



# Memorandum

**TO:** HONORABLE MAYOR,  
CITY COUNCIL, AGENCY BOARD

**FROM:** Del D. Borgsdorf  
Harry S. Mavrogenes

**SUBJECT:** SEE BELOW

**DATE:** February 10, 2005

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**SNI AREA: ALL**

**SUBJECT: AMENDMENT OF THE OPERATING EXPENSES COOPERATION AGREEMENT AND APPROVAL OF THE STRONG NEIGHBORHOODS INITIATIVE (SNI COOPERATION AGREEMENT)**

## RECOMMENDATION

1. It is recommended that the City Council and Redevelopment Agency Board:
  - (a) Approve the Cooperation Agreement between the City of San Jose and the Redevelopment Agency for implementation of the Strong Neighborhoods Initiative.
  - (b) Approve the Amendment to the FY 2004-05 Operating Expenses Cooperation Agreement between the City of San Jose and the Redevelopment Agency to incorporate changes related to the implementation of the Strong Neighborhoods Initiative.
2. It is recommended that the Redevelopment Agency Board adopt a resolution appropriating \$32,920 from the Redevelopment Agency's Adopted FY 2004-05 Capital Budget, Line Item SNI – Outreach and Training to the FY 2004-05 Operating Budget Support Services and amending the FY 2004-2005 Agency appropriations resolution, as detailed in Attachment A.

## BACKGROUND

### Strong Neighborhoods Initiative (SNI) Cooperation Agreement:

Upon finalization of the Strong Neighborhoods Initiative Redevelopment Plan adoption process and completion of all 19 Neighborhood Improvement Plans in December 2002, Agency and City staffs were directed to develop a Strong Neighborhoods Initiative Business Plan. As directed, staff prepared the Building Strong Neighborhoods Business Plan and presented it to the City Council's Building Strong Neighborhoods (BSN) Committee. After several refinements based on input from the BSN Committee, the Building Strong Neighborhoods Business Plan was approved on August 16, 2004.

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In addition to formalizing the purpose, proposed outcomes, core initiatives and investment strategies of the Strong Neighborhoods Initiative, the Building Strong Neighborhoods Business Plan also identified the implementation structure necessary to carry out Strong Neighborhoods programs and projects. As a result of the approved implementation structure to respond to neighborhood priorities, City and Agency staffs have been working together to provide for a more effective and efficient program by creating a single, integrated, Strong Neighborhoods Team.

Operating Expenses Cooperation Agreement:

On June 10, 2004, the City Council and Agency Board adopted resolutions authorizing the City Manager and the Agency's Executive Director to negotiate and execute a Cooperation Agreement for Operating Expenses between the City of San Jose and the Redevelopment Agency. Under the Cooperation Agreement, the City and the Agency are obligated to implement redevelopment activities pursuant to the Adopted Redevelopment Plans. The City is obligated under the Agreements to spend funds transferred by the Agency to the City only on the implementation of the Redevelopment Plans.

The provisions outlined in the Operating Expenses Cooperation Agreement address the managing and accounting of Agency funds advanced to the City or received by the City on behalf of the Agency for support services necessary to implement Agency-funded programs and projects. Agency and City staffs are proposing an amendment to the Operating Expenses Cooperation Agreement to specify the allocation of operating funds between the City and Agency for the Strong Neighborhoods program for FY 2004-05 and to ensure that Agency and City expenditures are administered properly.

ANALYSIS

1. Strong Neighborhoods Initiative Cooperation Agreement:

The Mayor and Council have directed City and Agency staff to use the One Voice approach in implementing the programs and projects of the Strong Neighborhoods Initiative. This resulted in the formation of a single Strong Neighborhoods Team comprised of City and Agency staff. The Strong Neighborhoods Team was established to effectively and efficiently deliver the hundreds of programs and projects identified by the 19 neighborhoods comprising the Strong Neighborhoods area. Although the Strong Neighborhoods Team is already working together seamlessly on a functional level, the fact that various staff from the Agency and City will report directly to staff from the other entity necessitates the need for an SNI Cooperation Agreement in order to address personnel and budgetary issues as outlined below.

A. Personnel Issues

The current frontline Strong Neighborhoods Team consists of City and Agency employees as reflected in the approved Agency and City budgets. Throughout the year the exact composition of the positions within the Team may vary based on attrition and need, without the necessity of amending the SNI Cooperation Agreement. Strong Neighborhoods Team staffing levels,

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however, will not exceed the City or Agency adopted Strong Neighborhoods Team budget level for the current Fiscal Year. Each City and Agency employee will remain an employee of the entity by which they were hired and will be subject to all of the rules and regulations, rights and benefits of their respective employer.

The entire Strong Neighborhoods Team will report to a Deputy City Manager, through the Strong Neighborhoods Manager, for programmatic direction. Programmatic direction includes but is not limited to the implementation of neighborhood-prioritized Strong Neighborhoods programs and projects, the effective delivery of neighborhood services, and building community leadership with residents.

