

SECTION 10: SUCCESSOR AGENCY

Pursuant to AB1x26, which dissolved redevelopment agencies in California, the City of El Cerrito elected to serve as the Successor Agency to the El Cerrito Redevelopment Agency. The Successor Agency assumed all of the Redevelopment Agency's assets, liabilities and obligations. The City's role is to serve as a fiduciary agent for the Successor Agency, administering payments and performance of its obligations.

INTRODUCTION

In June 2011, the State of California enacted AB1x26 (Dissolution Act) to dissolve all redevelopment agencies in the State of California and establish successor agencies to wind down the former redevelopment agencies' affairs. The El Cerrito Redevelopment Agency (RDA) suspended activities on July 1, 2011 and the City elected to serve as the Successor Agency on August 15, 2011. On December 29, 2011, the State Supreme Court ruled that dissolution of redevelopment agencies constitutional and the RDA was dissolved on February 1, 2012.

The City's role as the Successor Agency is limited to taking actions necessary to facilitate completion and/or payment of the Successor Agency's obligations, as permitted by an oversight board and the California Department of Finance (DOF). The Successor Agency does not have budget discretion and therefore a budget is not being proposed. For informational purposes, this section includes financial information regarding the Successor Agency.

The City also elected to serve as the Successor Housing Agency, assumed the RDA's affordable housing assets, and established the Housing Asset Fund. The City's Housing Asset Fund and affordable housing functions are separate from the Successor Agency. All funds, assets and liabilities remaining in the RDA's accounts as of dissolution and after transfer of Housing Assets to the Successor Housing Agency were transferred to a Fiduciary Fund called the Redevelopment Obligation Retirement Fund (RORF) established for the purpose of administering the Successor Agency.

The Successor Agency is not a component unit of the City of El Cerrito and the City did not assume the Successor Agency's assets and liabilities. Rather, the Successor Agency is charged with disposing of the assets and using any revenues that would have gone to the former RDA to pay enforceable obligations, and the City has simply elected to serve as the administrator. In El Cerrito's case, the non-cash assets transferred were of nominal value and cash transferred was sufficient to meet the Successor Agency's short-term obligations.

The Dissolution Act provides a process for authorization of payments to be made on the Successor Agency's recognized obligations. Each spring and fall, the Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) for an upcoming six-month period, which is subject to approval of an oversight board and DOF. Once approved, a ROPS serves as the spending plan during its operative period and the County Auditor-Controller (CAC) disburses funds sufficient for the Successor Agency to make payments on the approved ROPS. Expenditure or transfer of funds from the RORF is only permitted after consideration and approval of the payments on a ROPS by the Oversight Board, DOF and CAC.

In 2012, the state enacted amendments to the Dissolution Act, which included a provision for cash flow advances by the City to the Successor Agency, including litigation expenses related to dissolution as enforceable obligations, a requirement for a due diligence review of the former RDA's funds, and a formula for repayment of loans to the Housing Asset Fund, detailed later in this section.

SUCCESSOR AGENCY FINANCES

The RDA was funded through tax increment generated from the City of El Cerrito Redevelopment Project Area, which was established and its Redevelopment Plan adopted in 1977. The Redevelopment Plan was amended and restated in 1993 and does not expire until 2025. Each year's tax increment was the incremental difference in property tax revenue generated within the Project Area between that year and the base year of 1977. The Dissolution Act re-characterizes tax increment as Redevelopment Property Tax (RPT), but it is calculated in the same manner. Other than an insignificant amount of proceeds from loan receivables or asset sales, RPT is the only source of funding available to the Successor Agency to retire the former RDA's enforceable obligations, which continue throughout the life of the Redevelopment Plan. Upon expiration of the Redevelopment Plan, property taxes collected in the Redevelopment Project Area will be distributed according to the allocations that existed prior to the adoption of the Redevelopment Plan.

The Successor Agency's obligations include all debts and costs to perform on obligations of the former RDA. Prior to distributing RPT to the Successor Agency, the CAC withholds administrative costs and pass-through payments paid to the taxing entities, which are calculated in the same manner as before dissolution. Any RPT not needed to make payments on the Successor Agency's obligations is considered "residual" and is distributed to taxing entities that would have otherwise received the tax increment or property tax revenues in the Redevelopment Project Area.

Table 10-1 is a summary of tax increment received by the RDA in suspension, RPT disbursed through the end of ROPS III, and a projection of RPT that may be disbursed to the Successor Agency for its obligations through expiration of the City of El Cerrito Redevelopment Plan in FY 2024-25. It is based on a constant three percent annual growth in assessed value in the Redevelopment Project Area.

