

REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO	CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY)
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TO: CITY COUNCIL	FROM (ORIGINATING DEPARTMENT): Civic San Diego	DATE: 4/26/2016
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SUBJECT: Successor Agency Administrative and Project Management Budget for Fiscal Year 2016-2017

PRIMARY CONTACT (NAME, PHONE): Wanda Nations, 619-533-7109, MS 51-D	SECONDARY CONTACT (NAME, PHONE): ,
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COMPLETE FOR ACCOUNTING PURPOSES

FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

COST SUMMARY (IF APPLICABLE):

ROUTING AND APPROVALS

CONTRIBUTORS/REVIEWERS:	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
	ORIG DEPT.	Jarrett, Reese	04/26/2016
	CFO		
	DEPUTY CHIEF		
	COO		
	CITY ATTORNEY		
	COUNCIL PRESIDENTS OFFICE		

PREPARATION OF: RESOLUTIONS ORDINANCE(S) AGREEMENT(S) DEED(S)

STAFF RECOMMENDATIONS:
None - informational only

SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)

COUNCIL DISTRICT(S): 1-9

COMMUNITY AREA(S): Areawide

ENVIRONMENTAL IMPACT: The proposed action is not a "project" within the meaning of the CEQA, specifically CEQA Guidelines section 15378(b)(4)-(5), and thus is not subject

to CEQA pursuant to CEQA Guidelines section 15060(c)(3). The approval of ROPS 8 & 9, and the ROPS 8 & 9 Budget, are fiscal activities that relate to the future administration of redevelopment operations and are being conducted in order to comply with the Dissolution Laws.

CITY CLERK
INSTRUCTIONS:

**COUNCIL ACTION
EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO**

DATE: 4/26/2016

ORIGINATING DEPARTMENT: Civic San Diego

SUBJECT: Successor Agency Administrative and Project Management Budget for Fiscal Year 2016-2017

COUNCIL DISTRICT(S): 1-9

CONTACT/PHONE NUMBER: Wanda Nations/619-533-7109, MS 51-D

DESCRIPTIVE SUMMARY OF ITEM:

The Successor Agency is responsible for winding down the operations of the former Redevelopment Agency of the City of San Diego. Under the Dissolution Laws, the Recognized Obligation Payment Schedule (ROPS) is the governing document as to payments that are allowed to be made by the Successor Agency during the fiscal year. The proposed Successor Agency Budget is the ROPS 16-17 (ROPS10) approved by City Council on 1/19/16, the Oversight Board on 1/25/16, and is currently under review by the Department of Finance (DOF). A final determination by the DOF is due 5/17/16.

STAFF RECOMMENDATION:

None - informational only

EXECUTIVE SUMMARY OF ITEM BACKGROUND: The Successor Agency, a separate legal entity from the City, is responsible for winding down the operations of the former Redevelopment Agency of the City of San Diego ("Former RDA"). In accordance to changes in the redevelopment dissolution laws enacted in SB 107, the Successor Agency's budget now approved on an annual basis, through the Recognized Obligation Payment Schedule (ROPS). The City Council, the Oversight Board, and the California Department of Finance (DOF) approve each ROPS in advance of each fiscal year. The ROPS, although prepared annually will still have an "A" period referring to the period from July through December (i.e., the first six months of the fiscal year); and a "B" period referring to the period from January through June (i.e., the last six months of the fiscal year) as the distributions from the Redevelopment Property Tax Trust Fund (RPTTF) by the County Auditor-Controller will still be on a semi-annual basis.

On January 19, 2016, the City Council, acting as the Successor Agency's governing board, approved ROPS 16-17 (ROPS 10) for the fiscal year July 2016 to June 2017. ROPS 10 was approved by the Oversight Board on January 25, 2016, and currently is under review by the DOF as part of the statutory "meet-and-confer" process. A final determination from the DOF is due by May 17, 2016.

