



ADMINISTRATIVE SERVICES

Council Meeting Date: January 10, 2012
Staff Report #: 12-005

Agenda Item #F4

REGULAR BUSINESS: Adopt a Resolution Electing that the City Serve as Successor Agency/Successor Housing Agency to Dissolving Redevelopment Agency

RECOMMENDATION

For the reasons set forth in this report, staff recommends that the City Council adopt the resolution, a copy of which is attached and on file with the City Clerk electing that the City serve as both the Successor Agency and Successor Housing Agency to the Community Development Agency of the City of Menlo Park, and directing staff to file the appropriate notification of these elections in accordance with the Dissolution Act.

BACKGROUND

On December 29, 2011, the California Supreme Court delivered its decision in the *California Redevelopment Association v. Matosantos* case, finding ABx1 26 (the "Dissolution Act") largely constitutional and AB1x 27 (the "Alternative Redevelopment Program Act") unconstitutional. The Court's bifurcated decision means that all California redevelopment agencies, including the Community Development Agency of the City of Menlo Park (the "Agency"), will be dissolved under the constitutional Dissolution Act, and none will have the opportunity to opt into continued existence under the unconstitutional Alternative Redevelopment Program Act.

As a result, the Agency will be dissolved on February 1, 2012. The Agency's non-housing funds and assets will then be turned over to a successor agency (the "Successor Agency") charged with the responsibility of paying off the former Agency's existing debts, disposing of the former Agency's properties and assets to help pay off debts and return revenues to the local government entities that receive property taxes (the "Taxing Entities"), and winding up the affairs of the former redevelopment area. The Agency's affordable housing assets, other than its existing housing fund balance, will be turned over to a successor housing agency (the "Successor Housing Agency") to continue performing affordable housing activities. (The former Redevelopment Agency's affordable housing fund balance will be used to repay existing housing fund debts and/or remitted to the County Auditor-Controller for distribution to the Taxing Entities.)

The Dissolution Act provides that the City of Menlo Park (the "City"), as the community that established the Agency, will be the Successor Agency to the former redevelopment agency unless the City elects not to serve as the Successor Agency, in which case the

first other Taxing Entity making a proper election will be designated as the Successor Agency. If the City elects **not** to be the Successor Agency, it must adopt a resolution to that effect and notify the County Auditor-Controller by not later than January 13, 2012. Even if the City elects to be the Successor Agency, the Agency's special redevelopment counsel recommends that a resolution to that effect and accompanying notice be provided to the County Auditor-Controller in order to have a clear record of the City's intention.

The Dissolution Act also authorizes the City to elect to become the Successor Housing Agency of the former redevelopment agency, and to retain the housing assets (other than any existing housing fund balance) and affordable housing functions of the former Agency. If the City does not elect to become the Successor Housing Agency, then the local Housing Authority (or if there is no local Housing Authority, the California Department of Housing and Community Development) will become the Successor Housing Agency.

ANALYSIS

The Successor Agency and the Successor Housing Agency will play a key day-to-day role in assuring that the existing obligations of the former Agency are properly paid, and that the former Agency's properties and other assets are disposed of in an appropriate manner. While the Successor Agency will be overseen by an "Oversight Board" of seven representatives selected largely by the County and various local education districts, the staff of the Successor Agency will have a strong role in initiating and implementing actions in a way that achieves not only the requirements of the Dissolution Act but also is sensitive to the long-term development needs of the City and local community, and that protects the good name of the City in the financial markets by assuring timely repayment of the former Redevelopment Agency's existing debts.

If the City elects not to serve this role, the Successor Agency will be some other Taxing Entity that is likely to have no experience in redevelopment financial and land disposition matters and that may not necessarily take into account the interests of the City and local community in performing its functions. Similarly, if the City elects not to serve as the Successor Housing Agency, then some other entity outside the City's control will perform various affordable housing functions in the City using affordable housing assets of the former Redevelopment Agency.

The Dissolution Act provides that the liability of the Successor Agency is limited to the funds and assets it receives under the Dissolution Act to perform its functions. Thus, if it takes on the role of Successor Agency (and Successor Housing Agency), the City would not expose its General Fund to liability to discharge the obligations of the former Redevelopment Agency (unless it was found to have mismanaged or misappropriated the funds and assets it does receive under the Dissolution Act). That said, it would be important for the City, if it becomes the Successor Agency (and Successor Housing Agency), to exercise the same care and prudence in the management and protection of

the funds and assets that it receives from the former Redevelopment Agency as the City applies with its own funds and assets.

Subject to the approval of the Oversight Board and to specified reductions if other funds are available for administration, the Dissolution Act permits the Successor Agency to receive an annual operating budget to defray its administrative costs in an amount up to five percent of the property tax allocated to the Successor Agency for FY 2011-12 to pay the former Redevelopment Agency's existing debts, and up to three percent of the property tax allocated to the Successor Agency each succeeding fiscal year; provided, however, that the annual amount shall not be less than \$250,000 for any fiscal year (or such lesser amount as agreed to by the Successor Agency). It is possible, but not clear in the currently written Dissolution Act, that the City could receive a portion of this amount to perform its functions as the Successor Housing Agency.

IMPACT ON CITY RESOURCES

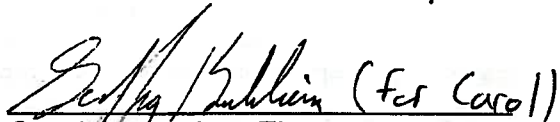
Although the legislative dissolution of the Community Development Agency of the City of Menlo Park eliminates the revenues that have funded programs and services for the redevelopment area in the past, and places a significant financial burden on the City should it choose to continue to provided the current level of such services into the future, serving as the Successor Agency does not, in and of itself, pose a fiscal impact to the City. The Successor Agency will receive an annual operating budget to defray anticipated administrative costs.

POLICY ISSUES

Serving as successor agency for the Community Development Agency of the City of Menlo Park, the City will be able to best monitor the various sources and uses of prior redevelopment funding to ensure that the interests of the entire community are appropriately considered.

ENVIRONMENTAL REVIEW

Environment review is not required.


Carol Augustine, Finance Director


William L. McClure, City Attorney

ATTACHMENTS: Resolution electing to serve as the Successor Agency of the Community Development Agency of the City of Menlo Park

RESOLUTION NO.

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK TO EXPRESS ITS INTENT TO SERVE AS THE SUCCESSOR AGENCY OF THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK PURSUANT TO HEALTH AND SAFETY CODE SECTION 34171(j) AND SECTION 34173, AND TO ELECT TO RETAIN THE HOUSING ASSETS AND FUNCTIONS PREVIOUSLY PERFORMED BY THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK PURSUANT TO HEALTH AND SAFETY CODE SECTION 34176

WHEREAS, Assembly Bill 1X 26 (the "Dissolution Act") and Assembly Bill 1X 27 (the "Alternative Redevelopment Program Act") were enacted on June 28, 2011, to significantly modify the Community Redevelopment Law (Health & Safety Code §33000, et seq.; the "Redevelopment Law"); and

WHEREAS, on August 11, 2011, the California Supreme Court agreed to review the California Redevelopment Association and League of California Cities' petition challenging the constitutionality of the Redevelopment Restructuring Acts; and

WHEREAS, on December 29, 2011, the California Supreme Court ruled that the Dissolution Act is largely constitutional and the Alternative Redevelopment Program Act is unconstitutional; and

WHEREAS, the Court's decision means that all California redevelopment agencies will dissolve on February 1, 2012 pursuant to the Dissolution Act; and

WHEREAS, the Dissolution Act provides that the city that authorized the creation of the redevelopment agency shall be the "successor agency" to the dissolved redevelopment agency unless the city elects not to serve as the successor agency under Section 34173(d)(1) of the Redevelopment Law; and

WHEREAS, Section 34176(a) of the Redevelopment Law provides that the city that authorized the creation of a redevelopment agency may elect to retain the housing assets (other than fund balance) and functions previously performed by the former redevelopment agency; and

WHEREAS, the City of Menlo Park (the "City") intends to, and shall serve as, the successor agency for the Community Development Agency of the City of Menlo Park (the "Agency") in accordance with Section 34171(j) and Section 34173 of the Redevelopment Law; and

WHEREAS, the City desires to elect to retain the housing assets and functions previously performed by the Agency in accordance with Section 34176 of the Redevelopment Law.

