

# Oversight Board for Redevelopment Agency Successor Agency (RASA)

Item 5

**Meeting Date:** 4/30/2012

**Report Type:** Discussion

**Title:** Approval of the RASA FY 2011/12 and FY 2012/13 Administrative Budgets

**Recommendation:** Approve the Administrative Budget for the Successor Agency of the Redevelopment Agency for FY 2011/2012 and FY 2012/13.

**Contact:** Leyne Milstein, RASA staff person and Finance Director, City of Sacramento, Finance Department, (916) 808-8491

**Presenter:** Leyne Milstein, RASA staff person and Finance Director, City of Sacramento, Finance Department, (916) 808-8491

**Issue:** The City, in the role of Successor Agency, is responsible for the winding down of the obligations of the Agency and the attached report outlines the Administrative Budget for those activities for FY 2011/12 and FY 2012/13. This budget is subject to approval by the Oversight Board for the Redevelopment Agency Successor Agency.

## **Attachments:**

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1. Description/Analysis
2. Attachment 1 – Administrative Task List
3. Resolution
4. Exhibit 1 to Resolution – Administrative Budget FY 11/12 and FY 12/13



## DESCRIPTION/ANALYSIS

**Issue:** Effective February 1, 2012, the City became the recognized Successor Agency to the Redevelopment Agency of the City of Sacramento (Agency) for all non-housing functions and obligations. On that same date, the Housing Authority of the City of Sacramento became the Housing Successor Agency. AB 26 outlined specific implementation actions and timelines for the Successor Agency, including preparation of the recognized obligations payment schedule (ROPS) and an administrative budget, and formation of and staff support for the Oversight Board.

### Administrative Budget

Under AB 26, the Successor Agency is to prepare an Administrative Budget to submit to the Oversight Board to cover an initial six month fiscal period (recognized now as the period from February 1 through June 30, 2012) and each six month period thereafter to include estimated costs, sources of payment and proposals for administrative services as the Successor Agency.

The City's and the Sacramento Housing and Redevelopment Agency's (SHRA) administrative costs to transition the Agency's assets, books and records through June 2012 are included on the ROPS so reimbursement from property taxes can be made for staff time once the ROPS and the Administrative Budget are approved by the Oversight Board. The State Department Of Finance (DOF) provided guidance that the staff costs to oversee active development projects could be listed on the ROPS as separate "Project Delivery" payment obligations and thus are not included in the proposed Administrative Budget.

AB 26 provides that the maximum allowance for administrative services is limited to five percent (5%) of the property tax allocated to the Successor Agency for the FY2011/12. For the remaining months of FY2011/12, that amount equals \$968,000. For subsequent fiscal years, the allowance is three percent (3%) of the property tax allocated to the Successor Agency, which is projected to be \$1.2 million for FY2012/13. The proposed budgets comply with these cost limitations, even though the actual costs incurred may exceed these limits. If all of the estimated costs are not incurred, the savings would be allocated to the taxing entities through the County Auditor-Controller. Staff time spent on Successor Agency workload is being tracked discreetly and will be used to determine reimbursements relative to employee services.

To provide for an orderly transition and allow City staff time to establish its Successor Agency and Oversight Board functions, City Council authorized City staff to work collaboratively with SHRA on the transfer of non-housing assets and obligations to the City as the Successor Agency through June 30, 2012. Management of legal concerns was assigned to the City Attorney's Office, cash and debt management are managed by the City Treasurer, and all other administrative functions are under the purview of the City Manager.

Staff have prepared two administrative budgets, one for FY2011/12 and one for FY2012/13, which are based on estimates of the costs for the Successor Agency to

comply with the requirements of AB 26. The Administrative Budgets are subject to approval by the Oversight Board, and its actions are subject to review by the DOF. Also, the City's and SHRA's administrative costs are subject to audit by the County Auditor-Controller. The State Controller has the authority to review actions of the County Auditor-Controller

DOF has the authority to review all actions of the Oversight Board, and such actions shall not be effective until three business days have passed. The Board's actions are to be sent to DOF if requested, and the DOF has 10 days from the date of its request to review an action of the Board to provide a response. DOF may send the action back to the Board for reconsideration and the modified action of the Board is subject to the DOF's approval.

**Environmental Considerations:** The recommendations are administrative, organizational and fiscal matters that 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.

**Financial Considerations:** Under AB 26, the Administrative Budget to pay for staff costs to perform Successor Agency duties are limited to 5% of the property tax allocated to the Successor Agency for FY2011/12. This amount is \$968,000 for the five months remaining in this fiscal year. City and SHRA administrative costs totaling \$488,558 and \$247,744, respectively, are included on the ROPS for the period of February 1, 2012, through June 30, 2012. Additional SHRA administrative costs totaling \$231,698 were not listed on the ROPS because they will be reimbursed by housing cash on hand. These additional administrative costs won't be reimbursed until after the Oversight Board approves the transfer of housing assets to SHRA as the Housing Successor at a meeting in May. In FY2012/13 and thereafter, the administrative allowance is limited to 3% of the property tax allocated to the Successor Agency annually, currently estimated at \$1.2 million. It is important to note that these are estimates that may change with any appeals of property tax value.