ROPS 10 shows that the total estimated payments by the Successor Agency during fiscal year 2017 will be approximately \$108 million, including approximately \$7.48 million for the Administrative and Project Management Budget reflected in line items 466 and 467. There was an increase of \$560,000 in the fiscal year 2017 budget over the prior 2016 year that is attributable to the increase in projects being funded from non-housing bonds being administered under the Excess Bond Expenditure Agreement.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S): N/A

FISCAL CONSIDERATIONS: The fiscal impact to the Successor Agency is dependent upon the review and potential challenge of ROPS 10 by the DOF. The Dissolution Laws limits the amount the Successor Agency can receive annually, as an administrative cost allowance, to three percent of the amount allocated to the Agency. The actual level of funds that the City may utilize in fulfilling its role as the Successor Agency will not be known until the oversight entities review and potentially challenge items listed in ROPS 10. On April 14, 2016, the DOF issued the ROPS 10 preliminary determination letter, in which DOF denied all Project Management costs in the amount of \$3.64 million. The Successor Agency has submitted a meet-and-confer request to the DOF to dispute the DOF's denial of the Project Management costs. The DOF is expected to complete the meet-and-confer process and issue the ROPS 10 final determination letter is issued on or about May 17, 2016.

Any costs to the Successor Agency beyond those allowed by the Dissolution Laws would impact the City's General Fund. These costs could be offset by increased property tax revenues distributed to the City as a taxing entity. Specifically, a portion of the tax increment revenue previously allocated to the Former RDA is reallocated as general property taxes through semi-annual RPTTF distributions on January 2 and June 1 from the CAC to the City and other local taxing entities, to the extent that the Successor Agency does not need the continued property tax revenue in order to pay enforceable obligations.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE): N/A

PREVIOUS COUNCIL and/or COMMITTEE: The City of San Diego Budget Review Committee will hear this item on May 10, 2016. On January 10, 2012, the City Council designated the City to serve as the Successor Agency under the Dissolution Laws. On February 13, 2012, the City Council adopted a resolution establishing certain policies and procedures that govern operation of the Successor Agency. On April 25, 2012, the City Council, in its capacity as the Successor Agency, adopted the Third Amended and Restated EOPS, ROPS 1, and ROPS 2, as well as the ROPS 2 administrative budget. On July 31, 2012, the City Council, in its capacity as the Successor Agency, adopted ROPS 3 as well as the ROPS 3 administrative budget. On February 13, 2013, the City Council, in its capacity as the Successor Agency, adopted ROPS 4 as well as the ROPS 4 administrative budget. On September 10, 2013, the City Council, in its capacity as the Successor Agency, adopted ROPS 5 as well as ROPS 5 administrative budget. On February 10, 2014, the City Council, in its capacity as the Successor Agency, adopted ROPS 6 as well as the ROPS 6 administrative budget. On September 23, 2014, the City Council, in its capacity as the Successor Agency, adopted ROPS 7 as well as the ROPS 7 administrative budget. On February 2, 2015, the City Council, adopted ROPS 8 as well as the ROPS 8 administrative budget. On September 14, 2015, the City Council, in its capacity as the Successor Agency, adopted ROPS 9 as well as the ROPS 9 administrative budget. On January 19, 2016, the City Council, in its capacity as the Successor Agency, adopted ROPS 10 as well as the ROPS 10 administrative budget.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: Redevelopment Project Area Committees, the Southeastern Economic Development Corporation Board, the

Civic San Diego Board (formerly Centre City Development Corporation Board), and pertinent community groups have received updates on the legislative matters that have been considered by the State Legislature since January 2011. There has been no additional formal community participation or public outreach on ROPS 8 or 9.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: Key stakeholders include the communities within the boundaries of the 14 former redevelopment project areas as well as the communities outside of the project areas who benefit from the revitalization of the project areas. Key stakeholders also include the local vendors, consultants, development partners, and the City.

Jarrett, Reese
Originating Department

Deputy Chief/Chief Operating Officer



REPORT NO. CSD 16-12

DATE ISSUED: May 4, 2016

ATTENTION: Honorable Council President and City Council
Docket of May 10, 2016

ORIGINATING DEPT.: City of San Diego Successor Agency

SUBJECT: Successor Agency Administrative and Project Management Budget
for Fiscal Year 2016-2017

COUNCIL DISTRICTS: 1, 2, 3, 4, 5, 6, 7, 8, 9

STAFF CONTACT: Wanda F. Nations, Principal Accountant
619-533-7109

REFERENCE: February 28, 2012 Report to City Council RTC-12-014;
July 17, 2012 Report to City Council RTC-12-096;
January 19, 2016 Report to City Council R-310214

SUMMARY:

The Successor Agency, a separate legal entity from the City, is responsible for winding down the operations of the former Redevelopment Agency of the City of San Diego ("Former RDA"). In accordance to changes in the redevelopment dissolution laws enacted in SB 107, the Successor Agency's budget now approved on an annual basis, through the Recognized Obligation Payment Schedule ("ROPS"). The City Council, the Oversight Board, and the California Department of Finance ("DOF") approve each ROPS in advance of each fiscal year. The ROPS, although prepared annually will still have an "A" period referring to the period from July through December (i.e., the first six months of the fiscal year); and a "B" period referring to the period from January through June (i.e., the last six months of the fiscal year) as the distributions from the Redevelopment Property Tax Trust Fund (RPTTF) by the County Auditor-Controller will still be on a semi-annual basis.

On January 19, 2016, the City Council, acting as the Successor Agency's governing board, approved ROPS 16-17 (ROPS 10) for the fiscal year July 2016 to June 2017. ROPS 10 was approved by the Oversight Board on January 25, 2016, and currently is under review by the DOF as part of the statutory "meet-and-confer" process. A final determination from the DOF is due by May 17, 2016.

ROPS 10 shows that the total estimated payments by the Successor Agency during fiscal year 2017 will be approximately \$108 million, including approximately \$7.48 million for the Administrative and Project Management Budget reflected in line items 466 and 467. There was an increase of \$560,000 in the fiscal year 2017 budget over the prior 2016 year that is attributable to the increase in projects being funded from non-housing bonds being administered under the Excess Bond Expenditure Agreement.

DISCUSSION:

I. Background

A. Status of Dissolution

The Successor Agency is in the process of winding down the operations of the former Redevelopment Agency of the City of San Diego (“Former RDA”) in accordance with Assembly Bill x1 26 (“AB 26”), enacted on June 28, 2011, Assembly Bill 1484 (“AB 1484”), enacted on June 27, 2012, and subsequent related legislation (collectively, the “Dissolution Laws”). On January 10, 2012, the City Council designated the City of San Diego (“City”) to serve as the Successor Agency to the Former RDA for purposes of winding down the Former RDA’s operations. Certain actions and decisions of the Successor Agency are subject to review and approval by the Oversight Board, the California Department of Finance (“DOF”), the San Diego County Auditor-Controller (“CAC”), and the State Controller. The CAC is responsible for administering the Redevelopment Property Tax Trust Fund (“RPTTF”), comprised of property tax increment revenue collected in the City’s fourteen (14) redevelopment project areas.

Senate Bill 107 (“SB 107”), which went into effect immediately upon its enactment in September 2015, made substantial amendments to the Dissolution Laws. For example, SB 107 changed the ROPS reporting period from every six months to once per fiscal year, running from July 1 through June 30, beginning with the fiscal year commencing on July 1, 2016, and ending on June 30, 2017. SB 107, though, did not change the time period covered by the Successor Agency’s administrative budgets under California Health and Safety Code (“Code”) section 34177(j). Those administrative budgets continue to cover six-month fiscal periods, requiring two administrative budgets for each annual ROPS, but are to be reviewed and approved only by the Oversight Board and not the DOF.

The referenced February 28, 2012 Report to City Council RTC-12-014 provides detailed discussions related to:

- Assembly Bills 26 and 27, associated litigation, and the resulting California Supreme Court decision;
- the process for dissolution of redevelopment agencies and associated time frames; and,
- the responsibilities of successor agencies.

The referenced July 17, 2012 Report to City Council RTC-12-096 provides details related to:

- the contents of AB 1484, comprising clean-up legislation and clarifying language; and
- modified requirements and deadlines for the dissolution of former redevelopment agencies under AB 1484.

B. Purpose and Timing of ROPS

Under the Dissolution Laws, the ROPS is the governing document as to payments allowed to be made by the Successor Agency during each fiscal year. Each ROPS is approved on a forward-looking basis for the upcoming fiscal year.

II. Successor Agency Administrative and Project Management Budget

Pursuant to California Health and Safety Code (“Code”) section 34177(j), the Successor Agency is required to adopt and propose an administrative budget to the Oversight Board for its approval. The proposed budget must include: 1) estimated amounts for the Successor Agency’s administrative costs for the upcoming fiscal year; 2) proposed sources of payments for the cost identified; and, 3) proposed arrangements for administrative and operation services provided by a city or other entity.