Table 10-1
Tax Increment and Redevelopment Property Tax through FY2024-25
City of El Cerrito Redevelopment Project Area

Fiscal Year	ROPS period	TI or RPT Available	County Admin	Pass-Thru Payments	Projected RPT Disbursement
2011-12	EOPS	1,756,795	-	-	1,756,795
2011-12	ROPS I	953,988	-	-	953,988
2012-13	ROPS II	2,221,333	(48,673)	(223,412)	1,949,248
	ROPS III	2,606,039	(48,009)	(482,915)	2,075,115
2013-14	13-14A	2,606,039	(31,011)	(1,189,548)	1,385,480
	13-14B	2,642,031	(31,011)	(488,776)	2,122,244
2014-15	14-15A	2,642,031	(31,941)	(488,776)	2,121,314
	14-15B	2,734,567	(31,941)	(505,895)	2,196,731
2015-16	15-16A	2,734,567	(32,899)	(505,895)	2,195,773
	15-16B	2,829,880	(32,899)	(523,528)	2,273,453
2016-17	16-17A	2,829,880	(33,886)	(523,528)	2,272,466
	16-17B	2,928,053	(33,886)	(541,690)	2,352,477
2017-18	17-18A	2,928,053	(34,903)	(541,690)	2,351,460
	17-18B	3,029,170	(34,903)	(560,396)	2,433,871
2018-19	18-19A	3,029,170	(35,950)	(560,396)	2,432,824
	18-19B	3,133,321	(35,950)	(579,664)	2,517,707
2019-20	19-20A	3,133,321	(37,029)	(579,664)	2,516,628
	19-20B	3,240,597	(37,029)	(599,510)	2,604,058
2020-21	20-21A	3,240,597	(38,140)	(599,510)	2,602,947
	20-21B	3,351,090	(38,140)	(619,952)	2,692,998
2021-22	21-22A	3,351,090	(39,284)	(619,952)	2,691,854
	21-22B	3,464,899	(39,284)	(641,006)	2,784,609
2022-23	22-23A	3,464,899	(40,463)	(641,006)	2,783,430
	22-23B	3,582,122	(40,463)	(662,693)	2,878,966
2023-24	23-24A	3,582,122	(41,677)	(662,693)	2,877,752
	23-24B	3,702,861	(41,677)	(685,029)	2,976,155
2024-25	24-25A	3,702,861	(42,927)	(685,029)	2,974,905
	24-25B	3,827,223	(42,927)	(708,036)	3,076,260

OBLIGATIONS

The Successor Agency is responsible for the former RDA's debts and obligations, which are as follows:

Tax Allocation Bond Payments. The RDA had four tax allocation bonds issuances. All taxing entities had subordinated their pass-through payments to payments on the RDA's bond debt, so if insufficient RPT is available to make bond debt service payments, pass-through payments are deferred to a future ROPS. This occurred in ROPS II and deferred pass-through payments will be made from ROPS 13-14A.

Valente Note. Payments of \$288,215 are due in March each year. The purpose of the note was seller financing of land acquisition for a key transit-oriented development, revitalization site in the Del Norte BART area. The note is secured by a third-party deed of trust on the property, now owned by the El Cerrito Municipal Services Corporation (MSC). The MSC recorded a performance deed of trust against the property, which is an asset of the Successor Agency,

agreeing to develop the property pursuant to Health & Safety Code 33433 and return any proceeds from future development to the RDA. The current value of the property is less than the balance due on the note. The Successor Agency will need to coordinate with both the note holder and the MSC on future transactions involving development of the property and/or repayment of the note.

Cooperation Agreement with the El Cerrito Municipal Services Corporation. In February 2011, the RDA entered into a Public Improvements and Cooperation Agreement for the City of El Cerrito Redevelopment Project Area with the City of El Cerrito. The City partially assigned the Cooperation Agreement to the MSC, which is a separate nonprofit, public benefit corporation. The RDA made payments under the agreement to the MSC prior to dissolution, which were listed on the RDA's Enforceable Obligations Payment Schedule prepared during suspension and not disputed by DOF. Despite Oversight Board approval of the Cooperation Agreement, DOF has not approved payments on the Cooperation Agreement by the Successor Agency. Projects being funded by the MSC include economic development activities, development of MSC-owned land, and coordination with City and other transit agencies on sustainable transit-oriented development efforts. The Cooperation Agreement is key to increasing the property tax base and will benefit all taxing entities serving the Redevelopment Project Area over the long term. The Successor Agency is continuing to pursue payments towards the Cooperation Agreement obligation.

