

ITEMS FOR CONSIDERATION BY THE GOVERNING BODY OF THE SUCCESSOR AGENCY TO THE COMMERCE COMMUNITY DEVELOPMENT COMMISSION ARE AVAILABLE FOR PUBLIC VIEWING IN THE OFFICE OF THE CITY CLERK AND THE CENTRAL LIBRARY


Agendas and other writings that will be distributed to the Successor Agency in connection with a matter subject to discussion or consideration at this meeting and that are not exempt from disclosure under the Public Records Act, Government Code Sections 6253.5, 6254, 6254.3, 6254.7, 6254.15, 6254.16, or 6254.22, are available for inspection following the posting of this agenda in the City Clerk's Office, at Commerce City Hall, 2535 Commerce Way, Commerce, California, and the Central Library, 5655 Jillson Street, Commerce, California, or at the time of the meeting at the location indicated below.

**NOTICE OF SPECIAL MEETING OF
THE GOVERNING BODY OF THE SUCCESSOR AGENCY
TO THE COMMERCE COMMUNITY DEVELOPMENT COMMISSION**

I, Lilia R. Leon, Chairperson, do hereby call a Special Meeting of the Governing Body of the Successor Agency to the Commerce Community Development Commission [hereinafter the "Successor Agency"] to convene at **5:00 p.m. on Tuesday April 24, 2012**, in the Council Chambers, 5655 Jillson Street, Commerce, California.


The Board will convene to consider the following matters on the attached agenda.

Dated: April 19, 2012



Lilia R. Leon
Chairperson

ATTEST:



Linda Kay Olivieri, MMC
Secretary

**LARGE PRINTS OF THIS AGENDA ARE AVAILABLE UPON REQUEST
FROM THE CITY CLERK'S OFFICE, MONDAY-FRIDAY,
8:00 A.M.-6:00 P.M.**

ALL ITEMS FOR CONSIDERATION BY THE CITY COUNCIL AND GOVERNING BODY OF THE SUCCESSOR AGENCY TO THE COMMERCE COMMUNITY DEVELOPMENT COMMISSION ARE AVAILABLE FOR PUBLIC VIEWING IN THE OFFICE OF THE CITY CLERK AND THE CENTRAL LIBRARY

Agendas and other writings that will be distributed to the Councilmembers and Successor Agency Board Members in connection with a matter subject to discussion or consideration at this meeting and that are not exempt from disclosure under the Public Records Act, Government Code Sections 6253.5, 6254, 6254.3, 6254.7, 6254.15, 6254.16, or 6254.22, are available for inspection following the posting of this agenda in the City Clerk's Office, at Commerce City Hall, 2535 Commerce Way, Commerce, California, and the Central Library, 5655 Jillson Street, Commerce, California, or at the time of the meeting at the location indicated below.

**AGENDA FOR THE CONCURRENT ADJOURNED REGULAR MEETING
OF THE CITY COUNCIL OF THE CITY OF COMMERCE AND
SPECIAL MEETING OF THE GOVERNING BODY
OF THE SUCCESSOR AGENCY TO THE COMMERCE COMMUNITY
DEVELOPMENT COMMISSION (HEREAFTER "SUCCESSOR AGENCY")
COUNCIL CHAMBERS
5655 JILLSON STREET, COMMERCE, CALIFORNIA**

TUESDAY, APRIL 24, 2012 – 5:00 P.M.

CALL TO ORDER

Mayor/Chairperson Leon

ROLL CALL

City Clerk/Secretary Olivieri

PUBLIC COMMENT

Citizens wishing to address the City Council and Successor Agency on any item on the agenda or on any matter not on the agenda may do so at this time. However, State law (Government Code Section 54950 et seq.) prohibits the City Council/Successor Agency from acting upon any item not contained on the agenda posted 72 hours before a regular meeting and 24 hours before a special meeting. Upon request, the City Council/Successor Agency may, in their discretion, allow citizen participation on a specific item on the agenda at the time the item is considered by the City Council/Successor Agency. Request to address City Council/Successor Agency cards are provided by the City Clerk. If you wish to address the City Council/Successor Agency at this time, please complete a speaker's card and give it to the City Clerk/Secretary prior to commencement of the City Council/Successor Agency meetings. Please use the microphone provided, clearly stating your name and address for the official record and courteously limiting your remarks to five (5) minutes so others may have the opportunity to speak as well.