NOW, THEREFORE, BE IT RESOLVED, that the City hereby accepts the designation, and hereby declares its intent, to serve as the successor agency for the Agency in accordance with Section 34171(j) and Section 34173 of the Redevelopment Law; and

BE IT FURTHER RESOLVED, the City hereby elects to retain the housing assets and functions previously performed by the Agency in accordance with Section 34176 of the Redevelopment Law; and

BE IT FURTHER RESOLVED, that the City Manager or the City Manager's designee is hereby directed to file a copy of this resolution with the County Auditor-Controller; and

BE IT FURTHER RESOLVED, that the City Manager or the City Manager's designee is hereby authorized to take such additional actions, and to execute all documents necessary and appropriate, for the City to transfer the assets of the Agency to the City in its capacity as successor agency to the Agency, pursuant to Sections 34175 and 34176 of the Redevelopment Law.

PASSED AND ADOPTED at a regular meeting of the Menlo Park City Council on the tenth day of January 2012, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of the City of Menlo Park on this tenth day of January 2012.

Margaret S. Roberts, MMC
City Clerk



ADMINISTRATIVE SERVICES

Council Meeting Date: January 24, 2012
Staff Report #: 12-014

Agenda Item: F-3

REGULAR BUSINESS: APPROVE AND ADOPT THE FIRST AMENDED ENFORCEABLE OBLIGATION PAYMENT SCHEDULE

RECOMMENDATION

Adopt a resolution approving and adopting an amendment to the Community Development Agency's Enforceable Obligation Payment Schedule (EOPS). Authorize the Agency Executive Director to comply with noticing and other requirements associated with the adoption of the amendment, including but not limited to filing the First Amended EOPS notice. Authorize the Executive Director to take such actions and execute such other documents as are appropriate to effectuate the intent of the resolution and to implement the First Amended EOPS on behalf of the Community Development Agency.

BACKGROUND

On August 23, 2011, the Community Development Agency, in accordance with the then recently enacted Dissolution Act (ABx1 26), adopted an EOPS listing all of the Agency's enforceable obligations for payments required to be made by the Community Development Agency through December 31, 2011. In a decision issued December 29, 2011, the California Supreme Court declared the Dissolution Act to be constitutional and revised certain dates for performance of actions under the Dissolution Act (California Redevelopment Association v. Matosantos, the "Supreme Court Decision"). As a result of the decision, all California redevelopment agencies will now be dissolved effective February 1, 2012.

Under current regulations, the Community Development Agency (before February 1) and its successor agency (starting February 1) can only make payments on enforceable obligations (other than bonded indebtedness) listed on an EOPS until such time as the first Recognized Obligation Payment Schedule (the ROPS) has been prepared by the successor agency, certified, and approved by the successor agency's oversight board to take over the function initially served by the EOPS. The process for preparing, certifying and approving the ROPS may take well into May, thereby potentially leaving a gap between the period initially covered by the EOPS (through December 31, 2011) and the effectiveness of the first ROPS—a gap that could lead to an inability to pay, and the resulting default under, various enforceable obligations.

ANALYSIS

To avoid defaulting on enforceable obligations between January and the operative date of the ROPS, staff recommends the Community Development Agency amend its existing EOPS prior to February 1, 2012 to accomplish the following:

- Extend the payment schedule for the enforceable obligations required to be paid by the Community Development Agency (during January) and its successor agency (starting in February) for the period from January 1, 2012 through June 30, 2012 (just in case there are delays in the initial ROPS process); and
- Add any enforceable obligations of the Community Development Agency that were not previously listed on the EOPS because either: (1) no payments were due prior to December 31, 2011; or (2) the enforceable obligation was inadvertently omitted from the previously adopted EOPS; and
- List line items for staff costs and professional services contracts associated with the operation of the successor agency that are within the administrative cost allowance to which each successor agency will be entitled.

The First Amended EOPS must be adopted at a public meeting. Once adopted, it must be posted on the Agency's website. The First Amended EOPS must also be transmitted to the State Department of Finance, State Controller, and County-Auditor Controller; however, notification providing the website location of the adopted EOPS is sufficient for this transmittal. Therefore, the Community Development Agency should prepare a notice (the First Amended EOPS Notice) specifying the necessary parties regarding the adoption of the First Amended EOPS.

IMPACT ON CITY RESOURCES

Adoption of the First Amended EOPS will allow the Community Development Agency, and the City as its successor agency, to continue to pay its enforceable obligations.

POLICY ISSUES

As successor agency, the City will continue to satisfy enforceable obligations of the former Community Development Agency, and administer dissolution and wind down of the dissolved redevelopment agency according to the Dissolution Act. Adoption of an amended EOPS will allow for maximum transparency during the performance of these duties, and avoid costly defaults on the former Agency's enforceable obligations.

ENVIRONMENTAL REVIEW

The review and action taken by the Community Development Agency is exempt under Guideline 15378(b)(4) of the California Environmental Quality Act (CEQA) in that the activity is not defined as a "project," but instead is an action required to continue a governmental funding mechanism for potential future projects and programs. A notice of exemption will be filed with the San Mateo County Clerk in accordance with the CEQA guidelines.

Carol Augustine, Finance Director
Report Author

ATTACHMENTS

- A. Resolution of the Community Development Agency Approving and Adopting a First Amended Enforceable Obligation Payment Schedule (EOPS)
- B. First Amended Enforceable Obligation Payment Schedule
- C. First Amended EOPS Notice

CDA RESOLUTION NO.**RESOLUTION OF THE COMMUNITY DEVELOPMENT AGENCY OF
THE CITY OF MENLO PARK APPROVING AND ADOPTING A FIRST
AMENDED ENFORCEABLE OBLIGATION PAYMENT SCHEDULE**

WHEREAS, pursuant to the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.; the "Redevelopment Law"), the City Council (the "City Council") of the City of Menlo Park (the "City"), adopted, in accordance with the Redevelopment Law, Ordinance No. 670, dated November 24, 1981, as amended and restated by Ordinance No. 826, dated September 10, 1991, as further amended by Ordinance No. 861, dated October 18, 1994, as further amended by Ordinance No. 925, dated December 9, 2003, and as further amended by Ordinance No. 929, dated April 6, 2004 adopting and amending the Community Development Plan for the Las Pulgas Community Development Project Area (the "Redevelopment Plan"); and

WHEREAS, the Community Development Agency of the City of Menlo Park (the "Agency") is responsible for implementing the Redevelopment Plan pursuant to the Redevelopment Law; and

WHEREAS, ABx1 26 (the "Dissolution Act") was enacted on June 28, 2011; and

WHEREAS, through its December 29, 2011 decision in the case of California Redevelopment Association v. Matosantos (the "Supreme Court Decision"), the California Supreme Court declared the Dissolution Act to be constitutional and revised certain dates for performance of actions under the Dissolution Act; and

WHEREAS, the Dissolution Act provides for dissolution of the Agency as of February 1, 2012, at which time the assets and payment obligations (defined in the Dissolution Act as "Enforceable Obligations") of the dissolving Agency will be transferred to the City, acting in its capacity as "Successor Agency" (as defined in the Dissolution Act) to the dissolving Agency; and

WHEREAS, pursuant to Section 34167(h) and Section 34177(a) of the Redevelopment Law (as added by the Dissolution Act), after August 29, 2011 and until the first "Recognized Obligation Payment Schedule" (as defined in the Dissolution Act) is operative, the Agency or the Successor Agency, as applicable, can only make payments on Enforceable Obligations listed and required on an "Enforceable Obligation Payment Schedule" (as defined in the Dissolution Act); and

WHEREAS, in accordance with the foregoing requirements, the Agency adopted its Enforceable Obligation Payment Schedule on August 23, 2011 (the "Initial Schedule"), and transmitted the adopted Initial Schedule to the San Mateo County Auditor-Controller, the State Controller, and the State Department of Finance, all in accordance with Section 34169(g) of the Redevelopment Law; and

WHEREAS, to facilitate an orderly transfer of its Enforceable Obligations payment responsibilities on February 1, 2012 to the City, acting in its capacity as Successor Agency to the Agency, and as authorized pursuant to Section 33169(g)(2) of the Redevelopment Law, the Agency now desires to amend its previously adopted Initial Schedule in the form of a First Amended Enforceable Obligation Payments Schedule (the "First Amended Schedule"), a copy of which is on file with the Agency Secretary and City Clerk; and

WHEREAS, the First Amended Schedule amends the Initial Schedule to update the schedule of payments for Enforceable Obligations and to extend that schedule of payments through June 2012 when the Recognized Payment Obligation Schedule is now expected to become operative under the revised dates for Dissolution Act implementation set forth in the Supreme Court Decision; and

WHEREAS under Title 14 of the California Code of Regulations, Section 15378(b)(4), the approval of the Initial Schedule and the First Amended Schedule is exempt from the requirements of the California Environmental Quality Act ("CEQA") in that it is not a project, but instead consists of the continuation of an existing governmental funding mechanism for potential future projects and programs, and does not commit funds to any specific project or program, because it merely lists enforceable obligations previously entered into and approved by the Agency; and

WHEREAS, the Agency's board of directors (the "Agency Board") has reviewed and duly considered the Staff Report, the proposed First Amended Schedule, and documents and other written evidence presented at the meeting.