Housing Loan Commitments. On January 31, 2012, the RDA had contracts with two affordable housing developers to make predevelopment loans on housing projects already underway. Eden Housing is pursuing an affordable senior housing/mixed-use project adjacent to City Hall on City-owned property. Ohlone Gardens LP has already entitled an affordable multi-family/special needs project on Portola Drive on property purchased in part with a loan from the RDA. Ohlone Gardens LP is relying upon the remaining predevelopment loan commitment to secure other funding sources. Note that due to insufficient RPT in the initial ROPS periods, payments on these housing loan commitments have been delayed.

ERAF and SERAF Loan Payments. The RDA borrowed housing funds from the Low & Moderate Income Housing Fund to make payments to the State for the Educational Revenue Augmentation Fund (ERAF) in 2005 and 2006 and to the Supplemental ERAF in 2010. A payment was made to the City Housing Asset Fund during the ROPS I period, but subsequent payments are determined as a percentage of the incremental change in residual RPT after all other obligations are paid.

Other Obligations. The Successor Agency has several small obligations, such as a vacation accrual liability from the former RDA, required completion of a Due Diligence Review, and litigation expenses. The City advanced the cost of the Successor Agency's litigation, which the Successor Agency listed as a cash flow loan for payment with RPT on ROPS 13-14A.

Administrative cost allowance. The Successor Agency is entitled to an administrative cost allowance of \$250,000 per fiscal year.

Cash Flow Loan. Due to insufficient RPT during ROPS III, the City advanced a portion of the FY2012-13 administrative allowance to the Successor Agency. The Department of Finance approved the cash flow loan.

Table 10-2 is a summary of the Successor Agency's projected obligations through FY 2024-25 including the Successor Agency's Administrative Allowance, but excluding pass-through payments, pending determination of their calculation method. Any residual amount between the RPT collected and paid on the Successor Agency's obligations will be distributed to the

taxing entities. Recognized Obligations Payment Schedules submitted for Jan-Jun 2012 and Jul-Dec 2012 were based on these initial amounts.

Table 10-2
Summary of Draft Recognized Obligation Payment Schedule Through FY2024-25
City of El Cerrito Redevelopment Project Area

Period	Debt Service	Valente Note	Housing Loans	SERAF/ ERAF Loans	Other	Coop Agmt	Admin Allowance	Cash Flow Loan
EOPS	433,109		46,669		245,677	1,031,340		
ROPS I		288,215		415,773			250,000	
ROPS II	1,949,248							
ROPS III	1,591,140	288,215			29,392		166,368	
13-14A	389,243		531,152				239,136	225,949
13-14B	1,694,705	288,215						10,864
14-15A	1,063,616		250,000			348,375	125,000	
14-15B	1,063,616	288,215				348,375	125,000	
15-16A	1,084,561					348,375	125,000	
15-16B	1,084,561	288,215				348,375	125,000	
16-17A	1,148,109					348,375	125,000	
16-17B	1,148,109	288,215				348,375	125,000	
17-18A	972,242					348,375	125,000	
17-18B	972,242	288,215				348,375	125,000	
18-19A	1,041,192						125,000	
18-19B	1,041,192	288,215					125,000	
19-20A	860,586						125,000	
19-20B	860,586	288,215					125,000	
20-21A	1,078,851						125,000	
20-21B	1,078,851	288,215					125,000	
21-22A	1,104,200						125,000	
21-22B	1,104,200	288,215					125,000	
22-23A	1,126,251						125,000	
22-23B	1,126,251	288,215					125,000	
23-24A							125,000	
23-24B		288,215					125,000	
24-25A							125,000	
24-25B							125,000	

After all obligations of RPT are paid, up to half of the incremental residual RPT (over any residual RPT distributed to taxing entities in FY2012-13) can be used to repay the Successor Agency's SERAF/ERAF Loan obligation to the City's Housing Asset Fund. Any remaining residual is then paid to the taxing entities serving the Redevelopment Project Area according to their standard tax allocations. The City of El Cerrito will receive about 22% of RPT residual.

Table 10-3 summarizes the projected residual RPT based on what has been projected to be available and obligated for each ROPS period, a SERAF/ERAF loan repayment scenario with one third of residual being paid starting in FY 2014-15, and the resulting City share.

