

# ***Lompoc City Council Agenda Item***

**City Council Meeting Date:** July 19, 2011



**TO:** Honorable Mayor and City Council

**FROM:** Laurel M Barcelona, City Administrator  
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**SUBJECT:** Resolution No. 5734(11) Declaring the City Council's Non-binding Intent to Make Payments as Required by ABX1 27 to Avoid Dissolution of the Lompoc Redevelopment Agency

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## **RECOMMENDATION:**

1. Waive further reading and adopt Resolution No. 5734(11).
2. Provide other direction to Staff.

## **BACKGROUND/DISCUSSION**

In an attempt to balance the State's budget, the California Legislature has adopted, and the Governor has signed ABX1 26 (2011) and ABX1 27 (2011). That legislation purports to dissolve the Lompoc Redevelopment Agency (the "Agency") effective as of October 1, 2011, unless the City of Lompoc (the "City") agrees to make certain payments to the State Department of Finance and the County Auditor-Controller. In addition, because the Governor has signed ABX1 26, redevelopment agencies' powers are purportedly suspended and redevelopment agencies purportedly are now prohibited from taking a number of actions, including making loans and entering into or modifying contracts; and

Section 34193, subdivision (a), of the California Health & Safety Code, as added by ABX1 27, states a city must adopt an ordinance on or before November 1, 2011, declaring the city will make the payments required by ABX1 27 to avoid the suspension of its redevelopment agency's powers and the dissolution of its redevelopment agency. Section 34193, subdivision (b), of the California Health & Safety Code, as added by ABX1 27, permits a city that intends to adopt an ordinance declaring it will make the required payments to adopt a non-binding resolution stating the city intends to adopt such an ordinance.

At this time, the exact amounts of such required payments are unknown, but will be calculated by the State Department of Finance prior to August 1, 2011. The current estimates for the “extortion” payments for Lompoc are \$1.2M for this fiscal year and \$400,000 for every fiscal year thereafter. ABX1 27 allows the Agency to reimburse the City for those payments. The Agency currently has funds to cover those payments; however, a budget amendment for both the Agency and City will be required if those payments must ultimately be made.

The adoption of the non-binding resolution of intent described above would allow the Agency to continue carrying out its public purposes of local economic development, elimination of blight, and increasing, improving and preserving affordable housing, despite the enactment of ABX1 26.

The California Redevelopment Association and League of California Cities are challenging the legality of ABX1 26 and ABX1 27 in the California Supreme Court. Among other grounds, that challenge relies on Proposition 22, recently passed by the voters to protect local government revenues from being absconded by the State to balance the State’s budget. In addition, the challenge will rely on California Constitution article 16, section 16, which provides redevelopment agencies are to receive tax increment revenue for use within their local communities to accomplish their purposes.

## **CONCLUSION**

The City and Agency have been placed in the untenable position of being required to take extreme measures to protect their resources. That is occurring notwithstanding the California voters, time and again, having told the Governor and State Legislature in a clear consistent voice, local revenues must be used for local public purposes and not stolen by the State. The declaration of the City’s intent to pay the extortion payments required by ABX1 27, is one of those measures.

Respectfully Submitted,

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Laurel M. Barcelona  
City Administrator

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Joseph W. Pannone,  
City Attorney

Attachment: [Proposed Resolution No. 5734\(11\)](#)