NOW, THEREFORE, BE IT RESOLVED, that the Agency Board finds that the above Recitals are true and correct and have served, together with the supporting documents, as the basis for the findings and approvals set forth below; and

BE IT FURTHER RESOLVED, that the Agency Board finds, under Title 14 of the California Code of Regulations, Section 15378(b)(4), that this resolution is exempt from the requirements of CEQA in that it is not a project. The Agency Board therefore directs that a Notice of Exemption be filed with the County Clerk of the County of San Mateo in accordance with the CEQA guidelines, and

BE IT FURTHER RESOLVED, that the Agency Board hereby approves and adopts the First Amended Schedule and declares that the First Amended Schedule amends and replaces the Initial Schedule in its entirety, and

BE IT FURTHER RESOLVED, that the Agency Board authorizes and directs the Agency's Executive Director or the Executive Director's designee to: (1) post the First Amended Schedule on the Agency or the City's websites; (2) designate an Agency representative to whom all questions related to the First Amended Schedule can be directed; (3) notify, by mail or electronic means, the San Mateo County Auditor-Controller, the State Department of Finance, and the State Controller of the Agency's

action to adopt the First Amended Schedule and to provide those persons with the internet website location of the posted schedule and the contact information for the Agency's designated contact; and (4) to take such other actions and execute such other documents as are appropriate to effectuate the intent of this Resolution and to implement the First Amended Schedule on behalf of the Agency, and

BE IT FURTHER RESOLVED, that this Resolution shall take immediate effect upon adoption.

I, Margaret S. Roberts, Agency Secretary of the City of Menlo Park, do hereby certify that the above and foregoing Resolution was duly and regularly passed and adopted at a meeting by said Agency on the twenty-fourth day of January, 2012, by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a true and correct copy of the original Resolution on file in the office of the Agency Secretary of the Community Development Agency of the City of Menlo Park.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official Seal of the Community Development Agency of the City of Menlo Park, twenty-fourth day of January, 2012.

Margaret S. Roberts, MMC
Agency Secretary

Name of Redevelopment Agency: City of Menlo Park Community Development Agency
 Project Area(s): Las Pulgas Redevelopment Project Area

ENFORCEABLE OBLIGATION PAYMENT SCHEDULE
Per AB 26 - Section 34167 and 34169 (*)

Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt of Obligation	Total Due During Fiscal Year	Payments by month**												Total for Successor Agency
					Successor Agency												
					Jan	Feb	Mar	Apr	May	June							
1) Allocation Bonds	Bank of New York	Bonds issued to fund redevelopment activities	99,957,764	5,479,891	2,576,998											2,902,893	2,902,893
Atherton Channel Flood Abatement	City of Menlo Park	This project will involve the design and construction of improvements to drainage conditions in order to prevent systemic flooding from the Atherton Channel that affects businesses along Haven Avenue.	4,089	4,089	545												0
2) Belle Haven Pool Upgrades	City of Menlo Park	This project will provide upgrades to the pool surfacing (lining) and replace the boiler and pump for the Belle Haven Pool. The boiler and pump were installed in the mid-1970's and need to be replaced.	75,190	75,190	1,040												0
3) LED Streetlight Conversion	City of Menlo Park	This project will retrofit City streetlights with energy efficient LED streetlights in the Redevelopment area of the City.	1,610	1,610	215												0
4) Police Substation/City Hall Annex	City of Menlo Park	Police substation in the redevelopment area for use of crime control.	1,690,018	26													0
5) Kelly Park	City of Menlo Park	Maintenance of Kelly Park.	46,098	46,100	2,150												0
6) Administrative Staff Costs	City of Menlo Park	Administrative Overhead	3,713,775	168,115	14,825	15,833	15,833	15,833	15,833	15,833	15,833	15,833	15,833	15,833	15,833	15,833	79,165
7) Professional Services Contracts	City of Menlo Park	Administrative Overhead	1,243,775	113,950	14,825	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	25,000
Totals - This Page			106,732,319	5,888,971	2,610,598	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	20,833	3,007,058
Totals - Other Obligations			113,680,505	2,488,211	0	0	0	1,163,472	0	0	0	0	0	0	1,324,739	0	2,488,211
Grand total - All Pages			220,412,825	8,377,182	2,610,598	20,833	20,833	1,184,305	20,833	2,923,726	2,923,726	2,923,726	2,923,726	2,923,726	1,345,572	1,345,572	5,495,269

* This Enforceable Obligation Payment Schedule (EOPS) is to be adopted by the redevelopment agency no later than late August. It is valid through 12/31/11. It is the basis for the Preliminary Draft Recognized Obligation Payment Schedule (ROPS), which must be prepared by the dissolving Agency by 9/30/11. (The draft ROPS must be prepared by the Successor Agency by 11/30/11.)
 if an agency adopts a continuation ordinance per ABX1 27, this EOPS will not be valid and there is no need to prepare a ROPS.
 ** include only payments to be made after the adoption of the EOPS.

Name of Redevelopment Agency: City of Menlo Park Community Development Agency
 Project Area(s): Las Pulgas Redevelopment Project Area

OTHER OBLIGATION PAYMENT SCHEDULE
 Per AB 26 - Section 34167 and 34169 (*)

Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	Payments by month**						Total for Successor Agency	
					Successor Agency							
					Jan	Feb	Mar	Apr	May	June		
1) Pass-Through Agreement	San Mateo County	Pass-Through Agreement	58,068,708.00	1,364,760.00		682,380.00					682,380.00	1,364,760.00
2) Pass-Through Agreement	Menlo Park Fire Protection	Pass-Through Agreement	25,432,182.00	597,720.00		298,860.00					298,860.00	597,720.00
3) Pass-Through Agreement	Mosquito Abatement Dist	Pass-Through Agreement	134,186.00	3,825.00		0.00					3,825.00	3,825.00
4) Pass-Through Agreement	Menlo Park City School Dist	Pass-Through Agreement	210,000.00	10,000.00		5,000.00					5,000.00	10,000.00
5) Pass-Through Agreement	Redwood City School Dist	Pass-Through Agreement	210,000.00	10,000.00		5,000.00					5,000.00	10,000.00
6) Pass-Through Agreement	SMC Community College Dist	Pass-Through Agreement	7,423,334.00	218,000.00		109,000.00					109,000.00	218,000.00
7) Pass-Through Agreement	Ravenswood City School Dist	Pass-Through Agreement	14,154,617.00	143,438.00							143,438.00	143,438.00
8) Pass-Through Agreement	Sequoia Union High School	Pass-Through Agreement	6,162,635.00	62,451.00							62,451.00	62,451.00
9) Pass-Through Agreement	SMC Office of Education	Pass-Through Agreement	1,459,579.00	14,785.00							14,785.00	14,785.00
10) Statutory Payments	Fair Oaks Sewer Maint Dist	Statutory Payments	3,960.00	292.00		292.00					292.00	292.00
11) Statutory Payments	Ravenswood Slough Flood	Statutory Payments	1,194.00	109.00		109.00					109.00	109.00
12) Statutory Payments	Bay Area Air Quality Mgt	Statutory Payments	6,587.00	707.00		707.00					707.00	707.00
13) Statutory Payments	San Mateo Harbor Dist	Statutory Payments	11,094.00	1,193.00		1,193.00					1,193.00	1,193.00
14) Statutory Payments	Sequoia Healthcare Dist	Statutory Payments	6,328.00	927.00		927.00					927.00	927.00
15) Statutory Payments	City of Menlo Park	Statutory Payments	376,792.00	40,695.00		40,695.00					40,695.00	40,695.00
16) Rehabilitation Loan Repairs O/S	Center for Independence	Repairs and upgrades for senior citizens	19,309.00	19,309.00		19,309.00					19,309.00	19,309.00
Totals - Other Obligations			\$ 113,680,506.00	\$ 2,488,211.00	\$ -	\$ 1,163,472.00	\$ -	\$ -	\$ -	\$ -	\$ 1,324,739.00	\$ 2,488,211.00

* This Enforceable Obligation Payment Schedule (EOPS) is to be adopted by the redevelopment agency no later than February 1st. It is valid through 06/30/12. It is the basis for the Recognized Obligation Payment Schedule (ROPS), which must be prepared by the Successor Agency by 5/1/12 for approval by the Oversight Board.
 ** All payment amounts are estimates

January 25, 2012

Ana Matosantos, Director
Chris Hill
Department of Finance
915 L Street
Sacramento, CA 95814
chris.hill@dof.ca.gov

John Chiang, Controller
Jones Kasonso
California State Controller's Office
P. O. Box 942850
Sacramento, CA 94250
jkasonso@sco.ca.gov

Mr. Tom Huening, Controller
Controller's Office, County of San Mateo
555 County Center, 4th Floor
Redwood City, CA 94063
controller@smcgov.org

Subject: Notification of Adoption and Posting, by the Community Development Agency of the City of Menlo Park, of the First Amended Enforceable Obligation Payment Schedule In Accordance with Health and Safety Code Section 34169(g)(2)

To Whom it May Concern:

In accordance with Health and Safety Code Section 34169(g)(2), the Community Development Agency of the City of Menlo Park (the "Agency") adopted its Enforceable Obligation Payment Schedule (the "Initial EOPS") on August 23, 2011, and thereafter placed the Initial EOPS on its website and notified your offices of these actions as required by that section.