Table 10-3
Projected Residual RPT and Possible SERAF/ERAF Loan Repayment Scenario
City of El Cerrito Redevelopment Project Area

Fiscal Year	ROPS period	Projected Residual	SERAF/ERAF Loan Balance	SERAF/ERAF Payment	City Share
2011-12	EOPS				
2011-12	ROPS I				
2012-13	ROPS II ROPS III				
2013-14	13-14A		1,247,318		
	13-14B	128,460	1,247,318	-	28,557
2014-15	14-15A	334,323			74,320
	14-15B	371,525	1,012,035	235,283	30,287
2015-16	15-16A	637,837			141,791
	15-16B	427,302	656,989	355,046	16,063
2016-17	16-17A	650,982			144,713
	16-17B	442,778	292,402	364,587	17,382
2017-18	17-18A	905,843			201,369
	17-18B	700,039	-	292,402	90,618
2018-19	18-19A	1,266,632			281,572
	18-19B	1,063,300	-	-	236,372
2019-20	19-20A	1,531,042			340,351
	19-20B	1,330,257	-	-	295,716
2020-21	20-21A	1,399,096			311,019
	20-21B	1,200,932	-	-	266,967
2021-22	21-22A	1,462,654			325,148
	21-22B	1,267,194	-	-	281,697
2022-23	22-23A	1,532,179			340,603
	22-23B	1,339,500	-	-	297,771
2023-24	23-24A	2,752,752			611,937
	23-24B	2,562,940	-	-	569,742
2024-25	24-25A	2,849,905			633,534
	24-25B	2,951,260	-	-	656,065

ADMINISTRATIVE BUDGET

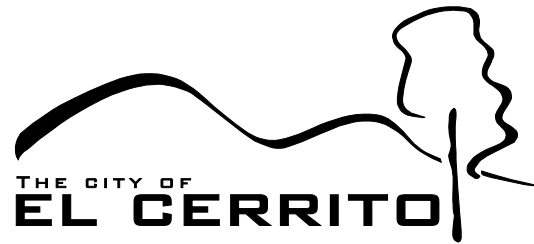
The Dissolution Act requires the Successor Agency to prepare a budget for approval by the Oversight Board. **Table 10-4** is the FY 2013-14 Administrative Budget approved by the Successor Agency on February 19, 2013 and by the Oversight Board on February 26, 2013.

Table 10-4
Approved FY 2013-14 Administrative Budget
Successor Agency to the El Cerrito Redevelopment Agency

Entity/Activity	Successor Agency	Oversight Board
Staffing Functions (Total Compensation plus Overhead for Indirect Costs)		
City Management	\$50,000	\$30,000
Finance	\$50,000	\$30,000
Risk Management	\$4,000	\$2,000
Economic Development	\$25,000	\$10,000
City Clerk	\$15,000	\$10,000
Information Systems	\$4,000	\$4,000
Legal Services	\$50,000	
Financial & Audit Services	\$10,000	
Bond-related Costs	\$10,000	
Supplies	\$1,000	\$500
Postage	\$250	\$250
Copies	\$200	\$200
Website	\$1,500	\$1,500
Advertising/Legal Notices	\$1,000	\$1,000
Property Management	\$1,000	
Total	\$222,950	\$89,450
Combined Total		\$312,400
Funding Source		
Redevelopment Property Tax Trust Fund		\$250,000
Unfunded		\$62,400

The amounts in **Table 10-4** are included within the City's Operating Budget and are displayed here for informational purposes. Actual expenses of administering the Successor Agency will be charged to the City's General Fund and the Administrative Allowance will be reflected as revenue in the City's General Fund when it is reimbursed by the Successor Agency.

The City is entitled to an administrative allowance of \$250,000 annually, regardless of its actual expenses. As such, City staff will minimize expenses to the greatest degree possible, but the budget was prepared recognizing the high cost of administering dissolution.



SECTION 11: OTHER ENTITIES

The City Council of the City of El Cerrito serves as members of the governing body of two other entities: the Employee's Pension Board and the Public Financing Authority. These entities are separate agencies from the City and the Redevelopment Agency and are accounted for separately.

EMPLOYEES' PENSION FUND

The City of El Cerrito Employees' Pension Fund is a component unit of the City of El Cerrito and a separate fund is maintained by the City to account for the Plan assets. The City Council serves as the Pension Board. The Pension Board has exclusive control over the pension plan and accordingly, the City is financially accountable for the Plan and its operation.