Based on guidance provided by the DOF and the current language in the Dissolution Laws, the Successor Agency is allowed to fund its administrative function beyond the three percent administrative allowance with any funds on hand, such as bond proceeds or other sources aside from property tax, and project management costs associated with the implementation of enforceable obligations are deemed project-specific expenses and are not counted against the three percent administrative cost allowance. In addition, the Successor Agency’s litigation expenses related to assets or obligations, and the costs of maintaining assets prior to disposition, are not counted against the administrative cost allowance.

As outlined in Code section 34177, the purpose of the Successor Agency’s administrative function is the orderly wind down of the Former RDA’s affairs and includes such functions as: making payments on enforceable obligations; maintaining any required reserves amounts; performing obligations required by enforceable obligations; disposing of assets and properties; enforcing all of the Former RDA’s rights; expeditiously winding down the Former RDA’s affairs; and, preparing each ROPS and accompanying administrative budget.

For the ROPS 10 period, July to December 2015, which was approved by the Council as Successor Agency on January 19, 2016, it is requested that the CAC will distribute to the Successor Agency from the RPTTF approximately \$3.85 million for administrative costs, and \$3.64 for project management costs. The Project Management budget for ROPS 10 was to cover project management costs related to completing redevelopment projects shown in the Agreement Regarding Expenditure of Excess Redevelopment Bond Proceeds, which the Council, the Oversight Board, and the DOF approved in conjunction with ROPS 8.

The table below provides a comparison of the proposed FY 2015-16 Budget to the approved FY 2016-17 Budget in terms of administrative and project management expenses.

Expenditure	FY 2016-17	FY 2015-2016	Change
Legal / Litigation Services	1,051,000	976,000	75,000
Financial Mgmt / Debt Mgmt Services	100,000	123,000	(23,000)
Accounting Services	456,000	456,000	0
Real Estate Services	272,000	272,000	0
Administrative / Project Mgmt Services	5,605,000	5,400,354	204,646
TOTAL EXPENDITURES	7,484,000	7,227,354	256,646

FISCAL CONSIDERATIONS:

The fiscal impact to the Successor Agency is dependent upon the review and potential challenge of ROPS 10 by the DOF. The Dissolution Laws limits the amount the Successor Agency can receive annually, as an administrative cost allowance, to three percent of the amount allocated to the Agency. The actual level of funds that the City may utilize in fulfilling its role as the Successor Agency will not be known until the oversight entities review and potentially challenge items listed in ROPS 10. On April 14, 2016, the DOF issued the ROPS 10 preliminary determination letter, in which DOF denied all Project Management costs in the amount of \$3.64 million. The Successor Agency has submitted a meet-and-confer request to the DOF to dispute the DOF's denial of the Project Management costs. The DOF is expected to complete the meet-and-confer process and issue the ROPS 10 final determination letter is issued on or about May 17, 2016.

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ENVIRONMENTAL REVIEW: The proposed action is not a "project" within the meaning of the California Environmental Quality Act (CEQA), specifically CEQA Guidelines section 15378(b)(4)-(5), and thus is not subject to CEQA pursuant to CEQA Guidelines section 15060(c)(3). The approval of ROPS 8 and 9, and the ROPS 8 and 9 Budget, are fiscal activities that relate to the future administration of redevelopment operations and are being conducted in order to comply with the Dissolution Laws. The approval of these fiscal activities will not result in the commitment to any new, specific project that may cause a physical change in the environment.

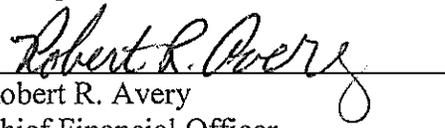
PREVIOUS AGENCY and/or COUNCIL ACTION: On January 10, 2012, the City Council designated the City to serve as the Successor Agency under the Dissolution Laws. On February 13, 2012, the City Council adopted a resolution establishing certain policies and procedures that govern operation of the Successor Agency. On April 25, 2012, the City Council, in its capacity as the Successor Agency, adopted the Third Amended and Restated EOPS, ROPS 1, and ROPS 2, as well as the ROPS 2 administrative budget. On July 31, 2012, the City Council, in its capacity as the Successor Agency, adopted ROPS 3 as well as the ROPS 3 administrative budget. On February 13, 2013, the City Council, in its capacity as the Successor Agency, adopted ROPS 4 as well as the ROPS 4 administrative budget. On September 10, 2013, the City Council, in its capacity as the Successor Agency, adopted ROPS 5 as well as ROPS 5 administrative budget. On February 10, 2014, the City Council, in its capacity as the Successor Agency, adopted ROPS 6 as well as the ROPS 6 administrative budget. On September 23, 2014, the City Council, in its capacity as the Successor Agency, adopted ROPS 7 as well as the ROPS 7 administrative budget. On February 2, 2015, the City Council, adopted ROPS 8 as well as the ROPS 8 administrative budget. On September 14, 2015, the City Council, in its capacity as the Successor Agency, adopted ROPS 9 as well as the ROPS 9 administrative budget. On January 19, 2016, the City Council, in its capacity as the Successor Agency, adopted ROPS 10 as well as the ROPS 10 administrative budget.

