

**Meeting Date:** 2/23/2015

**Report Type:** Consent

**Report ID:** 2015-00216



**Title:** Redevelopment Agency Successor Agency Fiscal Year 2015/16 Administrative Budget

**Location:** Citywide

**Recommendation:** Pass a Resolution approving the Administrative Budget for the Redevelopment Agency Successor Agency for Fiscal Year 2015/16.

**Contact:** Dennis Kauffman, RASA Staff and Finance Operations Manager, (916) 808-5843, City of Sacramento Department of Finance

**Presenter:** None

**Department:** Finance

**Division:** Budget Office

**Dept ID:** 06001411

**Attachments:**

- 1-Description/Analysis
- 2-Proposed Successor Agency Administrative Budget Tasks
- 3-Resolution
- 4-Exhibit A

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### **City Attorney Review**

Approved as to Form  
Sheryl Patterson  
2/19/2015 3:41:00 PM

### **Approvals/Acknowledgements**

Department Director or Designee: Leslie Fritzsche - 2/19/2015 3:40:04 PM

## Description/Analysis

**Issue Detail:** Pursuant to the Dissolution Act, AB 1x 26, the Redevelopment Agency of the City of Sacramento (Agency) was dissolved effective February 1, 2012. On that same date, the City became the Successor Agency to the former redevelopment agency for its non-housing assets and functions. The Housing Authority of the City of Sacramento elected to assume the Agency's housing assets and functions. All of the assets and liabilities have been transferred and allocated to the Successor Agency and the Housing Authority. As part of the dissolution process, the City, acting as the Successor Agency, must perform administrative and financial functions relative to the winding down of the affairs of the Agency.

The Successor Agency is allowed an administrative allowance, subject to approval by the Oversight Board. Health and Safety Code Section 34171 provides that this allowance is limited to an amount not to exceed three percent of the total payments from the Redevelopment Property Tax Trust Fund (RPTTF) each fiscal year with the approval of the Oversight Board for the Successor Agency. In no event is the amount less than \$250,000. When the Department of Finance (DOF) disallows a debt payment from the RPTTF, they reduce the administrative allowance proportionally.

The allowance amount is to exclude any administrative costs that can be paid from bond proceeds or from sources other than property taxes. However, bond proceeds cannot be spent on administrative duties associated with winding down the affairs of the Agency. Other revenue sources, such as loan receivables are applied to paying the Agency's debts. Certain costs such as maintaining properties prior to disposition, project delivery costs and litigation costs and judgments are to be excluded from the administrative allowance and listed separately on the ROPS. Based on DOF directives, the Oversight Board counsel's cost is to be paid from the Successor Agency's administrative allowance.

### Administrative Budget

The proposed administrative budget totaling \$900,000 for July 1, 2015 to June 30, 2016, complies with the three percent limit placed on the administrative allowance, even though the actual costs incurred may exceed or be less than this limit. If the actual costs incurred are less than the administrative allowance, DOF requires such savings be returned to the taxing entities through the ROPS reconciliation process and such funds will be returned to the County Auditor-Controller.

City staff time spent on Successor Agency work is being tracked and was used to prepare the proposed budget. Indirect cost recovery for administrative and financial activities not tracked is based on the City's indirect cost plan and rates developed by a third-party consultant.

Management of Successor Agency legal concerns is assigned to the City Attorney's Office, cash and debt management are managed by the City Treasurer's Office, meetings are coordinated by the City Clerk's Office, and all other administrative functions are under the purview of the City Manager.

This proposed administrative budget covers the ROPS 15-16A and 15-16B periods (July 1, 2015 through June 30, 2016). One half of the administrative budget is placed on each ROPS. The ROPS is due to the State Controller's Office, DOF, County Administrative Office, and County Auditor-Controller for each six-month fiscal period, pursuant to HSC Section 34177(m) (l). Approving the 2015-16 administrative budget for the entire year will bring the schedule in line with the City's fiscal year.

**Policy Considerations:** Not applicable.

**Economic Impacts:** Not applicable.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The recommendations are administrative, organizational, and fiscal matters. Such matters do not constitute a "project" and are therefore exempt from the California Environmental Quality Act (CEQA) according to Section 15378(b)(2), (4) and (5) of the CEQA Guidelines.

**Sustainability:** Not applicable.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** Not applicable.

**Financial Considerations:** Under AB 1x 26, the administrative allowance to pay for staff and other costs to perform Successor Agency duties is limited to three percent of the property tax allocated to the Successor Agency to pay enforceable obligations for FY2015/16. This amount is estimated to be \$900,000 for this fiscal year. A comparison of the FY2013/14 actual costs, FY2014/15 adopted budget and projected costs, and the FY2015/16 proposed budget is included as Exhibit 1 to the resolution.

Staff has prepared the administrative budget for FY2015/16 based on estimates of the costs for the Successor Agency to comply with the requirements of AB 1x 26. The proposed administrative budget for FY2015/16 includes estimated costs for City staff and consultants to perform administrative and financial functions necessary for the Successor Agency to meet its obligations and fund the Oversight Board counsel's cost.