This Fund provides a pension system for those former employees of the City who, on February 6, 1959, chose not to be covered by Social Security or by the California Public Employees' Retirement System. The Plan is a single-employer defined pension plan. There are three participants in this pension system—all retired. This Fund provides for the:

- Disbursement of appropriate pension payments;
- Maintenance of true and correct records of all contributions to and payments from the Pension Fund; and
- Services of actuaries who render a report every three years, or as needed, as to the costs of maintaining properly funded reserves for this pension fund. The most recent report was prepared as of July 1, 2009.

Payments into this Fund are based upon actuarial studies of the estimated costs of meeting the City's obligations under the retirement contract with the members of this system. The goal is to have the reserve fund balances decrease as the pension liability decreases. No new members may join this plan.

The revenues and expenditures of the Employees' Pension Board are shown in **Tables 11-1** and **11-2**:

Table 11-1

Revenue Source	Pension Fund Revenues		
	Actual FY 2011-12	Amended FY 2012-13	Proposed FY 2013-14
Contribution-General Fund	\$141,770	\$112,500	\$112,500
Total	\$141,770	\$112,500	\$112,500

Table 11-2

Accounts	Pension Fund Expenditures		
	Actual FY 2011-12	Amended FY 2012-13	Proposed FY 2013-14
Other Charges	\$823	\$1,500	\$1,500
Pension Payments	140,947	111,000	111,000
Total	\$141,770	\$112,500	\$112,500

PUBLIC FINANCING AUTHORITY

The City of El Cerrito Public Financing Authority (PFA) has been utilized since FY 2002-03 to account for the debt service for Measure A Lease Revenue Bonds used to fund the swim center reconstruction. In FY 2006-07 the PFA issued Lease Revenue Bonds needed to finance construction of the new City Hall and in FY 2007-08 issued Sales Tax Revenue Bonds to fund the Street Improvement Project. The Board of Directors of the Authority consists of members of the elected City Council of El Cerrito, the El Cerrito City Manager and the El Cerrito Finance Director. In FY 2012-13 the Measure A Lease Revenue Bonds were refinanced which allowed the reserve requirement to be reduced by half. Revenues and expenditures for the Authority are shown in Tables 11-3 through 11-8.

Table 11-3

Revenue Source	Measure A Finance Authority Revenues		
	Actual FY 2011-12	Amended FY 2012-13	Proposed FY 2013-14
Interest Earnings	\$37	\$300	\$100
Xfr in-Measure A Parcel Tax	365,053	362,305	359,058
Total	\$365,090	\$362,605	\$359,158

Table 11-4

Accounts	Measure A Finance Authority Expenditures		
	Actual FY 2011-12	Amended FY 2012-13	Proposed FY 2013-14
Other Charges	\$2,398	\$6,250	\$6,250
Transfer to Reduce Reserve		185,000	
Principal Payments	245,000	255,000	312,800
Interest Payments	120,055	110,800	46,258
Total	\$367,453	\$371,305	\$365,308

Table 11-5

City Hall Finance Authority Revenues

Revenue Source	Actual FY 2011-12	Amended FY 2012-13	Proposed FY 2013-14
Interest Earnings	\$30	\$300	\$100
Xfr in- General Fund	597,368	599,000	596,308
Total	\$597,398	\$599,300	\$596,408

Table 11-6

City Hall Finance Authority Expenditures

Accounts	Actual FY 2011-12	Amended FY 2012-13	Proposed FY 2013-14
Other Charges	\$2,580	\$1,000	\$1,000
Principal Payments	205,000	215,000	220,000
Interest Payments	392,408	384,000	375,308
Total	\$599,988	\$600,000	\$596,308

Table 11-7

Street Improvement Finance Authority Revenues

Revenue Source	Actual FY 2011-12	Amended FY 2012-13	Proposed FY 2013-14
Interest Earnings	\$76	\$1,000	\$100
Xfr in- Street Imp Fund	737,583	740,000	740,000
Total	\$737,659	\$741,000	\$740,100

Table 11-8

Street Improvement Finance Authority Expenditures

Accounts	Actual FY 2011-12	Amended FY 2012-13	Proposed FY 2013-14
Other Charges	\$1,080	\$1,000	\$1,000
Principal Payments	245,000	245,000	265,000
Interest Payments	492,653	492,653	470,780
Total	\$738,733	\$738,653	\$736,780