To increase the effectiveness of the Public Comment Period, the following rules shall be followed:

No person shall make any remarks which result in disrupting, disturbing or otherwise impeding the meeting.

SCHEDULED MATTERS

- 1. A Resolution of the Board of Directors of the Successor Agency to the Commerce Community Development Commission Approving a Subordination Agreement with Home Finance of America for a Regulatory Agreement, Covenants, Conditions, and Restrictions and Deed of Trust**

Securing a Promissory Note Entered Into Between the Commission and Ramiro Marquez

Mr. Ramiro Marquez has applied for a loan with Home Finance of America. The real property offered as security for the loan is subject to a Regulatory Agreement; Covenants, Conditions and Restrictions, and a Deed of Trust Securing a Promissory Note that were entered into between Mr. Marquez and the former Commerce Community Development Commission in 2011.

The **Successor Agency** will consider for approval and adoption a proposed Resolution approving a Subordination Agreement with Home Finance of America for a Regulatory Agreement; Covenants, Conditions, and Restrictions and a Deed of Trust securing a Promissory Note entered into between the Commission and Ramiro Marquez.

2. A Resolution of the City Council of the City of Commerce, Acting as the Governing Body for the Successor Agency to the Commerce Community Development Commission Pursuant to Part 1.85 of Division 24 of the California Health and Safety Code, Approving the Recognized Obligations Payment Schedule Required by Section 34167 of the California Health and Safety Code

AB 1X 26, approved by the California Legislature on June 15, 2011; signed by the Governor on June 28, 2011, and upheld by the California Supreme Court on December 29, 2011, eliminated redevelopment in the State of California.

Health and Safety Code Section 34177 (a), which is part of AB 1X 26, requires the City as Successor Agency to the Commission to prepare a Recognized Obligation Payment Schedule ("ROPS").

The subject ("ROPS") covers the period July-December 2012.

The **City Council acting as Governing Body of the Successor Agency to the Commerce Community Development Commission** will consider for approval and adoption a proposed Resolution approving the Recognized Obligations Payment Schedule required by Section 34167 of the *California Health and Safety Code*.

3. Layoffs and Workforce Reductions

At its April 3, 2012, regular meeting, the City Council authorized the City Administrator to prepare layoff and workforce reduction lists for the City Council's consideration at its April 24th, 2012 meeting.

The **City Council** will review the layoff and workforce reduction lists and provide appropriate direction as deemed necessary to the City Administrator with respect thereto.

RECESS TO CLOSED SESSION

4. Pursuant to Government Code §54956.9(b),

- A. The **City Council** will confer with its legal counsel, and take the appropriate action, with respect to significant exposure to litigation in one potential case.

5. Pursuant to Government Code §54957.6,

- A. The **City Council** will confer with its labor negotiator, Jorge Rifá, with respect to labor negotiations pertaining to the Memoranda of

**CONCURRENT ADJOURNED REGULAR COUNCIL
AND SPECIAL SUCCESSOR AGENCY AGENDA
04/24/2012 – 5:00 p.m.
Page 3 of 3**

Understanding between the City and the City of Commerce
Employees Association on behalf of the mid-management and non-
management full-time employees and part-time employees.

ADJOURNMENT

**LARGE PRINTS OF THIS AGENDA ARE AVAILABLE UPON REQUEST
FROM THE CITY CLERK'S OFFICE, MONDAY-FRIDAY,
8:00 A.M. - 6:00 P.M.**



AGENDA REPORT

MEETING DATE: April 24, 2012

TO: HONORABLE SUCCESSOR AGENCY

FROM: EXECUTIVE DIRECTOR

SUBJECT: A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY FOR THE COMMERCE COMMUNITY DEVELOPMENT COMMISSION, APPROVING A SUBORDINATION AGREEMENT WITH HOME FINANCE OF AMERICA FOR A REGULATORY AGREEMENT, COVENANTS, CONDITIONS, AND RESTRICTIONS, AND DEED OF TRUST SECURING A PROMISSORY NOTE ENTERED INTO BETWEEN THE COMMISSION AND RAMIRO MARQUEZ

RECOMMENDATION:

Approve the Resolution and assign the number next in order.