This letter serves as the formal notification pursuant to Health and Safety Code Section 34169(g)(2) that the Agency, at a public meeting of the Agency Board held on January 24, 2012, approved and adopted an amendment to the Initial EOPS in the form of a First Amended Enforceable Obligation Payment Schedule (the "First Amended EOPS"). The amendments contained in the First Amended EOPS include extending the payment schedule for Enforceable Obligations (as defined in ABx1 26) to additionally cover the months of January through June 2012, and to update payment amounts for Enforceable Obligations to reflect current requirements.

A copy of the First Amended EOPS can be found at the following website:

http://_____.

Please address any and all correspondence related to the Initial EOPS or the First Amended EOPS to _____, _____ of the City of Menlo Park, who can be reached via telephone at _____ or via email at _____@_____. A copy of the First Amended EOPS can also be found at the Office of the City Clerk located at _____, _____, California, _____.

Sincerely,



ADMINISTRATIVE SERVICES

Council Meeting Date: January 24, 2012
Staff Report #: 12-015

Agenda Item: F-1

REGULAR BUSINESS: Implications to the 2011-12 City Budget Resulting from the Dissolution of the Menlo Park Community Development Agency

RECOMMENDATION

Staff recommends City Council discuss the status of the dissolution of the Community Development Agency, and the implications for the City's 2011-12 budget.

BACKGROUND

On December 29, 2011, the California Supreme Court delivered its decision in the *California Redevelopment Association v. Matosantos* case, finding ABx1 26 (the "Dissolution Act") largely constitutional and AB1x 27 (the "Alternative Redevelopment Program Act") unconstitutional. The Court's bifurcated decision means that all California redevelopment agencies, including the Community Development Agency (CDA) of the City of Menlo Park, will be dissolved under the constitutional Dissolution Act, and none will have the opportunity to opt into continued existence under the unconstitutional Alternative Redevelopment Program Act.

As a result, the CDA will be dissolved on February 1, 2012. The Agency's non-housing funds and assets will then be turned over to a successor agency (the "Successor Agency") charged with the responsibility of paying off the former Agency's existing debts, disposing of the former Agency's properties and assets to help pay off debts, returning revenues to the local government entities that receive property taxes (the "Taxing Entities"), and winding up the affairs of the former redevelopment area.

The CDA's affordable housing assets, other than its existing housing fund balance, will be turned over to a successor housing agency (the "Successor Housing Agency") to continue performing affordable housing activities. The former Redevelopment Agency's affordable housing fund balance will be used to repay existing housing fund debts and/or remitted to the County Auditor-Controller for deposit into a Trust Fund for eventual distribution to the Taxing Entities.

At the January 10, 2012 Council meeting, the Council elected to serve as both the Successor Agency to the former CDA and the Successor Housing Agency.

ANALYSIS

Since the Court's decision, staff have been analyzing the impacts of the loss of the RDA and it is clear that the implications for the City's budget are severe. For the CDA, tax increment for 2011-12 was initially estimated to be approximately \$10.2 million, but with a drop in the assessed value due to the turnover of several large properties in the area last year, these revenues are now projected to be slightly less than \$10 million. Debt service will be approximately \$5.48 million, and pass-thru payments will be slightly less than \$3 million. These will be paid out of a Redevelopment Property Tax Trust Fund ("Trust Fund") established by the County and funded with the property tax increment that would have been allocated to the CDA if not for the dissolution. There are very few RDA-funded obligations in the form of enforceable contracts outstanding other than the debt and the previously contracted pass-thru payments to other taxing entities. As the Successor Agency, the City will receive an administrative fee of \$250,000 annually; the remaining \$1.3 million will be apportioned by the County to school entities and other local taxing entities as property taxes. The 2011-12 budgets in place for redevelopment activities (nearly \$3.1 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, unencumbered fund balances (shown as estimates here) of the Redevelopment Services Agreement Special Revenue Fund (\$8 million), the Housing Authority Fund (\$5.5 million) and the Public Improvement Grant Fund (\$6 million), all created to fund redevelopment services and capital improvements into the future, will be eliminated. The City will need to determine which redevelopment activities previously funded by the CDA will be continued, and how they will be funded.

As successor agency, the City will continue to satisfy enforceable obligations of the former Community Development Agency, and administer dissolution and wind down of the dissolved redevelopment agency according to the Dissolution Act. A separate item on this Council meeting's agenda supplies an amended Enforceable Obligation Payment Schedule (EOPS) which identifies all liabilities of the CDA at the time of dissolution, and payments on those obligations to be paid out of the Trust Fund.

Attachment A to this report is a schedule of budgeted line items funded from redevelopment funds in fiscal year 2011-12. Attachment B provides a listing of FTE (full time equivalent) staff positions funded from redevelopment funds – it shows that 37 staff positions are at least partially funded with redevelopment resources for a total of 11.12 FTE. This report is intended to present all City activities, projects and programs which will be impacted by the dissolution of the CDA. Although staff are analyzing specific courses of action to mitigate the impacts to the City's budget for the remainder of the current fiscal year (to provide recommendations for the Mid Year Report), each of these services will in the future need to be funded from other sources or discontinued in order for the City to maintain a sustainable budget. To the extent alternative funding is to be provided from the General Fund, other City services will need to be reduced to prevent deficit spending.

Services funded from redevelopment funds in 2011-12 include:

Housing Activities – Housing activities for the 2011-12 fiscal year included work to increase the supply of affordable housing, maintain the condition of housing stock and expand housing opportunities through rehab loans, purchase assistance loans, the Neighborhood Stabilization Program and the Below Market Rate Housing program. In addition, several non-profit agencies were also previously funded on an annual basis by the Redevelopment Housing Set-aside Fund including: Human Investment Project (HIP) at \$20,000; Eden Council for Housing Opportunities (ECHO Housing) at \$7,250; and the Council for the Independence of the Disabled (CID) to fund housing accessibility modifications at \$14,000. Again, these activities are not considered enforceable obligations and should the Council wish to continue support for these activities, funding from the General Fund would be required. Council will consider options for configuration of housing activities as a separate item on this meeting agenda.

Menlo Park Police Narcotics Enforcement Team – The narcotics enforcement team (NET) combats narcotic and gang activity within our community and neighboring communities. The team acts as a response team to violent crimes. The team is often used regionally and has a cooperative relationship with the FBI, DEA, and the San Mateo County Narcotics Task Force.

NET was formed in 2003 with resources freed up from the elimination of the police department's special traffic unit. The team's primary mission is to proactively fight violent street crimes, narcotic offenses, and suppress the criminal activity of gangs. NET spends most of its time in the Belle Haven neighborhood. Due to an increase in violence in 2007, NET partnered with the FBI and East Palo Alto Police Department to conduct an 18 month long investigation. This investigation targeted a violent Belle Haven and East Palo Alto street gang called the "Taliban." The Taliban Gang had been responsible for at least 12 homicides, 30 violent felonies, 25 misdemeanors, and 80 non-violent misdemeanors since 2002. The cooperative effort – "Operation Crackdown" – resulted in approximately 50 arrest warrants and more than 20 search warrants, and completely dismantled the Taliban Gang and severely impacted the flow of narcotics in and out of both Menlo Park and East Palo Alto.

NET continues to work collaboratively with the FBI and East Palo Alto Police Department on on-going narcotic and gang related investigations. The team provides highly visible street enforcement resulting in over 50 arrests and the seizure of cocaine, methamphetamine, heroin, Ecstasy, and marijuana with an approximate street value of \$153,000 during the first two quarters of this fiscal year.

