times and made off with several of the items.

Officer Kyle Hurd was nearby when he received the call and was able to locate the suspect who was, by the way, wearing the shirt that he had just stolen. Also, he was in possession of the cell phone and car keys. The suspect, who was on parole, was identified by the victim and arrested for robbery and burglary and booked at West Valley Detention Center. The victim was treated for minor injuries at the scene by Fire Department personnel.

➤ **FIRE DEPARTMENT**

- Late Tuesday, January 17, Montclair Fire units responded to the I-10 Freeway at Monte Vista Avenue where a chain-reaction crash involving a diesel truck and two vehicles caused explosions and a fire involving several lanes. LA County Fire units responded as well to assist with fire attack, extrication, and cleanup.

Fire personnel established a landing zone on the westbound side of the freeway. The driver of the truck and the driver of the vehicle that caused the accident were flown by helicopter to a local hospital where they were treated for their injuries. The driver of the third vehicle was not injured.

The California Highway Patrol shut down both sides of the freeway at Monte Vista Avenue until 6:21 a.m. the next day.

➤ **REDEVELOPMENT/PUBLIC WORKS DEPARTMENT**

- No items to report.

ECS:spa

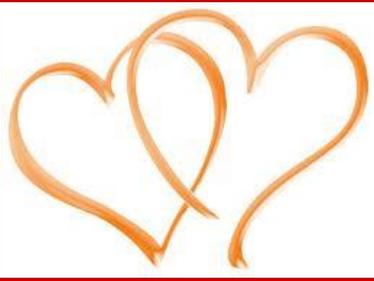
"It is difficult to make our material condition better by the best law, but it is easy enough to ruin it by bad laws."

~ Theodore Roosevelt

JANUARY 2012

		
23	Planning Commission Meeting - Canceled	
31	City Manager's Staff Meeting City Manager's Conference Room	9:00 a.m.

FEBRUARY 2012

		
01	Community Action Committee Meeting Council Chambers	7:00 p.m.
06	City Council Meeting Council Chambers	7:00 p.m.
13	Planning Commission Meeting Council Chambers	7:00 p.m.
14	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.
15	Midyear Budget Review Council Chambers	5:45 p.m.
16	Safety Committee Meeting City Hall Conference Room	9:00 a.m.
16	Public Works Committee Meeting City Hall Conference Room	2:00 p.m.
20	Presidents Day – City Hall Closed	
21	Code Enforcement Committee Meeting City Hall Conference Room	6:00 p.m.
21	City Council Meeting Council Chambers	7:00 p.m.
27	Planning Commission Meeting Council Chambers	7:00 p.m.



From left, pictured are: John Anthony Luna; Cerita Carr, accepting on behalf of veteran David Burch; and veteran Michael Gonzalez.