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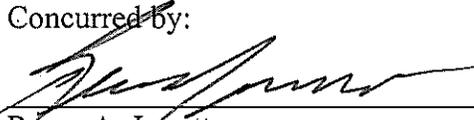
KEY STAKEHOLDERS AND PROJECTED IMPACTS: Key stakeholders include the communities within the boundaries of the fourteen (14) former redevelopment project areas as well as the communities outside of the project areas who benefit from the revitalization of the project areas. Key stakeholders also include the local vendors, consultants, development partners, and the City.

Respectfully submitted,


Wanda F. Nations
Principal Accountant


Robert R. Avery
Chief Financial Officer

Concurred by:


Reese A. Jarrett
President

Attachment: A – Consolidated FY 2016-2017 Administrative and Project Management Budget

**ROPS 16-17 BUDGET for the Successor Agency to the
Former Redevelopment Agency of the City of San Diego**

ROPS Period July 1, 2016 to June 30, 2017 (ROPS 10)

	<u>FTE's</u>	<u>Administrative</u>	<u>Project Management</u>	<u>Total</u>
EXPENDITURES				
Legal Services				
City Attorney's Office	3.5	325,000	360,000	685,000
Outside Legal Counsel		50,000	240,000	290,000
Oversight Board Legal Counsel		76,000	-	76,000
Subtotal Legal Services		<u>451,000</u>	<u>600,000</u>	<u>1,051,000</u>
Financial Services				
Debt Management Department	1	100,000	-	100,000
City Treasurers' Office	15 bps	-	-	-
Subtotal Financial Services		<u>100,000</u>	<u>-</u>	<u>100,000</u>
Accounting Services				
Comptroller's Office	4	456,000	-	456,000
Subtotal Accounting Services		<u>456,000</u>	<u>-</u>	<u>456,000</u>
Real Estate Services				
Real Estate Assets Department	1.50	272,000	-	272,000
Subtotal Real Estate Services		<u>272,000</u>	<u>-</u>	<u>272,000</u>
Administrative Support Services				
Economic Growth Services Dept	1.5	50,000	200,000	250,000
City Departments		-	935,000	935,000
Civic San Diego	23	1,670,000	1,800,000	3,470,000
Legislative Clerk		-	-	-
Other Consultants		150,000	-	150,000
General Governmental Service		594,000	-	594,000
Contingency		100,000	100,000	200,000
Oversight Board Insurance		6,000	-	6,000
Subtotal Administrative Support Services		<u>2,570,000</u>	<u>3,035,000</u>	<u>5,605,000</u>
Total Expenditures		<u>3,849,000</u>	<u>3,635,000</u>	<u>7,484,000</u>
FUNDING SOURCES				
Admin Fee (3%)		2,967,760	-	2,967,760
Estimated Admin Carryover from A to B Period		-	-	-
Reserves		-	-	-
Other Revenue Sources		881,240	-	881,240
RPTTF Distributions		-	3,635,000	3,635,000
Total Funding Sources		<u>3,849,000</u>	<u>3,635,000</u>	<u>7,484,000</u>

Pursuant to the Successor Agency's policies and procedures (adopted 2/17/2012) the administrative functions will be coordinated through the Office of the Mayor and carried out by either City staff or employees of a City-owned nonprofit public benefit corporation (i.e., Civic San Diego). The project management column includes estimated litigation expenses, where applicable. In the event the 3% Admin fee is insufficient to cover Admin Expenditures, due to DOF adjustments, the Successor Agency intends on utilizing Other Revenues Sources as shown in the ROPS. Those Other Revenues include rent and lease payment received from Agency owned properties.