Code Enforcement – The Code Enforcement Unit was created within the police department in 1990. At that time, there were two civilian employees. Today the unit has one civilian employee.

The code enforcement unit responds to approximately 2,200 complaints a year. The most common are unsightly garbage, weeds, illegal business, graffiti, and noise. The unit also self-initiates enforcement action approximately 500 times a year. The most

common self-initiated code violations are: abandoned, wrecked, dismantled, or non-operative vehicles; illegal dumping; animal complaints; illegal signs; and high hedges blocking traffic signs. A significant portion of code complaints and self-initiated code enforcement takes place in the Belle Haven neighborhood.

Shuttle Transportation Program – The City shuttle operations currently run four different service lines: Marsh, Willow, Midday and Shopper Shuttle. The Marsh and Willow routes are peak hour routes from the Caltrain Station to businesses along the route. The Midday shuttle service runs a loop through the City on Mondays through Fridays from 9 am to 3 pm. Finally, the Shopper Shuttle runs two days a week as an on demand service picking up residents and bringing them to various shopping destinations throughout the area. The overall program has a total cost of approximately \$424,000 per year. The shuttle program is mainly funded through grants from C/CAG and the San Mateo County Transportation Authority. The City is required to have a certain level of matching funds that are paid through Measure A, Redevelopment Agency funds and Development Impact Fees. The Midday shuttle includes RDA funds that partially pay for the operation. The Midday shuttle includes a redevelopment fund budget of \$70,000. For the remainder of 2011-12, the costs of this program formerly funded by the CDA will be paid from Measure A funds.

Graffiti Abatement – Over the past few years the Public Works staff began using Redevelopment Agency funds to pay for removal of graffiti within the boundaries of the Redevelopment Agency. The cost of Graffiti abatement funded through the Redevelopment Agency was approximately \$21,000. The graffiti removal includes City right-of-way and City parks. Staff estimates \$10,000 will be required to fund the remaining balance for fiscal year 2011-12.

Community School – Funding from the CDA also supports a portion of the City's partnership with the Ravenswood School district at the Belle Haven Community School. Roughly 25% of the Community School Director's time is spent on gang and violence prevention in the neighborhood, organizing and facilitating community meetings to build neighborhood capacity for self governance, neighborhood and community conflict resolution and other activities that support the City's efforts to improve the quality of life in the area.

Capital Improvements – The 5-Year Capital Improvement Plan (CIP) for 2011-16 included over \$10 million worth of capital projects to be funded from the RDA Public Improvements Grant Fund and Redevelopment Services Agreement Fund - \$1.5 million funded in the current fiscal year. All projects funded in the current or previous years from redevelopment funds that have not been committed by contract or purchase order by June 27, 2011 can no longer be spent on these projects. (Recall that most redevelopment activities were suspended upon enactment of the Dissolution Act, and the City has since that time avoided entering into any contracts that would serve to commit redevelopment funds.) The following projects cannot be initiated and the funds appropriated for these projects must be sent to the County Controller for deposit in the Trust Fund to be distributed as property tax proceeds to the various taxing agencies in the County:

	2011-12 <u>Combined Budget</u>
Atherton Channel Flood Abatement	2,300,000
Belle Haven Pool/Boiler Upgrade	50,000
Belle Haven Pool Improvements	78,269
Dark Fiber Installation Pilot Project	50,000
Belle Haven Avenue Security Lighting	50,000
LED Streetlight Conversion	340,244
OHCC Solar Power Conversion	400,000
O'Brien Drive Streetscape	500,000
Willow Road Signal Interconnect	300,000
Kelly Park	1,336,642
RDA Streetscape -Overall	<u>2,000,000</u>
 Total	 <u><u>7,405,155</u></u>

In addition, *any* unencumbered fund balance in the RDA Public Improvements Grant Fund must be submitted to the Trust Fund – a total of approximately \$7.7 million. Capital projects slated for future fiscal years, including an additional \$2 million for the Atherton Channel Flood Abatement project and various streetscape projects totaling \$3.9 million, will need to be deferred and funded from other sources or abandoned.

Note that the Capital Improvement Plan for 2011-12 through 2015-16 also included an RDA-funded project to plan for a Dumbarton Transit Station (\$1,000,000) which would have provided matching funds for a grant offered by the Metropolitan Transportation Commission (MTC) for the project. Staff estimates that matching funds from the General Fund would be approximately \$800,000. Without RDA funding, staff recommends notifying MTC of our intent to withdraw from this project.

The Police City Services Center on Willow Road is considered an enforceable obligation under the dissolution act due to the existence of the contract between the City and a third party. The Police Department will be developing a staffing plan for the Center and cost estimates for its operations so that Council can consider the overall budget impacts of continuing to move forward with the project or make a decision to end the contract given the loss of RDA funding for operations. Over \$1.6 million remains committed to this project. Several other projects will rely on small encumbered amounts for completion.

Comprehensive Planning Projects – The City's 5-Year CIP includes a category or Comprehensive Planning projects and studies, although a designated long-term funding source or strategy for such projects had not yet been developed. For fiscal year 2011-12, one project was planned as partially funded through the Public Improvements Grant Fund, with available fund balance from non-housing redevelopment sources. The Willow

Business Area Phase 1.3 would involve the creation of a new zoning district for the Willow Business Area consistent with the General Plan in order to streamline the approval process for tenant improvements involving a change of use for preferred uses or construction of new square footage for preferred uses. The project includes the preparation of an Environmental Impact Report (EIR) and a Fiscal Impact Analysis (FIA). The estimated cost for consultant services associated with the EIR and FIA is \$300,000, of which \$198,000 would have been funded from redevelopment sources, as 66% of the study area acreage is located in the Project Area. The project now needs to be backfilled by the General Fund or the project cannot be completed based on its current scope.

Business Development – The Business Development Program focuses on business attraction and retention. A substantial portion of opportunity areas for business development are located in the Redevelopment Project Area. In addition to the commercial corridor along Willow Road, the following business activity centers of the M-2 zoning district are located in the Redevelopment Project Area:

- Menlo Business Park (Tarlton Properties);
- Menlo Science & Technology Park (Prologis);
- Facebook East Campus;
- Haven Avenue

With Facebook's move to the former Oracle/Sun Microsystems campus, business development opportunities appear positive.

The Business Development program includes funding for 0.52 FTE across two positions that are partially funded through redevelopment resources. The Business Development Manager position is currently vacant. If the position remains vacant for at least three months, then there would be no impact to the General Fund for the current fiscal year. A greater percentage of the Development Services Manager's time has been spent on fee-based activities than originally budgeted due to a vacancy in the Planning Division. Therefore, the impact to the General Fund for this fiscal year should be minimal.

Administration and Overhead – As can be seen on Attachment B, the current year budget provides for redevelopment funding of 1.14 FTEs of Administrative Services staff. Ten employee positions charge a portion of their time to redevelopment accounts to reflect work hours associated with redevelopment activities as they are performed. It is anticipated that work hours charged to redevelopment accounts will consume well over half of the current year (redevelopment) budget for these positions, as the administration of redevelopment activities under the provisions of the Dissolution Act has required considerable staff hours. In the remaining months of this fiscal year, staff involved in the dissolution of the former CDA will charge their time to a separate account specifically for Successor Agency activities. Over time, this direct staff time is expected to diminish somewhat as there will be fewer assets to manage. Legal, accounting and auditing services associated with the dissolution will be similarly charged.

In addition to the expenditure budgets of the Redevelopment Services Grant Fund and the Housing Authority Fund, a transfer (\$305,000 in 2011-12) to the General Fund has provided reimbursement for administrative and overhead expenses not directly charged to the CDA. As updated in the City's Cost Allocation Plan completed in 2008, the amount of this transfer is based on the provision of general administrative services (for example: payroll, investment management, agency board administration, IT and HR) and maintenance (including janitorial and utilities costs). In addition, rent of \$27,000 annually has been charged by the General Fund for office space utilized by Housing Division staff. These will not be considered enforceable obligations of the former CDA, and the costs will have to be absorbed into the General Fund's budget. Going forward, an annual amount of \$250,000 will be allocated from the Trust Fund to the City as Successor Agency to cover all administrative and overhead expenses associated with the dissolution of the CDA.

Other Services/Programs – In addition to the main redevelopment services described above, redevelopment revenues have also provided funding for the City's participation in the San Francisquito Creek Joint Powers Authority (SFCJPA) - \$38,000 in 2011-12. The SFCJPA addresses mutual issues of concern related to the creek, including bank stabilization, channel clearing and planning of flood control measures. Although adequate creek maintenance serves the redevelopment area to a large extent, the cost of SFCJPA participation will not be considered an enforceable obligation of the former CDA. Unfortunately, the remaining \$60,000 cost of the SFCJPA has in recent years been borne by the City's Storm Water Management Fund, other demands on this fund render this an unavailable resource in future fiscal years. The result will be an additional \$100,000 annual commitment of the General Fund, further diminishing discretionary resources.