For administrative direction, Agency Strong Neighborhoods employees will report through the Strong Neighborhoods Manager to the Director of Neighborhood and Business Development. City Strong Neighborhoods employees will report through the Strong Neighborhoods Manager to the Deputy City Manager. For the purposes of this Agreement, "administrative direction" includes personnel matters (time cards/time-off, evaluations, disciplinary actions), and the expenditure or transfer of Agency funds to the City, other public agencies and private entities, which shall be in accordance with Agency fiscal procedures and requirements. With regard to personnel matters, the Strong Neighborhoods Manager will have primary responsibility for such matters for the entire SNI Team, subject to the review and approval of the Deputy City Manager and the Deputy Executive Director or their designees.

Administrative direction for both Agency and City staff that includes the expenditure or transfer of Agency funds to the City, other public Agencies, and private entities will also be in accordance with Agency fiscal procedures and requirements. Recommendations for funding from the Agency's Capital Budget will be forwarded through the Neighborhood and Business Development Division Director to the Agency's Executive Director.

**B. Funding Issues**

Redevelopment law prohibits the use of tax increment funds for normal City operations. In order to ensure that the Agency funds are not being used to inappropriately subsidize City services, the SNI Cooperation Agreement requires the Agency to determine on an annual basis the Strong Neighborhoods projects that are eligible for Agency funding. The operating budgets for the implementation of those projects must then be allocated between the City and Agency so that the Agency funded operating costs do not exceed the percentage of the overall SNI Capital Budget dedicated to Redevelopment eligible projects.

The Strong Neighborhoods Capital Budget for Fiscal Year 2004-05 is \$77 million. The budget consists of approximately \$35 million in Agency funds and \$42 million in City, General Fund, CDBG, and other funds. \$76.8 million or 99.8% of the total capital budget is for redevelopment eligible projects. The Redevelopment Agency share of the Strong Neighborhoods operating budget is 72%, which means that Redevelopment Agency funds are not being used to supplement normal city operations.

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2. Amendment to Operating Cooperation Agreement:

As explained above, the proposed SNI Cooperation Agreement requires staff to calculate on an annual basis the percentage of the Strong Neighborhoods capital projects that are eligible for Redevelopment funding so as to determine a ceiling on the amount of Agency funds that can be used for operating costs in that fiscal year. The proposed amendment to the FY 2004-05 Operating Cooperation Agreement specifies that percentage as 99.8%.

3. Appropriation of Funds from the Agency's Capital Budget to the Operating Budget Support Services:

The reallocation of \$32,920 from the Redevelopment Agency Adopted FY 2004-05 Capital Budget, Line Item SNI – Outreach and Training to the FY 2004-05 Operating Budget Support Services is proposed in order to pay for supplies and materials for Strong Neighborhoods field offices and food and refreshments for community events.

**COORDINATION**

The Cooperation Agreements have been coordinated with the City Attorney's Office and the Agency's General Counsel.

**FISCAL IMPACT**

Funding for the Strong Neighborhoods Team City staff is in the FY 2004-05 City Operating Budget (\$471,280) and in the Redevelopment Agency FY 2004-05 Operating Budget (\$1,014,235) and in the Community Development Block Grant fund FY 2004-05 (\$339,092). Funding for Strong Neighborhoods Team Agency staff is in the Redevelopment Agency FY 2004-05 Operating Budget (\$723,646).

The proposed reallocation of \$32,920 from the Redevelopment Agency Adopted FY 2004-05 Capital Budget, Line item SNI – Outreach and Training to the FY 2004-05 Operating Budget Support Services will have zero impact on the Capital Reserve, as detailed on Attachment A.



DEL D. BORGSORF  
City Manager



HARRY S. MAVROGENES  
Executive Director

# ATTACHMENT A

## CURRENT-YEAR BUDGET ADDITION

A budget addition is an adjustment in capital funding to an existing project to cover anticipated costs.  
Funding of the adjustment listed below reduces the Capital Reserve.

Agency's Appn. Number	Project	ADOPTED BUDGET FY 2004-05 Agency Project Appropriation Total	Net CIP Change	REVISED BUDGET FY 2004-05 Agency Project Appropriation New Total
<b>Operating Budget</b>				
8502	City Support Services - PRNS	1,014,346	32,920	1,047,266
<b>Strong Neighborhood Initiative (Fund 56)</b>				
0560811	SNI - Outreach and Training	146,948	-32,920	114,028
<b>CAPITAL RESERVE</b>			<b>+0</b>	

FIRST AMENDMENT TO 2004-05 COOPERATION  
AGREEMENT BETWEEN THE CITY OF SAN JOSE  
AND THE REDEVELOPMENT AGENCY OF THE  
CITY OF SAN JOSE FOR OPERATING EXPENSES

This First Amendment to 2004-05 Cooperation Agreement ("First Amendment") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2004, by and between the Redevelopment Agency of the City of San Jose ("Agency") and the City of San Jose ("City").

