

Memo

To: Parks and Recreation Commission
From: Cherise Brandell, Community Services Director
Date: 1/12/2012
Re: Director's Update

1. **Facilities Update:**

- **Gymnastics Center:** This project is still on schedule for opening in April. Equipment is being ordered and the interior is starting to take shape thanks to the good weather.

2. **Flood Park:** A draft one year lease agreement will be presented to the City Council on January 24 as a starting point for negotiations with the County. Staff is proposing we allocated \$150,000 from Reserves to contribute to the County to keep the park open for the next fiscal year while we study partnerships and leases and other alternative funding models. The County has indicated they need a total of \$210,000 to keep the park open, leaving \$60,000 for community fund raising.

3. **Dissolution of RDAs:** See email, below, to the City Council from the Interim City Manager and the Finance Director.

Mayor and Council – Carol Augustine summarizes below the extraordinary impact of the decision by the Supreme Court last Thursday. We will immediately review the financial impacts, both operationally and to the CIP. The new 5 year CIP will be re-evaluated to eliminate all RDA funding before distribution, which will delay the intended distribution to Commissions. We previously anticipated distributing the CIP to the Commissions this week but will need to rework the entire document before sending it on to the Commissions. This will probably delay the distribution by about two weeks, at best.

We are preparing a report for next Tuesday's Council meeting on the impacts and for the Council to choose whether to serve as a Successor Agency or to opt to have the County serve in that role. We will share additional information as we know more. As Carol explains below the Court's decision will have a severe impact on Menlo Park.

Starla

From: Augustine, Carol T
Sent: Tuesday, January 03, 2012 10:01 AM
To: Jerome-Robinson, Starla L
Subject: Impact of the CA Supreme Court Ruling on RDAs

As you know, last Thursday morning the California Supreme Court found that AB1x 26 (the "Dissolution Act") was constitutional, and the AB1x 27 (the "Voluntary Redevelopment Program Act") was unconstitutional. Bottom line: all redevelopment agencies will be dissolved under AB1x 26, and none will have the opportunity to opt into continued existence under AB1x 27. All deadlines in AB1x 26 have been pushed back by four months, meaning that all redevelopment agencies will be dissolved as of February 1, 2012.

This bifurcated decision was not anticipated, as AB1x 26 and AB1x 27 were passed simultaneously – it was assumed that the legislature did not intend to eliminate redevelopment agencies in their entirety. However, it appears that this is the end result of the Supreme Court's decision.

Goldfarb & Lipman has prepared a detailed analysis of the Court's decision, including a revised timeline of steps to be implemented by redevelopment agencies to comply with the new law. As of February 1, 2012, the Community Development Agency will be dissolved and replaced by a Successor Agency (the City has until January 13th to elect, by resolution, to be the Successor Agency if the Council so chooses.) For non-housing activities, the Successor Agency is required to ensure payment of:

- (1) Debt service
- (2) Pass-thru payments
- (3) Pension obligations
- (4) Legally binding and enforceable agreement or contracts of the Agency (*contracts between the CA and the City are voided*)

The implications for the City's budget are severe: For the CDA, tax increment for 2011-12 was estimated to be approximately \$10.2 million. Debt service will be slightly over \$5.2 million, and pass-thru payments will be slightly less than \$3 million. There are very few RDA-funded obligations in the form of enforceable contracts outstanding. The Successor Agency will receive an administrative fee; the remaining \$1.5 million will be apportioned by the County to school entities and other local taxing entities as property taxes. The budgets in place for Redevelopment Activities (over \$2.5 million) including Housing, Narcotics, Code Enforcement and a \$305,000 transfer to the General Fund for overhead expenses, will be unfunded after February 1st and for subsequent fiscal years. In addition, operating budgets for the Redevelopment Services Agreement Special Revenue Fund (fund balance of \$9.9 million) created to fund non-housing services into the future, will be eliminated. The City will need to determine which redevelopment activities will be continued, and how they will be funded.

Because the contracts between the City and the RDA will be voided, all non-housing assets will be transferred to the Successor Agency for redistribution. The City's new Public Improvements Grant Fund (with a 7/1/11 fund balance of \$7.8 million), created to fund capital and other large projects within the redevelopment area, will be dissolved, creating a huge funding shortfall in the City's 5-Year CIP.

Obviously, the Supreme Court's decision will have a catastrophic impact on the City's capital and operating budgets for years to come. We are currently working with the City's redevelopment attorneys on the impact on various projects currently under development, and re-examining the budgets previously funded from the Community Development Agency's tax increment. Staff will be recommending next steps to the Council at the January 10th meeting, and keep them apprised of developments as they occur.

Carol

Carol Augustine
Finance Director
City of Menlo Park
(650) 330-6643