An annual Community Drop-off Event (\$17,000) and various landscaping/cosmetic projects (\$13,000) that have benefitted the project area in the past have also been funded from redevelopment monies.

Mid-year Report

The annual midyear report and adjustments is scheduled for presentation to the Council on February 28th. Staff are working on closing each successive month of the 2011-12 fiscal year to provide the most accurate picture of year-to-date status of revenues and expenditures. Although the mid-year analysis will include all funds of the City to ensure a complete picture of the City's long-term fiscal health, special emphasis will be made in closing out the redevelopment fund budgets and keeping the necessary impact to the General Fund at a minimum. While one-time savings (largely from vacancies in various departments), non-recurring revenues (in the form of increased property taxes from distribution of Trust Fund amounts) or the use of other funds may be recommended to reduce deficit spending for the remainder of this fiscal year, such options are not considered sustainable and will not be available to continue all current redevelopment programs and services in fiscal year 2012-13.

Attachment C provides a summary of the Redevelopment Services Agreement Fund's current fiscal year budget and estimated actual expenditures from the date of dissolution (February 1st) through the end of the fiscal year if non-housing programs and services continue. The anticipated impact to the General Fund in order to sustain these services in 2011-12 is derived after taking other funding sources into consideration. Staff will recommend utilizing these other funding sources in the Mid-Year Report, and may also be able to recommend further cost reductions for services previously funded by the CDA.

Implications for the 2012-13 Budget Process

At a Study Session tentatively scheduled for January 30th, staff will be asking Council to provide general direction on the acceptable approaches for addressing the loss of RDA funding for the next fiscal year in preparation for the 2012-13 operations and capital budgets. The goal of the session is for Council to provide staff with feedback on categories of strategies that are acceptable to pursue, unacceptable or that require more information and discussion before a decision can be made. General categories of options staff is currently preparing implications for include:

- Use of new revenues from the development agreement with Facebook (currently in negotiations)
- Continued shift of some activities to other, non-general fund sources until depleted
- Revenue increases such tax increases such as Transient Occupancy Tax (TOT) or Utility Users Tax (UUT)
- Service cuts
- Use of reserves
- Decrease in the CIP transfer

Following this general direction from Council, it is anticipated that specific recommendations for returning to sustainability will be made during the upcoming 2012-13 budget process, which will also be challenged by past staff reductions, extended staff vacancies, increased operating costs, deferred capital improvements and opportunities Council may wish to pursue such as acquisition of Flood Park.

IMPACT ON CITY RESOURCES

Although staff will continue to seek both short and long-term remedies to the loss of funding that results from the dissolution of the CDA, the impact to the General Fund could substantially change capital and operating budgets in future years.

POLICY ISSUES

Ultimately, the choices that the City Council makes regarding revenues, services levels and projects will determine how operations are funded and how City resources are utilized to provide financial stability for the future. Implementation of various budget strategies could impact a number of policy issues related to the City's fiscal health, organizational structure, and service levels.

ENVIRONMENTAL REVIEW

Environmental review is not required.

Carol Augustine, Finance Director
Report Author

ATTACHMENTS

- A. Combined Redevelopment Funds Budget for fiscal year 2011-12
- B. Distribution of FTE (Staff) Funded by Redevelopment funds
- C. Projected Impact of CDA Dissolution on 2011-12 General Fund Budget

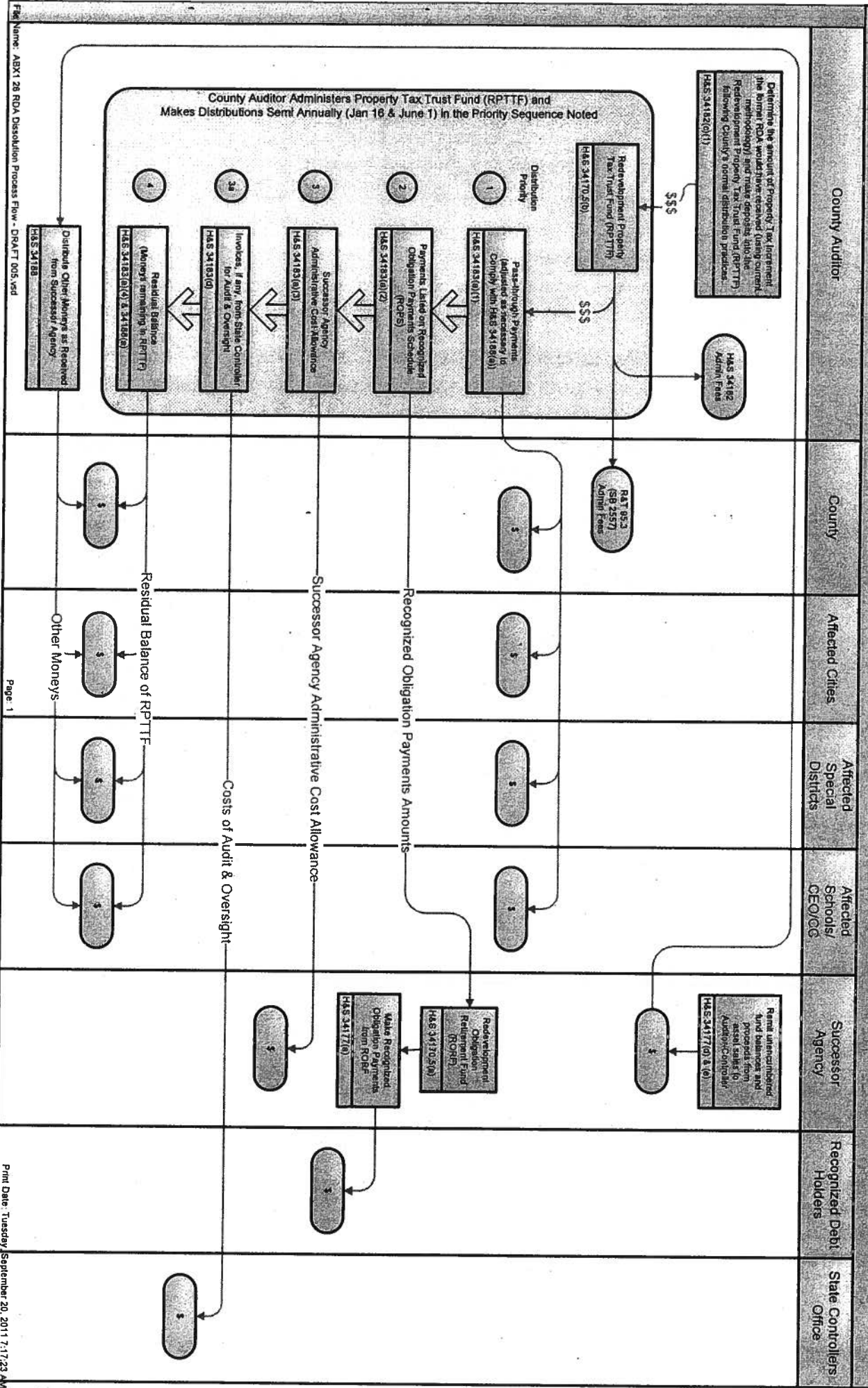
CDA Agreements Operations - Housing and Non-Housing	Non-Housing 2011-12 Budget	Housing 2011-12 Budget	Total
5502 - Landscaping Services	0	1,500	1,500
5519 - Other Services	71,272	211,250	282,522
5519 - Other Services (SFCJPA)	38,000		
5521 - Accounting & Auditing	4,275	4,278	8,553
5531 - Legal	29,500	3,000	32,500
550 - Services	143,047	220,028	363,075
510 - Salaries And Wages	889,810	326,447	1,216,257
520 - Fringe Benefits	301,496	119,361	420,857
Personnel	1,191,307	445,808	1,637,115
5301 - Printing	1,600	2,200	3,800
5302 - Legal Notices	200	1,200	1,400
5303 - Advertising	200	1,000	1,200
5304 - Postage	600	1,500	2,100
5311 - Department Supplies	2,900	1,500	4,400
5316 - Police Safety Supplies	500		500
5321 - Memberships	7,000	13,000	20,000
5322 - Employee Training	100	500	600
5331 - Rent and Leases	11,400	27,000	38,400
5343 - General Liability Internal Service	39,106	2,813	41,919
5354 - Books		250	250
5355 - Periodicals		150	150
5356 - Software		210	210
5381 - Tax Collection Admin Fees	75,000	14,600	89,600
5382 - Special District Taxes	100		100
5391 - Miscellaneous	3,400	500	3,900
5395 - Shuttle Bus Payments	70,000		70,000
530 - Operating Expense	212,106	66,423	278,529
5411 - Gas and Electric	2,400	900	3,300
5441 - Telephone & Alarms	3,900	200	4,100
540 - Utilities	6,300	1,100	7,400
560 - Fixed Assets & Capital Outlay		4,500	4,500
5711 - Mileage		100	100
5721 - Transportation Fares		500	500
5751 - Meetings & Seminars	600	1,500	2,100
570 - Travel	600	2,100	2,700
580 - Repairs and Maintenance		1,000	1,000
590 - Rehab Loans		500,000	500,000
Transfer to General Fund - Overhead	215,119	89,840	304,959
Total Expenditure Budgets	1,768,479	1,330,799	3,099,278

