

Meeting Date: 6/20/2016

Report Type: Consent

Report ID: 2016-00462

Title: Approval of the Redevelopment Agency Successor Agency Administrative Budget for Fiscal Year 2016/17

Location: Citywide

Recommendation: Pass a Resolution approving the Administrative Budget for the Redevelopment Agency Successor Agency for Fiscal Year 2016/17.

Contact: Dennis Kauffman, RASA Staff and Finance Operations Manager, (916) 808-5843; Leyne Milstein, Director, (916) 808-8491, 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 (FY201617 Administrative Budget)

City Attorney Review

Approved as to Form
Sheryl Patterson
4/13/2016 12:08:42 PM

Approvals/Acknowledgements

Department Director or Designee: Leslie Fritzsche - 4/12/2016 11:27:27 AM

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 Redevelopment Agency Successor Agency (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 Dissolution Law provides each successor agency with an administrative cost allowance equal to the greater of: (i) 3% of the property tax allocated to the Redevelopment Obligation Retirement Fund; or (ii) \$250,000; unless the amount is reduced by the Oversight Board or by agreement with the successor agency. Any amount that is not spent for actual costs incurred is returned to the County Auditor-Controller as part of the following Recognized Obligation Payment Schedule ("ROPS") true-up.

Senate Bill (SB) 107 introduced a new calculation commencing FY2016-17 for determining each successor agency's administrative cost allowance. It added a new cap on successor agency annual administrative costs. Under SB 107, a successor agency's total annual administrative costs cannot exceed 50% of the Redevelopment Property Tax Trust Fund ("RPTTF") distributed to the successor agency for the payment of approved enforceable obligations in the preceding year, reduced by the successor agency's administrative cost allowance and any City loan repayments in the preceding year. The cap applies to all the successor agency administrative costs regardless of source of funds, except that administrative costs paid from bond proceeds or grants are not subject to the limitation.

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 repayments 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 California Department of Finance ("DOF") directives, the Oversight Board counsel's cost is to be paid from the Successor Agency's administrative allowance.

SB 107 did not change the provision of the Dissolution Law that allows the Oversight Board to direct the successor agency staff to perform certain functions that may constitute administrative costs. The Oversight Board continues its role in approving the administrative

cost allowance as part of the ROPS approval process, but the DOF will no longer need to approve the administrative budget.

SB 107 also provided that as of January 1, 2016, the administrative cost allowance is the sole funding source for any legal expenses related to civil actions brought by a successor agency or a city or county to challenge the validity of the Dissolution Law or acts by DOF taken pursuant to the Dissolution Law.

Pursuant to HSC 34171 (b), the Annual ROPS 16-17 administrative cost allowance is calculated as follows:

Administrative Cost Allowance Calculation	
Actual RPTTF Distributed Prior Fiscal Year	
ROPS 15-16A (July through December 2015)	\$ 6,932,286
ROPS 15-16B (January through June 2016)	23,337,267
Actual RPTTF Distributed Prior Fiscal Year	30,269,553
Less:	
Prior Fiscal Year Administrative Cost Allowance	
ROPS 15-16A (July through December 2015)	(224,990)
ROPS 15-16B (January through June 2016)	(649,476)
Prior Fiscal Year City Loan Repayments	
Railyard Parking Loan	(306,240)
Adjusted RPTTF Distribution Prior Fiscal Year	29,088,847
3% of Adjusted RPTTF Distribution	872,665
Annual ROPS 16-17 Administrative Cost Allowance	\$ 872,665

Administrative Budget

The proposed administrative budget totaling \$705,000 for July 1, 2016 to June 30, 2017, complies with the 3% limit placed on the administrative allowance. If the actual costs incurred are less than the administrative allowance, DOF requires such excess be applied to reduce RPTTF request through the ROPS reconciliation process. Unexpended RPTTF resources from the prior ROPS period is used to reduce the RPTTF distribution as a Prior Period Adjustment (PPA).