MOTION:

Moe to approve the recommendation.

BACKGROUND:

Homeowner, Ramiro Marquez received a Substantial Housing Rehabilitation Program loan of \$100,000 from the Successor Agency and was secured by a Regulatory Agreement dated April 11, 2011, Covenants, Conditions, and Restrictions for First Mortgage Refinancing dated April 19, 2011 and a Deed of Trust Securing a Promissory Note dated April 12, 2011. Successor Agency Staff has been contacted by Ramiro Marquez, owner of ^{the} home located at 2472 Elkgrove Avenue ("Property"), to request that their Substantial Housing Rehabilitation loan of \$100,000 be subordinated by the Successor Agency to allow him to refinance his first mortgage in order to lower the interest rate.

Per said Regulatory Agreement, Covenants, Conditions, and Restrictions and Deed of Trust Securing a Promissory Note, the refinancing of the first mortgage loan would be permitted and would not constitute a default by the Homeowner, as long as the Successor Agency has had the opportunity to review the new loan terms. Successor Agency Staff has received evidence from the Homeowner's lender, Home Finance of America, that shows that the loan is a "no cash-out" and fixed rate loan and has therefore deemed the refinancing of the loan to carry no risk to the Successor Agency's loan to the Homeowner.

FISCAL IMPACT:

This activity can be carried out at this time without additional impact on the current operating budget.

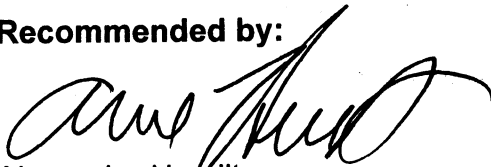
RELATIONSHIP TO THE 2012 STRATEGIC GOALS:

The issue before the City Council is applicable to the following Council strategic goal to "Protect and Enhance Quality of Life in the City of Commerce." Commission approval of this action will allow an established lower income household to take steps to further strengthen their financial position and therefore enhancing their financial investment and stake in the Community.

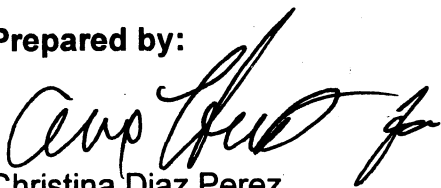
Respectfully submitted,


Jorge Rife
Executive Director

Recommended by:


Alexander Hamilton
Assistant Director of Community Development

Prepared by:


Christina Diaz Perez
Redevelopment and Housing Program Manager

Fiscal impact reviewed by:


Vilko Domic
Director of Finance

Approved as to Form:


Eduardo Olivo
City Attorney

Attachments: Resolution
Subordination Agreement
Covenants, Conditions, and Restrictions

RESOLUTION NO. _____

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE COMMERCE COMMUNITY DEVELOPMENT COMMISSION APPROVING A SUBORDINATION AGREEMENT WITH HOME FINANCE OF AMERICA FOR A REGULATORY AGREEMENT, COVENANTS, CONDITIONS AND RESTRICTIONS, AND DEED OF TRUST SECURING A PROMISSORY NOTE ENTERED INTO BETWEEN THE COMMISSION AND RAMIRO MARQUEZ

WHEREAS, Ramiro Marquez, the owner of 2472 Elkgrove Avenue, Commerce, CA 90040 ("Borrower"), has applied with Home Finance of America ("Lender) for a loan to be made to Borrower and to be evidenced by a promissory note secured by a mortgage covering certain real property; and