**Local Business Enterprise (LBE):** Not applicable.

## **Proposed Successor Agency Administrative Budget Tasks**

### **Legal Counsel**

- Provide legal representation for the Successor Agency
- Assist other functions with implementing AB 1x 26 and AB1484 requirements

### **Finance**

- Understand and pay obligations
- Collect and record loan payments via a contract with a third party loan administrator
- Budget development and monitoring, including revenue forecasting
- Accounting for assets, liabilities, revenue and expenditures in 62 funds
- Reporting:
  - ROPS every six months
  - Comprehensive Annual Financial Report (CAFR) reporting of funds and continuing disclosure requirements for the bonds
- Support other functions, including staff reports and briefings
- Policy direction
- Communication with the Mayor and City Council, and third parties
- Consultation with third parties, i.e. SHRA staff, auditors, etc.

### **Debt/Cash Management**

- Manage cash and investments pursuant to investment policy
- Manage debt portfolio, including bond payments, continuing disclosure, and other compliance requirements

### **Real Estate**

- Assist in the development of the disposition strategy for properties
- Maintain properties until disposition
- Process disposition activities

### **General Planning**

- Lead staff for oversight board
- Prepare staff reports
- Main contact for communications with Department of Finance and community inquiries regarding RASA matters

- Research information on properties and preparation of Long Range Property Management Plan
- Provide policy guidance on redevelopment projects
- Coordinate with SHRA staff and other City support functions
- Perform ongoing portfolio management functions on existing loans
- Agency file management

### **Oversight Board**

- Administer meeting agenda and minutes
- Manage official records
- Coordinate with legal counsel to Oversight Board

## RESOLUTION NO.

Adopted by Oversight Board for Redevelopment Agency Successor Agency

February 23, 2015

### APPROVING THE FISCAL YEAR (FY) 2015/16 ADMINISTRATIVE BUDGET OF THE REDEVELOPMENT AGENCY SUCCESSOR AGENCY (RASA)

#### BACKGROUND

- A. Under Health and Safety Code Section 34177(j), the RASA is to prepare a proposed Administrative Budget to cover the City of Sacramento's costs to undertake the required successor agency tasks to wind down the affairs of the dissolved Redevelopment Agency of the City of Sacramento ("Redevelopment Agency"). The budget is to be based on the estimated administrative costs for each six month period in the fiscal year, and identify sources for payment of those costs.
- B. Under Health and Safety Code Section 34171(b), the "Administrative Cost Allowance" is payable from property tax revenues allocated to the successor agency to administer its assigned duties under AB 1x 26. For FY2015/16, the total amount of the Administrative Budget is limited to three percent (3%) of the total property tax allocation to pay enforceable obligations, but in no event shall the amount be less than \$250,000.
- C. For FY2015/16, the proposed Administrative Budget totaling \$900,000 covers the two six-month periods from July 1, 2015 through June 30, 2016.
- D. The FY2015/16 Administrative Budget for the RASA will be included as a revenue source for part of the FY2015/16 Proposed Budget.
- E. Under Health and Safety Code Section 34177(j), the proposed Administrative Budget is subject to the review and approval of the Oversight Board.

#### BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE OVERSIGHT BOARD RESOLVES AS FOLLOWS:

- Section 1. The Oversight Board hereby approves the RASA Administrative Budget for FY2015/16 as attached to this Resolution as Exhibit A, pursuant to Health and Safety Code Section 34177 (j).

#### Table of Contents:

Exhibit A - FY15/16 Administrative Budget

## FY15/16 Administrative Budget

Task	Expenditure Category	FY14 Actuals	FY15 Adopted Budget	FY15 Projected Actuals	FY16 Proposed Budget
Legal Counsel	Personnel Costs	\$ 115,208	\$ 150,000	\$ 114,653	\$ 150,000
Oversight Board Legal	Other Professional Services	\$ 97,056	\$ 150,000	\$ 97,056	\$ 100,000
Finance	Personnel Costs	\$ 267,285	\$ 267,500	\$ 241,590	\$ 250,000
Finance	Other Professional Services	\$ 2,134	\$ 5,000	\$ 5,000	\$ 25,000
Debt/cash management	Personnel Costs	\$ 39,298	\$ 32,500	\$ 30,373	\$ 40,000
Debt/cash management	Other Professional Services	\$ -	\$ 25,000	\$ 25,393	\$ 25,000
Real Estate	Personnel Costs	\$ -	\$ 40,000	\$ 40,000	\$ 40,000
General Planning	Personnel Costs	\$ 252,798	\$ 310,000	\$ 208,520	\$ 270,000
	<b>Total</b>	<b>\$ 773,779</b>	<b>\$ 980,000</b>	<b>\$ 762,584</b>	<b>\$ 900,000</b>

Note: The final administrative allowance approved by the State Department of Finance for FY14/15 is \$993,557, based on the 3% limitation.