

ITEM 1

OVERSIGHT BOARD FOR CITY OF SAN DIEGO REDEVELOPMENT SUCCESSOR AGENCY

DATE ISSUED: 06/08/2012

ITEM 1 – Report from the Successor Agency regarding ADOPTION OF A RESOLUTION ACCEPTING AND APPROVING THE SIX-MONTH ADMINISTRATIVE BUDGET OF THE SUCCESSOR AGENCY FOR JULY THROUGH DECEMBER 2012

CONTACT/PHONE NUMBER: David Graham /236-6980

DESCRIPTIVE SUMMARY OF ITEM:

Adopt a resolution;

Approving the ROPS 2 Administrative budget; and

Authorizing the Successor Agency to make payments in accordance with the ROPS 2 Administrative Budget, utilizing the funding sources identified.

STAFF RECOMMENDATION:

Approve proposed actions.

BACKGROUND:

The proposed Revised Obligation Payment Schedule (“ROPS 2”) Budget is approximately \$3.5 million for the ROPS 2 Period. The budget is segregated by administrative cost and project management cost. The ROPS 2 Period Budget is funded with \$318,000 of three percent cost allowance pursuant to Assembly Bill 1x 26 (“AB 26”) and reserve funds on hand from the former Redevelopment Agency. Pursuant to the Successor Agency policy and procedure adopted by the Successor Agency on February 13, 2012, the Successor Agency administrative function 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.

Pursuant to AB 26, 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 Administrative cost for the upcoming six month fiscal period; 2) proposed sources of payments for the cost identified; and, 3) proposals for arrangements for administrative and operations services provided by a city, county, city and county or other entity. Pursuant to AB 26, a successor agency can receive three percent of the amount disbursed by a county from the Redevelopment Property Tax Trust Fund (RPTTF), but not less than \$250,000. Based on the second Recognized Obligation Payment Schedule (ROPS 2) submitted to the Department of Finance on May 23, 2012, and approved by the Oversight Board on May 31, 2012, the amount of three percent administrative allowance to be disbursed by the County of San Diego (“County”) to the Successor Agency is \$318,461. AB 26 allows a successor agency to fund its administrative function beyond the three percent administrative allowance with any funds on hand such as bond proceeds or from other sources of the former agency. Additionally, the California Department of Finance (DOF) has provided

ITEM 1

guidance that project management costs associated with the implementation of an enforceable obligation are considered an enforceable obligation and not counted against the three percent cost allowance.

As outlined in AB 26, Section 34177, the purpose of the successor agency administrative function is the orderly wind down of the affairs of a former Redevelopment agency, and includes such functions as: making payments on enforceable obligations; maintaining any required reserve amounts; performing obligations required by enforceable obligations; disposing of assets and properties; enforcing all former Redevelopment agency rights; expeditiously winding down the affairs for the former Redevelopment agency; and, preparing the Recognized Obligation Payment Schedule (ROPS).

Pursuant to AB 26 on January 10, 2012 the San Diego City Council designated the City of San Diego ("City") to serve as the successor agency to the former Redevelopment Agency. The Successor Agency adopted policies and procedures on February 13, 2012 by which the City, acting in its capacity as successor agency, will coordinate all administrative actions through the Office of the Mayor and Successor Agency staff functions can be carried out by either City staff or employees of a City-owned nonprofit public benefit corporation.

DISCUSSION:

The proposed ROPS 2 Successor Agency budget is approximately \$3.5 million and is segregated by administrative wind down functions, (\$2.2 million) and project management functions (\$1.3 million). Attachment A is the proposed ROPS 2 Successor Agency Budget. The ROPS 2 budget provides funding for Legal Services, Accounting Services, Financial and Debt Services, Real Estate Services and Successor Agency Administrative Services. The Budget is funded with \$318 thousand of three percent administrative allowance and the balance is funded out of Reserve Funds on hand from the former redevelopment agency.

FISCAL CONSIDERATIONS:

The proposed ROPS 2 Period Successor Agency Budget is approximately \$3.5 million and is funded with \$318, 000 of three percent cost allowance per AB 26, and funds on hand from the former Redevelopment Agency such as bond proceeds and other revenues of the former Redevelopment Agency.