WHEREAS, the real property offered by Borrower as security to Lender is currently subject to a Regulatory Agreement dated April 11, 2011, Record No. 20110908283, a Covenants, Conditions and Restrictions for First Mortgage Refinancing dated April 19, 2011 Record No. 20110908282, and a Deed of Trust Securing a Promissory Note dated April 12, 2011 Record No. 20110908281 in the County of Los Angeles, California between the Borrower and the Commerce Community Development Commission; and

WHEREAS, Lender will make such loan to Borrower only on the condition that such Regulatory Agreement, Covenants, Conditions, and Restrictions for First Mortgage Refinancing and Deed of Trust Securing a Promissory Note be subordinated to the lien of the mortgage to be given by Lender to Borrower; and

WHEREAS, pursuant to AB 1 X 26, the City of Commerce became the Successor Agency to the Commission; and

WHEREAS, the Successor Agency desires to assist Borrower by entering into a subordination agreement that will allow the loan to be made.

NOW, THEREFORE, THE SUCCESSOR AGENCY DOES HEREBY RESOLVE THAT:

SECTION 1. The Subordination Agreement between the Successor Agency and Home Finance of America is hereby approved. The Successor Agency Chairperson is hereby authorized to execute the Subordination Agreement for and on behalf of the Successor Agency.

PASSED, APPROVED AND ADOPTED this _____ day of _____, 2012.

Lilia R. Leon
Chairperson

ATTEST:

Linda Kay Olivieri, MMC
Secretary

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

City of Commerce Successor Agency
2535 Commerce Way
Commerce, California 90040
Attention: Executive Director

EXEMPT FROM RECORDING FEE PER GOVERNMENT CODE SECTION 27383

SUBORDINATION AGREEMENT

This Subordination Agreement made as of the ____ day of _____, 2012, by the City of Commerce Successor Agency, having an address of 2535 Commerce Way, Commerce, CA 90040 ("Subordinator"), and Home Finance of America, a corporation organized and existing under the laws of the State of California, located at 521 Plymouth Road, Suite 112, Plymouth Meeting, PA 19462 ("Lender").

RECITALS

A. Ramiro Marquez, a married man, as sole and separate property owner of 2472 Elkgrove Avenue, Commerce, CA 90040 ("Borrower"), has applied to Lender for a loan to be made to Borrower and to be evidenced by a promissory note secured by a mortgage covering certain real property.

B. The real property offered by Borrower as security to Lender is currently subject to a prior Regulatory Agreement dated April 11, 2011, Record No. 20110908283, a Covenants, Conditions, and Restrictions for First Mortgage Refinancing dated April 19, 2011 Record No. 20110908282, and a Deed of Trust Securing a Promissory Note dated April 12, 2011 Record No. 20110908281 in the County of Los Angeles, California between the Borrower and Subordinator.

C. Lender will make such loan to Borrower only on the condition that such Regulatory Agreement, Covenants, Conditions, and Restrictions for First Mortgage Refinancing and Deed of Trust Securing a Promissory Note be subordinated to the lien of the mortgage described below to be given by Lender to Borrower.

In consideration of the matters described above, and of the mutual benefits and obligations set forth in this agreement, the parties agree as follows:

SUBORDINATION OF EXISTING DEED OF TRUST

1. The Regulatory Agreement dated April 11, 2011, Record No. 20110908283, a Covenants, Conditions, and Restrictions for First Mortgage Refinancing dated April 19, 2011, Record No. 20110908282, and a Deed of Trust Securing a Promissory Note dated April 12, 2011, Record No. 20110908281 in the County of Los Angeles, California and this Subordination Agreement cover real property described as:

LOT 47 OF TRACT NO 10556, IN THE CITY OF COMMERCE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 162, PAGES(S) 31 AND 32 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY. EXCEPT THEREFROM ALL MINERALS, GAS, OILS, PETROLEUM, NAPHTHA, HYDROCARBON SUBSTANCES AND OTHER MINERALS IN OR UNDER SAID LAND, LYING 500 FEET OR MORE BELOW THE SURFACE OF SAID LAND, AS EXECUTED AND RESERVED IN DEED RECORDED DECEMBER 17, 1943, IN BOOK 20518, PAGE 190, OF OFFICIAL RECORDS.