FY 2011-12 Budgeted Staff Allocations (in FTEs)	Redevelopment Services Grant Fund	Public Improvements Fund	Housing Authority Fund	Total
<u>Community Services</u>				
Development Services Technician	0	0	0.05	0.05
Management Analyst	0	0	1	1
Housing Rehab/finance Specialist	0	0	1	1
Financial Services Manager	0	0	0.01	0.01
Development Services Technician	0	0	0.15	0.15
Housing Manager	0	0	0.85	0.85
Director of Community Services	0	0	0.15	0.15
Total Community Services	0	0	3.21	3.21
<u>Administrative Services</u>				
City Attorney	0.2	0	0	0.2
Accounting Assistant II	0.2	0	0	0.2
Financial Services Manager	0.02	0	0	0.02
Finance Director	0.05	0	0.02	0.07
Accountant	0.11	0	0.12	0.23
City Manager	0.1	0	0	0.1
Director of Community Services	0.07	0	0	0.07
Belle Haven Family Services Program Manager	0.25	0	0	0.25
Total Administrative Services	1	0	0.14	1.14
<u>Business Development</u>				
Development Services Manager	0.27	0	0	0.27
Business Development Manager	0.25	0	0	0.25
Total Business Development	0.52	0	0	0.52
<u>Public Works</u>				
Maintenance Worker III - Streets	0.08	0	0	0.08
Assistant Engineer	0	0.1	0	0.1
Business Manager - Development Services	0	0.03	0	0.03
Maintenance Worker II - Streets	0.08	0	0	0.08
Transportation Engineer	0	0.06	0	0.06
Secretary	0	0.02	0	0.02
Engineering Technician II	0	0.1	0	0.1
Transportation Manager	0	0.03	0	0.03
Facilities Supervisor	0	0.04	0	0.04
Streets and Water Supervisor	0.03	0	0	0.03
Construction Inspector	0	0.07	0	0.07
Associate Engineer	0	0.41	0	0.41
Contract Specialist	0	0.14	0	0.14
Senior Transportation Engineer	0	0.06	0	0.06
Senior Civil Engineer	0	0.4	0	0.4
Total Public Works	0.19	1.46	0	1.65
<u>Police</u>				
Narcotics Abatement Officer	1	0	0	1
Segreant	1	0	0	1
Narcotics Abatement Officer	1	0	0	1
Code Enforcement Officer	0.6	0	0	0.6
Detective	1	0	0	1
Total Police	4.6	0	0	4.6
Grand Total FTE Redevelopment Funds	6.31	1.46	3.35	11.12

RDA Agreements Operations - Non-Housing Activities	833 2011-12 Budget	Estimated Spending Feb - June	Alternative Funding 2011-12	Remainder
5502 - Landscaping Services	0			
5519 - Other Services	71,272	20,000		20,000
5519 - Other Services (SFCJPA)	38,000	0	Storm Drain	0
5521 - Accounting & Auditing	4,275	4,275		4,275
5531 - Legal	29,500	19,000	(1)	19,000
550 - Services	143,047	43,275		43,275
510 - Salaries And Wages	889,810	329,088		329,088
520 - Fringe Benefits	301,496	113,123		113,123
Personnel	1,191,307	442,211	(1)	442,211
5301 - Printing	1,600	600	Measure A	
5302 - Legal Notices	200	200		200
5303 - Advertising	200	200		200
5304 - Postage	600	400	Measure A	
5311 - Department Supplies	2,900	1,000		1,000
5316 - Police Safety Supplies	500	250		250
5321 - Memberships	7,000	4,000		4,000
5322 - Employee Training	100	100		100
5331 - Rent and Leases	11,400	4,700		4,700
5343 - General Liability Internal Service	39,106	19,500		19,500
5354 - Books				
5355 - Periodicals				
5356 - Software				
5381 - Tax Collection Admin Fees	75,000	30,000	(2)	
5382 - Special District Taxes	100	100		100
5391 - Miscellaneous	3,400	1,700		1,700
5395 - Shuttle Bus Payments	70,000	29,000	Measure A	
530 - Operating Expense	212,106	91,750		31,750
5411 - Gas and Electric	2,400	1,500		1,500
5441 - Telephone & Alarms	3,900	1,300		1,300
540 - Utilities	6,300	2,800		2,800
560 - Fixed Assets & Capital Outlay				
5711 - Mileage				
5721 - Transportation Fares				
5751 - Meetings & Seminars	600	200		200
570 - Travel	600	200		200
580 - Repairs and Maintenance				
590 - Rehab Loans				
Transfer to General Fund - Overhead	215,119	89,630	(3)	89,630
Total Expenditures	1,768,479	669,866		609,866

- (1) Although Administrative and legal costs will be paid out of the Trust Fund established by the County (along with other enforceable obligations), this amount is limited to \$250,000 annually.
- (2) County tax collection admin fees will be paid from the Trust Fund.
- (3) Although the transfers to the General Fund for Overhead Services will cease for the remainder of fiscal year, this cost is shown here as it will impact the General Fund.

Exhibit A - ABX1 26 RDA Dissolution - Flow of Funds



AB x1 26 Successor Agencies

Summary and Next Steps
January 10, 2012

CRA et al v. Matosantos - Results

- Legislature has the power to dissolve RDAs (AB x1 26)
- Alternative Redevelopment Program Act (AB x1 27) deemed unconstitutional
- Effective dates and deadlines advanced 4 months

Dissolution Act

- Continues the suspension and prohibition of most redevelopment activities in effect since June 27, 2011
- Dissolves RDAs as of February 1, 2012
- Creates "Successor Agencies"
 - Continue to satisfy enforceable obligations
 - Administer dissolution of redevelopment agencies

Dissolution Act (cont.)

With limited exceptions, the Dissolution Act expressly states that Enforceable Obligations do *not* include agreements, contracts or arrangements between a RDA and its Sponsoring community. These contracts or arrangements are invalid:

- Public Improvements Grant & Cooperation Agreement
- Redevelopment Services Agreement
- Housing Authority

Role of Successor Agency

- Control all assets of the former RDA through the dissolution process
- Make payments due:
 - Bonds and loans
 - Judgments or settlements
 - Pass-thru tax increment revenues
- Dispose of the former RDA assets in a manner aimed at maximizing value

Role of Successor Agency (cont.)

- Effectuate the transfer of housing functions to Successor Housing Agency
- Wind down all other affairs of the former RDA
- Prepare administrative budgets for Oversight Board approval; pay administrative costs

Oversight Boards

- Intended to supervise activities of the Successor Agencies
- Board membership must be completed by May 1, 2012
- Overseen by the State Department of Finance
- Obligations include website maintenance and providing various notifications

Role of County Controller

- Establish a Redevelopment Property Tax Trust Fund
- Distribute assets of the Trust Fund:
 - To pay pass-thru payments
 - For debt service
 - To Successor Agency for enforceable obligations and administrative costs
 - Remaining funds allocated to local taxing entities
- Send audits/reports to State Controller

Timeline

- By 1/13/12 – determine whether City should serve as Successor Agency
- 2/1/12 – Redevelopment agencies are dissolved
- By 2/1/12 – Successor Agency must decide whether to retain affordable housing function
- By 2/1/12 – Successor Agency must adopt an Enforceable Obligation Payment Schedule (EOPS)

Timeline (cont.)