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 handled by Economic Development, Finance and Public Works departments under the purview of the City Manager.

This proposed administrative budget covers the Annual Recognized Obligation Payment Schedule (ROPS 16-17) period (July 1, 2016 through June 30, 2017). Commencing with the ROPS covering the period from July 1, 2016, to June 30, 2017, inclusive, Approving the 2016-17 administrative budget for the entire year will bring the schedule in line with the City's fiscal year.

Environmental Considerations:

California Environmental Quality Act: 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.

Financial Considerations: SB 107 introduced a new calculation commencing FY2016-17 for determining each successor agency's administrative cost allowance. The annual cost allowance shall not exceed 50 percent of total RPTTF distributed to pay enforceable obligations in the preceding fiscal year.

The RASA Annual ROPS 16-17 administrative allowance is \$872,665. It is 3% of the ROPS 15-16A and ROPS 15-16B actual RPTTF distribution to RASA by Sacramento County Auditor-Controller, reduced by administrative costs allowance and Railyard Parking loan repayments made to the City. A comparison of the FY2014/15 actual costs, FY2015/16 adopted budget and projected costs, and the FY2016/17 proposed budget is included as Exhibit 1 to the resolution.

Staff has prepared the administrative budget for FY2016/17 based on estimates of the costs for the Successor Agency to comply with the requirements of AB 1x 26. The proposed administrative budget for FY2016/17 of \$705,000 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, AB1484 and SB 107 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 64 funds
- Reporting:
 - ROPS every twelve 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

- 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
- 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. 2016-

Adopted by Oversight Board for Redevelopment Agency Successor Agency

April 18, 2016

APPROVING THE FISCAL YEAR (FY) 2016/17 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.
- C. Pursuant to HSC 34171 (b), effective July 1, 2016, the administrative cost allowance will be equal to: (i) up to 3% of the actual property tax received by the Successor Agency from the County Auditor-Controller to make enforceable obligation payments during the preceding fiscal year reduced by the Successor Agency's administrative cost allowance and Sponsoring Community loan repayments in the preceding fiscal year; or (ii) not less than \$250,000, unless that amount is reduced by the Oversight Board or by agreement with the Successor Agency (Section 34171(b)(3)). The annual cost allowance shall not exceed 50 percent of total RPTTF distributed to pay enforceable obligations in the preceding fiscal year. This formula would allow an administrative cost allowance of \$872,665.
- D. Based on actual costs incurred in the prior year, RASA's proposed Administrative Budget for FY 2016/17 is \$705,000, which covers the twelve-month period from July 1, 2016 through June 30, 2017.

- E. The FY2016/17 Administrative Budget for the RASA was included in the FY 2016-17 ROPS that is subject to approval by the State Department of Finance.
- F. 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 FY2016/17 as attached to this Resolution as Exhibit A.

Table of Contents:

Exhibit A - FY16/17 Administrative Budget

Redevelopment Agency Successor Agency

FY16/17 Administrative Budget

Task	Expenditure Category	FY15 Actuals	FY16 Adopted Budget	FY16 Projected Actuals	FY17 Proposed Budget
Legal Counsel	Personnel Costs	\$ 43,974	\$ 150,000	\$ 60,000	\$ 75,000
Oversight Board Legal	Other Professional Services	56,812	100,000	60,000	100,000
Finance	Personnel Costs	193,755	250,000	224,143	250,000
Finance	Other Professional Services	1,758	25,000	25,000	25,000
Debt/cash management	Personnel Costs	26,173	40,000	35,724	40,000
Debt/cash management	Other Professional Services	-	25,000	-	25,000
Real Estate	Personnel Costs	-	40,000	-	40,000
General Planning	Personnel Costs	160,016	270,000	146,275	150,000
	Total	\$ 482,488	\$ 900,000	\$ 551,143	\$ 705,000

Note: The calculated administrative allowance for FY16/17 is \$872,665, based on the new calculation introduced by SB 107 commencing FY2016-17 and each subsequent year.