2. The parties hereby agree that the Regulatory Agreement (Record No. 20110908283), Covenants, Conditions, and Restrictions for First Mortgage Refinancing (Record No. 20110908282), and Deed of Trust Securing a Promissory Note (Record No. 20110908281) shall be and the same are now subordinated and made subject and subsequent to the lien of that certain mortgage covering the real property referenced above, dated _____, between Ramiro Marquez and Home Finance of America, and filed or recorded on the _____ day of _____, 2012, Record Number _____, of the records of the County of Los Angeles, State of California.

The parties hereto have each executed or caused to be executed this Agreement as of the date first set forth above.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK/
SIGNATURES FOLLOW ON NEXT PAGE]

CITY OF COMMERCE
SUCCESSOR AGENCY

By: Lilia R. Leon, Chairperson

Attest:

Jorge Rifá, Secretary

Approved as to form by:

Eduardo Olivo
Commission Legal Counsel

Home Finance of America

By: _____
Its: _____



AGENDA REPORT

DATE: April 24, 2012

TO: HONORABLE CITY COUNCIL, ACTING AS THE GOVERNING BODY FOR THE SUCCESSOR AGENCY TO THE COMMERCE COMMUNITY DEVELOPMENT COMMISSION

FROM: EXECUTIVE DIRECTOR

SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMMERCE, ACTING AS THE GOVERNING BODY FOR THE SUCCESSOR AGENCY TO THE COMMERCE COMMUNITY DEVELOPMENT COMMISSION PURSUANT TO PART 1.85 OF DIVISION 24 OF THE CALIFORNIA HEALTH AND SAFETY CODE APPROVING THE RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE REQUIRED BY SECTION 34167 OF THE CALIFORNIA HEALTH AND SAFETY CODE

RECOMMENDATION:

Approve the Resolution and assign the number next in order.

MOTION:

Approve the recommendation.

BACKGROUND:

The Commerce Community Development Commission operated as a redevelopment agency in the City of Commerce (the "City"), duly created pursuant to the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the California *Health and Safety Code*)) (the "Redevelopment Law").

Assembly Bill 1X 26 ("AB 26") and Assembly Bill 1X 27 ("AB 27"), were approved by the California Legislature on June 15, 2011, and signed by the Governor on June 28, 2011. AB 26 and AB 27 added Parts 1.8, 1.85 and 1.9 of Division 24 to the California *Health and Safety Code*. Part 1.85 of the *Health and Safety Code*, which is contained in AB 26, required all redevelopment agencies to dissolve as of October 1, 2011, and provided for the establishment of a successor entity to administer the enforceable obligations of the redevelopment agency. Part 1.8 of the *Health and Safety Code*, which is also contained in AB 26, restricts activities of redevelopment agencies to meeting their enforceable obligations, preserving assets and meeting other goals in the interim period prior to dissolution.

Section 34169 of the *Health and Safety Code*, which is contained in AB 26, required the redevelopment agencies to adopt an Enforceable Obligations Payment Schedule. Section 34167 of the *Health and Safety Code*, which is also contained in AB 26, prohibits redevelopment agencies from making any payment which is not listed on the Enforceable Obligations Payment Schedule. On August 24, 2011, the Commerce Community Development Commission approved an Enforceable Obligations Payment Schedule.

On December 29, 2011, the Supreme Court issued its opinion in the *Matosantos* case largely upholding AB 26, invalidating AB 27, and holding that AB 26 may be severed from AB 27 and enforced independently. As a result of the Supreme Court's decision, on February 1, 2012, all redevelopment agencies were dissolved and replaced by successor agencies pursuant to *Health and Safety Code* Section 34173. The City Council of the City of Commerce adopted Resolution No. 11-4219 on September 19,

2011, pursuant to part 1.85 for the City to serve as the successor agency for the Commerce Community Development Commission (the "Successor Agency").

