



WENDY GREUEL
CONTROLLER

January 11, 2012

Honorable Antonio R. Villaraigosa, Mayor
Honorable Members of the Los Angeles City Council

As City Controller, it is my responsibility to report on all matters relating to the City's fiscal health and well being. The recent decision of the California Supreme Court to uphold the dissolution of the Community Redevelopment Agency of the City of Los Angeles (CRA/LA) will certainly impact the City's finances in the very near future.

On December 29, 2011, the Supreme Court upheld the dissolution of CRA/LA and removed the option to continue it under a Voluntary Alternative Redevelopment Program (VARP). Therefore, the CRA/LA will be dissolved and its successor agency will begin to function on February 1, 2012.

As a result of the Court's decision, the City automatically becomes the successor agency to the CRA/LA unless it resolves to opt out before the end of January 2012. While it's critically important to continue economic development and affordable housing activities, the City must find a way to do so while safeguarding the City's General Fund.

I urge you to seriously consider opting out before the January deadline.

Key disadvantages to the City becoming the successor agency include:

1. **Minimal Authority** - The City Council and/or Mayor will not direct the activities of the successor agency. An oversight board composed of seven members that include only one appointed by the Mayor and another appointed by the Mayor/County Board of Supervisors will direct the activities of the successor agency. Also, the actions of the oversight board will be overseen by the State's Director of the Department of Finance and may be subject to disapproval or modification.
2. **Potential Risks** - All of the CRA/LA's duties and obligations, including unknown liabilities, will transfer to the City; and,

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3. **Potential Non-reimbursable Costs** - Reimbursement for administrative costs incurred by the City from being a successor agency will be capped at five percent of the property tax allocated to the successor agency during its first year in operation and three percent for each succeeding fiscal year. Administrative costs will likely exceed these caps.

During these difficult economic times we need to ensure the City strives to recover its own financial footing and, as the City's Controller, it is my responsibility to protect the City's best interest.

Sincerely,



WENDY GREUEL
City Controller