CONCLUSION:

AB 26 requires the Successor Agency to prepare and submit to the Oversight Board an administrative budget for each six month period. The proposed ROPS 2 Successor Agency Budget is approximately \$3.5 million and is broken down into administrative functions (\$2.2 million) and project management functions (\$1.3 million).

David Graham
Office of the Mayor

Jay Goldstone
Chief Operating Officer

**ROPS 2 BUDGET for the Successor Agency to the
Former Redevelopment Agency of the City of San Diego
ROPS Period July 1, 2012 to December 31, 2012**

EXPENDITURES	<u>Administrative</u>	<u>Project Management</u>	<u>Total</u>
Legal Services	150,000	405,000	555,000
Financial/Debt Services	200,000	-	200,000
Accounting Services	270,000	-	270,000
Real Estate Services	50,000	-	50,000
Administrative Support Services	1,492,000	905,000	2,397,000
Total Expenditures	<u>2,162,000</u>	<u>1,310,000</u>	<u>3,472,000</u>
 FUNDING SOURCES			
3% Admin. Cost Allowance	318,461	-	318,461
Reserve Balances	1,843,539	1,310,000	3,153,539
Total Funding Sources	<u>2,162,000</u>	<u>1,310,000</u>	<u>3,472,000</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.

OVERSIGHT BOARD RESOLUTION NUMBER OB-2012-12

A RESOLUTION OF THE OVERSIGHT BOARD FOR CITY OF
SAN DIEGO REDEVELOPMENT SUCCESSOR AGENCY
APPROVING THE SIX-MONTH ADMINISTRATIVE BUDGET
OF THE SUCCESSOR AGENCY FOR JULY THROUGH
DECEMBER 2012.

WHEREAS, the former Redevelopment Agency of the City of San Diego (Former RDA) administered the implementation of various redevelopment projects, programs, and activities within designated redevelopment project areas throughout the City of San Diego (City); and

WHEREAS, in accordance with Assembly Bill x1 26 (AB 26), the Former RDA dissolved as of February 1, 2012, at which time the City of San Diego, solely in its capacity as the designated successor agency to the Former RDA (Successor Agency), assumed the Former RDA's assets and obligations; and

WHEREAS, AB 26 provides for the appointment of a seven-member oversight board (Oversight Board) with specific duties to approve and direct certain actions of the Successor Agency pursuant to California Health and Safety Code sections 34180 and 34181; and

WHEREAS, the second Recognized Obligation Payment Schedule (ROPS 2), which reflects payments owed by the Successor Agency toward enforceable obligations during the period from July 1, 2012 through December 31, 2012, has been approved by the Successor Agency and has been conditionally approved by the Oversight Board and the State Department of Finance; and

WHEREAS, AB 26 requires the Successor Agency to prepare, and to submit to the Oversight Board for approval, an administrative budget for each upcoming six-month fiscal period, estimating the administrative costs to be expended during the applicable fiscal period,

identifying the proposed sources of payment for such administrative costs, and identifying proposed arrangements for administrative and operations services provided by a city or other entity; and

WHEREAS, during a public meeting on June 11, 2012, the City Council, acting as the board of the Successor Agency, approved a proposed six-month administrative budget for the Successor Agency in the total amount of \$3,472,000, covering the ROPS 2 time period from July 1, 2012 through December 31, 2012 (ROPS 2 Administrative Budget); and

WHEREAS, the ROPS 2 Administrative Budget contemplates the Successor Agency's payment of funds to the City in exchange for the provision of certain services by the City and a City-owned nonprofit public benefit corporation related to the winding down of the Former RDA's affairs.

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board as follows:

1. The ROPS 2 Administrative Budget is hereby approved. A copy of the ROPS 2 Administrative Budget shall be filed in the Oversight Board's records with the City Clerk as Document No. D-_____.

2. The Successor Agency is authorized to make payments in accordance with the ROPS 2 Administrative Budget, utilizing the funding sources identified therein.

PASSED AND ADOPTED by the Oversight Board at a duly noticed meeting of the Oversight Board held on June ____, 2012.

Chair, Oversight Board