ANALYSIS:

Health and Safety Code Section 34177 (a), which is part of AB 26, requires the City as the Successor Agency to the Commission, to prepare a Recognized Obligation Payment Schedule ("ROPS"). The proposed Resolution adopts an ROPS for the Successor Agency. The ROPS identifies the following obligations:

1. Bonds, including the required debt service, reserve set-asides and any other required payments.
2. Loans of moneys borrowed by the Commission including, but not limited to, money borrowed from the Low and Moderate Income Housing Fund.
3. Payments required by the federal government, preexisting obligations to the state or obligations imposed by state law, or legally enforceable payments required in connection with the Commission's employees, including, but not limited to, pension payments, pension obligation debt service, and unemployment payments.
4. Judgments or settlements entered by a competent court of law or binding arbitration decisions against the Commission.
5. Any legally binding and enforceable agreement or contract that does not violate the Commission's debt limit.
6. Contracts or agreements necessary for the continued administration or operation of the Commission.

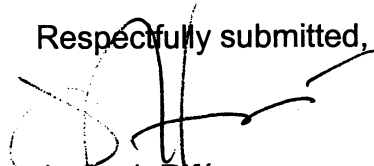
After the ROPS is adopted, it must be posted on the City's website and submitted by mail or electronic means to the County Auditor-Controller, the State Controller's Office and the State Department of Finance.

The attached ROPS covers the period July-December 2012.

FISCAL IMPACT:

The Commission ceased to exist on February 1, 2012. The City is the successor agency to the Commission and will, until a Recognized Obligation Payment Schedule becomes operative, be allowed to only make payments required pursuant to the Enforceable Obligation Payment Schedule (EOPS). The initial EOPS for the Successor Agency was the last EOPS adopted by the Commission. Under Health & Safety Code §34177, adopted pursuant to AB 1X 26, the Successor Agency may receive an annual administrative operating budget to defray its administrative costs. This annual administrative operating budget will be subject to the approval of the Oversight Board, and equates to an administrative allowance of up to five percent (5%), with a minimum allowance of \$250,000, of the redevelopment project area property tax for FY 2011/2012 and up to three percent (3%) of the property tax each succeeding fiscal year.

Respectfully submitted,



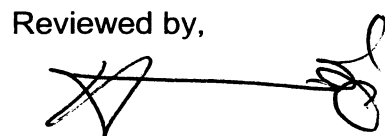
Jorge J. Rifa
Executive Director

Approved as to form



Eduardo Olivo
Legal Counsel

Reviewed by,



Vilko Domic
Finance Director

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMMERCE, ACTING AS THE GOVERNING BODY FOR THE SUCCESSOR AGENCY TO THE COMMERCE COMMUNITY DEVELOPMENT COMMISSION PURSUANT TO PART 1.85 OF DIVISION 24 OF THE CALIFORNIA HEALTH AND SAFETY CODE, APPROVING THE RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE REQUIRED BY SECTION 34167 OF THE CALIFORNIA HEALTH AND SAFETY CODE

WHEREAS, the Commerce Community Development Commission operated as a redevelopment agency in the City of Commerce (the "City"), duly created pursuant to the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the California *Health and Safety Code*) (the "Redevelopment Law"); and

WHEREAS, Assembly Bill 1X 26 ("AB 26") and Assembly Bill 1X 27 ("AB 27"), were approved by the California Legislature on June 15, 2011, and signed by the Governor on June 28, 2011; and

WHEREAS, AB 26 and AB 27 added Parts 1.8, 1.85 and 1.9 of Division 24 to the California *Health and Safety Code*; and

WHEREAS, Part 1.85 of the *Health and Safety Code*, which is contained in AB 26, required all redevelopment agencies to dissolve as of October 1, 2011, and provided for the establishment of a successor entity to administer the enforceable obligations of the redevelopment agency; and

WHEREAS, Part 1.8 of the *Health and Safety Code*, which is also contained in AB 26, restricts activities of redevelopment agencies to meeting their enforceable obligations, preserving assets and meeting other goals in the interim period prior to dissolution; and

WHEREAS, Section 34169 of the *Health and Safety Code*, which is contained in AB 26, required the redevelopment agencies to adopt an Enforceable Obligations Payment Schedule; and

WHEREAS, Section 34167 of the *Health and Safety Code*, which is also contained in AB 26, prohibits redevelopment agencies from making any payment which is not listed on the Enforceable Obligations Payment Schedule; and