## Proposed Successor Agency Administrative Budget Tasks

### Legal Counsel

- Provide legal representation for the Successor Agency
- Assist other functions with understanding of AB26 and compliance

### Finance

- Pay obligations:
  - Over 150 payments made to date
  - Understanding of obligations necessary to make payments
- 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:
  - 57 new funds established
  - \$95 million in cash received to pay obligations
- Reporting:
  - ROPS every six months
  - Comprehensive Annual Financial Report (CAFR) reporting of new funds and continuing disclosure requirements for the bonds
  - State Controllers Report(s)
- Support other functions, including staff reports and briefings

### Debt/Cash Management

- Project cash flow requirements and determine whether short-term financing is necessary
- Manage debt portfolio, including bond payments, continuing disclosure, and arbitrage compliance

### Real Estate

- Research properties for all encumbrances, title issues, and existing conditions
- Develop disposition strategy for properties
- Maintain properties until disposition

- Process disposition activities

### **General Planning**

- Lead staff for oversight board
- Prepare staff reports
- Provide policy guidance on redevelopment projects
- Coordinate with SHRA staff and other City support functions

### **Oversight Board**

- Administer meeting agenda and minutes
- Manage official records

### **Citywide Support**

- Policy direction
- Communication with the Mayor and City Council, and third parties
- Consultation with third parties, i.e. SHRA staff, auditors, etc



## RESOLUTION NO. 2012-\_\_\_\_

Adopted by

Oversight Board for  
Redevelopment Agency Successor Agency

April 30, 2012

### APPROVING THE FISCAL YEAR (FY) 2011/12 AND FY2012/13 ADMINISTRATIVE BUDGETS 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 26. For FY2011/12, the total amount of the Administrative Budget is subject to a limit of five percent (5%) of the total property tax allocated by the County Assessor to pay the Redevelopment Agency's enforceable obligations. In FY2012/13 and each fiscal year thereafter, the total amount of the Administrative Budget is limited to three percent (3%) of the total property tax allocation, but in no event shall the amount be less than \$250,000.
- C. For FY2011/12, the total 5% allocation was adjusted to account for the five months remaining in the fiscal year. As a result, the proposed RASA Administrative Budget for FY2011/12 covers the period from February 1, 2012 through June 30, 2012, in the amount of \$968,000. This amount has been allocated between the City of Sacramento and the Sacramento Housing and Redevelopment Agency for its services to assist in the transition of the Redevelopment Agency's assets and obligations, transfer of its books and records, and staff support for the formation of the Oversight Board.
- D. On March 20, 2012, the proposed Administrative Budget for FY2011/12 was approved by the City Council acting as the board of the RASA (Resolution No.

2012-002). The Administrative Budget for FY2012/13 for the RASA will be approved as part of the FY2012/13 budget of the City of Sacramento.

- E. Under Health and Safety Code Section 34177(j), the proposed Administrative Budgets are subject to the review and approval of the Oversight Board.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE OVERSIGHT BOARD FOR REDEVELOPMENT AGENCY SUCCESSOR AGENCY RESOLVES AS FOLLOWS:**

- Section 1. The recitals as set forth above are true and correct and are incorporated into this Resolution by this reference.
- Section 2. The Oversight Board hereby approves RASA Administrative Budgets for FY2011/12 and FY2012/13 as attached to this Resolution as Exhibit 1, pursuant to Health and Safety Code Section 34177 (j).
- Section 3. The City Clerk of the City of Sacramento, acting as the Clerk to the Oversight Board as its Secretary, shall certify the Oversight Board's adoption of this Resolution.
- Section 4. Pursuant to Health and Safety Code Section 34179(h), the State Department of Finance may request review of an action of the Oversight Board. As a result, the Oversight Board's approval of this resolution and the Administrative Budgets for FY2011/12 and FY2012/13 are not effective until May 4, 2012.
- Section 5. If the State Department of Finance (DOF) requests review of certain costs included in the Administrative Budget for FY2011/12, in that event payment of all of the other costs in the Administrative Budget shall not be affected by such action. RASA shall identify and segregate from the approved Administrative Budget those items subject to review by DOF, so that the remaining portions of the Administrative Budget shall become effective to allow the RASA to make payments for costs incurred in accordance with the Administrative Budget as approved by the Oversight Board.

Table of Contents:

- Exhibit 1: Proposed FY2011/12 and FY2012/13 RASA Administrative Budgets



## Proposed Successor Agency Administrative Budget

Task	Department	Administrative Costs <sup>1</sup>	
		2/12-6/12	7/12-6/13
Legal Counsel	City Attorney	\$ 137,513	\$ 290,886
Finance	Finance	45,335	286,692
Debt/Cash Management	City Treasurer	65,794	95,587
Real Estate	General Services	29,813	95,110
General Planning	Economic Development	128,762	275,564
Oversight Board	City Clerk	17,378	40,438
	Citywide Support	55,547	202,312
	<b>Total</b>	<b>\$ 480,143</b>	<b>\$ 1,286,589</b>

<sup>1</sup> Costs reflect staff time necessary to complete required Successor Agency responsibilities. Does not include cost of overhead.