- By 3/1/12 – Successor Agency must adopt a Recognized Obligation Payment Schedule (ROPS) of permanent obligations
- By 5/1/12 – Oversight Boards begin operations
- Starting 5/1/12 – Successor Agency may only pay those obligations listed in the ROPS
- By 5/16/12 and thereafter – County transfers property taxes to the Successor Agency an amount equal to the obligations of the ROPS

Recommendations

- Elect that City serves as the Successor Agency to the Community

Next Steps (January 24th)

- Consider whether to retain affordable housing activities
- Adopt enforceable obligation payment schedule
- Fund or eliminate redevelopment activities going forward

CDA Dissolution via ABx1 26

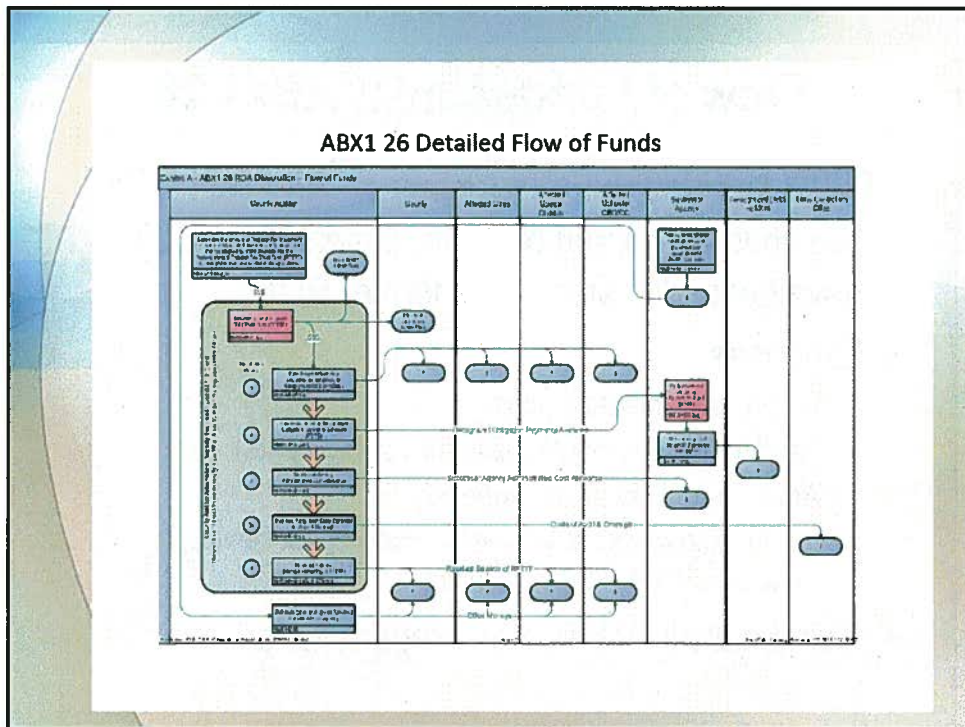
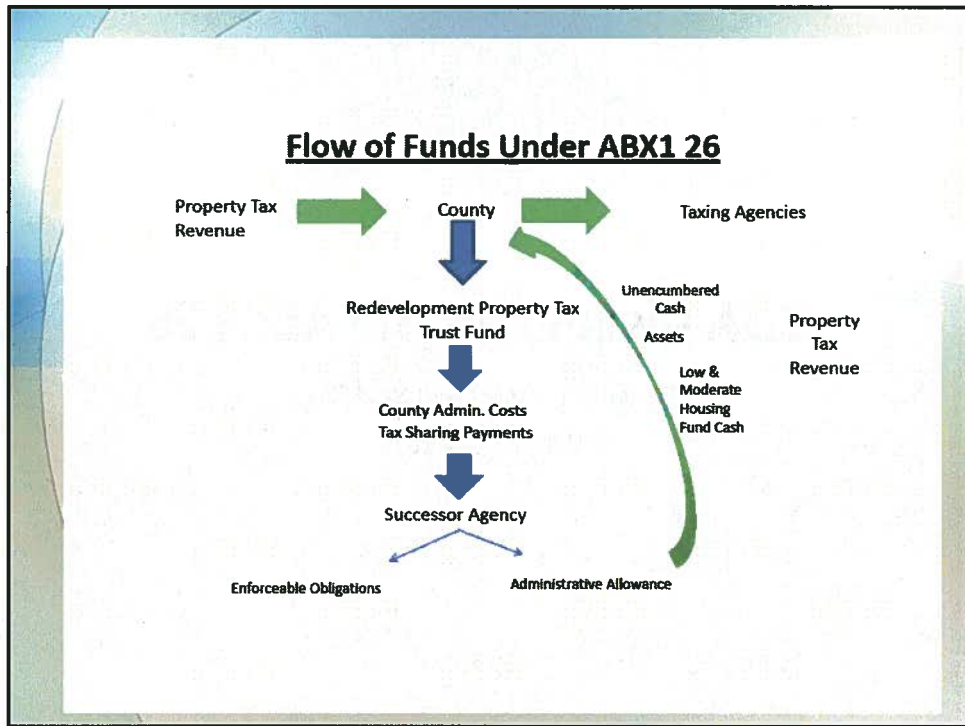
Budgetary Impact and Next Steps

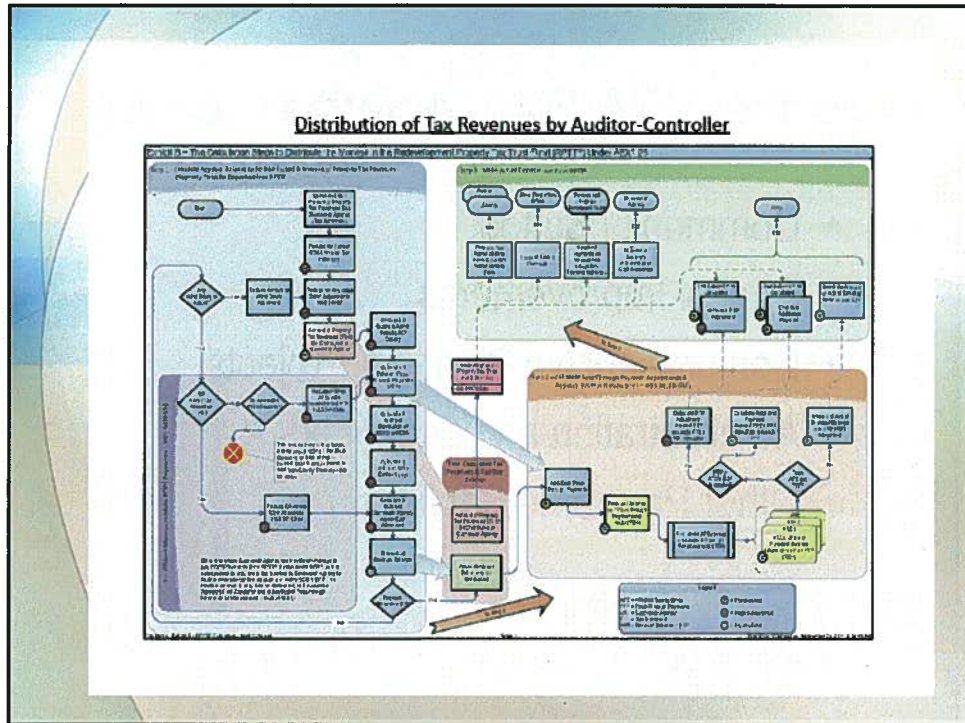
January 24, 2012

Flow of Funds Under ABx1 26

County Redevelopment Property Tax Trust Fund

- **Revenues:** Amount of tax increment that would have been allocated to the former RDA
- **Expenses:**
 - County administration costs
 - Tax-sharing payments (pass-thru agreements)
 - Amounts to Successor Agencies
 - For enforceable obligations (including debt service)
 - Administrative costs (\$250,000)
- **Remainder distributed as property taxes**





Former CDA Fund Activities

- Housing Activities
- Narcotics Enforcement Team
- Code Enforcement
- Midday Shuttle Transportation
- Graffiti Abatement

Former CDA Fund Activities (cont.)

- Community School
- Capital Improvements
- Comprehensive Planning Projects
- Administration and Overhead
- Other Programs/Services

Mid-Year Impact

- Housing activities discussed separately
- Attachment C for Non-Housing Activities
 - Curtailed spending assumed
 - Alternative funding identified

Remaining impact to the General Fund from non-housing activities = \$610,000 for remainder of fiscal year 2011-12

Going Forward

- All activities formerly funded by CDA become City funded activities and must be considered within the realm of all City programs/projects/services
- Capital improvement projects will need to be re-prioritized to accommodate reduced funding

Next Steps

- Guidance for the 2012-13 Budget Process on January 30th
 - Discussion to cover each category of options (page 8 of staff report)
 - Views on acceptable approaches
- Mid-year Report scheduled for Feb. 28th
- Development of 2012-13 Budget