WHEREAS, on August 24, 2011, the Commerce Community Development Commission approved an Enforceable Obligations Payment Schedule; and

WHEREAS, on December 29, 2011, the Supreme Court issued its opinion in the *Matosantos* case largely upholding AB 26 and invalidating AB 27; and

WHEREAS, as a result of the Supreme Court's decision, on February 1, 2012, all redevelopment agencies were dissolved and replaced by successor agencies pursuant to *Health and Safety Code* Section 34173; and

WHEREAS, the City Council of the City of Commerce adopted Resolution No. 11-4219 on September 19, 2011, pursuant to part 1.85, for the City to serve as the successor agency for the Commerce Community Development Commission (the "Successor Agency"); and

WHEREAS, on January 31, 2012, pursuant to Resolution No. 498 the Commission adopted an amended Enforceable Obligations Payment Schedule; and

WHEREAS, *Health and Safety Code* Section 34177 (a), requires the City, as the Successor Agency to the Commission, to prepare a Recognized Obligation Payment Schedule, which sets forth the minimum payment amounts and due dates of payments required by enforceable obligations for each six-month fiscal period.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COMMERCE AS FOLLOWS:

Section 1. The recitals set forth above are true and correct.

Section 2. The Recognized Obligations Payment Schedule, which is attached hereto as Exhibit "A", is hereby approved and adopted. The Executive Director of the Successor Agency is hereby authorized and directed to transmit the Schedule to the Los Angeles County Auditor-Controller, the State Controller and the State Department of Finance in accordance with Section 34169 of the *Health and Safety Code*.

Section 3. The Successor Agency's Secretary shall certify to the passage of this Resolution and thereupon and thereafter the same shall be in full force and effect.

PASSED, APPROVED AND ADOPTED this _____ day of _____, 2012

Lilia R. Leon, Chairperson

ATTEST:

Linda Kay Olivieri, MMC
Secretary



AGENDA REPORT

MEETING DATE: APRIL 24, 2012

TO: HONORABLE CITY COUNCIL
FROM: CITY ADMINISTRATOR
SUBJECT: LAYOFFS AND WORKFORCE REDUCTIONS

RECOMMENDATION:

Approve the layoff and workforce reduction of full-time personnel and part-time personnel in the Community Development Department.

MOTION:

Council discretion.

ANALYSIS:

The decisions made in Sacramento to end "redevelopment" in California have had a devastating impact on the Commerce community from a number of standpoints. The end of redevelopment comes after the City emerges from three consecutive fiscal years (2009 through 2011) of serious budget challenges to the City's General Fund. During this timeframe, the Council has made a number of complex and difficult decisions to navigate through a historic and severe economic recession as well as a lackluster economic recovery (still in progress).

In the last three fiscal years, the Council has reduced its operating expenditures by \$5 million dollars using all of the available budget tools including new revenues, economic growth, service reductions, collective bargaining, early retirements, and operating efficiencies. As we have monitored the slow progress of recovery for the regional, state, and national economies, the City's local economic picture was somewhat more hopeful for FY 2012/2013. Primarily due to sales tax revenues from Commerce retailers and the financial performance of the Commerce Casino, our outlook was guarded with expectations that FY 2012/2013 would be a "status quo" year with a "manageable" deficit tied primarily to some unavoidable fixed cost increases (for example, utilities and insurances).

On January 10, 2011, the Governor introduced a budget proposal that would eliminate redevelopment throughout California to return \$1.75 billion in revenues to the State treasury in hopes of aiding the State to correct its own chronic multi-billion dollar structural budget deficits. Over this timeframe, we maintained our cautious outlook fully understanding that if

the State of California eliminated redevelopment, the impact to our community would be devastating and unsustainable to the community and the General Fund.

For decades, redevelopment has been the most important tool available to the Commerce City Council to strengthen the community's quality of life. As of February 1, this formidable community tool no longer exists. We have needs and are without significant local resources to address these needs. We do not have the resources to

address infrastructure. We do not have resources to address affordable housing rehabilitation and environmental contamination issues. Finally we are left with a structural deficit problem in our future FY 2012/2013 General Fund operating budget that can only be addressed in a comprehensive manner utilizing budget tools familiar to the City Council: economic growth tied to existing revenues, cash reserves, new revenue sources, expenditure reductions, collective bargaining and regrettably, the layoff of full time personnel and termination of part-time personnel.

FISCAL IMPACT:

The City's initial redevelopment related deficit, manufactured by Sacramento, appeared to be in the range of \$3.997 million. Embedded within this initial deficit forecast are redevelopment related payroll costs of \$2 million dollars and indirect costs of approximately \$600,000. This annual payroll expense represents about 10% of the annual payroll costs for City personnel (FY 2010/2011) and funds in part the payroll expense of 40 City employees. With certain economic growth assumptions in place as well as cash reserves and one time revenues, the projected deficit has been reduced to 2,023,492 million. As identified in the April 17th report on the budget deficit for FY 2012/2013, the impact of the recommended layoff and workforce reduction is \$780,858. If Council action is taken to approve the layoff and workforce reduction, the budget deficit is reduced to a range of \$1,161,257 to \$1,546,257 million given the Council's decision on several budget variables valued at \$385,000.

ADDITIONAL CONSIDERATION FOR LAYOFF PROCEDURES:

The City Council at their discretion may alternatively:

1. Maintain the current medical coverage for all full-time employees subject to layoff until December 31, 2012. **This is recommended.**
2. Pay all full-time employees subject to layoff severance pay until June 30, 2012. (Severance pay would be excluded from employees who exercise their bumping rights into another full time position although this is not anticipated in this layoff recommendation.) **This is recommended.**
3. Pay all part-time employees subject to layoff severance pay until June 30, 2012 based upon their hours worked immediately preceding the notice of proposed layoff. **This is recommended.**
4. Require full-time employees eligible for bumping rights in accordance with the 2011/2012 Memorandum of Understanding to exercise their rights within five (5) business days after receipt of final layoff notice.
The designated position and classification shall be provided to the employee upon final budgetary decisions made by City Council for the 2012/2013 General Fund Operating Budget. The laid off employee must accept the position within five (5) business days upon notification of the position and classification or forfeit their right to bump. This provision is specific to the current 2012/2013 fiscal year budget due to the end of California Redevelopment Law. **This is recommended.**
5. Pay all full-time and part-time employees subject to lay off 100% of their accrued sick leave balance. This is an isolated provision and shall not be subject to a past practice or set precedent for future layoff considerations. Sick leave shall not be subject to restoration should the employee be reinstated within two years. **This is not recommended since sick leave is not considered "earned" such as vacation leave.**

CONCLUSION:

After three consecutive years of budget deficits and without the ability to finance its operations through redevelopment funding, the City's existing base of expenditures, financial obligations, and organizational structure going forward to FY 2012/2013 are unsustainable in the General Fund. Sacramento has created the crisis but it will be up to the Commerce City Council to find the solution.

It is within this economic and financial backdrop that I regretfully recommend to you what I know to be an unpalatable decision for the Council: the layoff of full time personnel, the workforce reduction of part time personnel, and the freezing of vacant and open positions in the Community Development Department and Community Services Department (one vacant position) closed subject to recommendations One through Four identified above in "additional considerations".

Full-Time
RDA & Housing Manager
Community Development Coordinator
Housing Program Specialist
Office Assistant II

Note: The two following vacant positions would also go unfunded as part of this action.

Crime Prevention Program Coordinator (vacant position in Community Services)
Senior Code Enforcement Officer (vacant position)

Part-Time
Office Assistant II (Code Enforcement)
Office Assistant I (Public Works)

RELATIONSHIP TO STRATEGIC GOALS:

This item is related to the City Council's goal of making financially and economically sound decisions consistent with economic conditions.

Respectfully submitted,


Jorge J. Rifá
City Administrator

Fiscal Impact Reviewed by:


Vilko Domic
Director of Finance

Approved As To Form:


Eduardo Olivo
City Attorney