A. The Agency and the City entered into that certain 2004-05 Cooperation Agreement for Operating Expenses ("Agreement") dated August 26, 2004, whereby the City agreed to provide necessary personnel and support services in connection with Agency projects in its various redevelopment project areas, and Agency agreed to reimburse City for such services in accordance with expenditures and amounts designated in Agency's adopted 2004-05 Operating Budget.

B. City and Agency employees have been working together in response to priorities set by neighborhoods in City's Strong Neighborhoods Initiative (SNI) Program and Agency's Strong Neighborhoods Initiative (SNI) Redevelopment Project Area.

C. In order to provide a more efficient program for delivery of services to SNI residents and businesses, the Agency and the City entered into a Cooperation Agreement For Implementation of the Strong Neighborhoods Initiative Program which provides for the creation of a single, integrated SNI Team and sets forth the obligations of the City and Agency as they relate to the operation and funding of the SNI Team (the "SNI Agreement"). A copy is attached as Exhibit A.

D. The Agency and City desire to amend the Agreement to acknowledge formation of the SNI Team, and to clarify the terms for transfer of Agency funds to the City for SNI Team related expenses.

NOW, THEREFORE, the parties agree as follows.

1. A new paragraph 9 is added to the Agreement to read in full as follows:

" 9. Pursuant to the provisions of Section 3.a. of the SNI Agreement, based on the overall SNI Program budget for FY 04-05, Redevelopment Eligible Projects, as that term is defined in the SNI Agreement, constitute \_\_\_\_% of combined Capital Budgets for the SNI

Program. The parties acknowledge that this allocation does not necessarily reflect the actual source of funding, but rather what is eligible to be funded under California Redevelopment law. The purpose of this allocation is to make sure that the Agency's contribution to City's operating expenses in implementing the SNI Program is not in excess of that required to implement Redevelopment Eligible Projects. The parties hereby acknowledge that based on the adopted City and Agency Budgets for FY 04-05, the Agency's contribution to City for operating expenses to be incurred in implementing the SNI Program is not in excess \_\_\_% of the combined personal costs of the SNI Team.

2. All of the terms and conditions of the Agreement not modified by this First Amendment shall remain in full force and effect.

IN WITNESS HEREOF, this First Amendment is entered into and made effective as of the date first written above.

Approved as to form:

REDEVELOPMENT AGENCY  
OF THE CITY OF SAN JOSE

\_\_\_\_\_  
Chief Deputy General Counsel

By: \_\_\_\_\_  
Harry S. Mavrogenes  
Executive Director

Approved as to form:

CITY OF SAN JOSE

\_\_\_\_\_  
Senior Deputy City Attorney

By: \_\_\_\_\_  
Del Borgsdorf  
City Manager

**COOPERATION AGREEMENT BETWEEN THE CITY OF  
SAN JOSE AND THE REDEVELOPMENT AGENCY OF  
THE CITY OF SAN JOSE FOR IMPLEMENTATION OF  
THE STRONG NEIGHBORHOODS INITIATIVE (SNI)  
REDEVELOPMENT PROJECT AREA**

THIS AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2004, by and between the City of San Jose, a municipal corporation of the State of California, hereinafter called "City," and the Redevelopment Agency of the City of San Jose, a public body corporate and politic, duly created and functioning under the laws of the State of California, hereinafter called "Agency".

RECITALS

- A. City has established its Strong Neighborhoods Initiative Program as a means of improving the quality of life for residents in certain neighborhoods by responding to priorities set by each neighborhood in a manner that emphasizes effective community leadership and City partnership with residents and other community stakeholders.
- B. Agency is engaged in a program of urban redevelopment and economic development in its Strong Neighborhoods Redevelopment Project Area geared toward improving the quality of life for residents in San Jose's most distressed neighborhoods, many of which are included in the City's Strong Neighborhoods Initiative Program, through the acquisition and disposition of real property, the construction of public infrastructure and facilities, assistance to private property owners to improve neighborhood business districts, to improve the housing stock in these areas through housing rehabilitation grants and new infill housing projects.
- C. Although City and Agency employees have been working together to respond to the neighborhoods' priorities, the parties desire to reorganize the service delivery of the City and Agency SNI projects and programs to provide for a more transparent and efficient program by creating a single, integrated SNI Team.
- D. City and Agency have heretofore on an annual basis, entered into certain cooperation agreements which detail the manner in which redevelopment funds are transferred to the City for capital projects that benefit redevelopment areas (the "Merged Area Cooperation Agreement") and for the payment of City support services in connection with those projects (the "Operating Expenses Cooperation

Agreement"). These annual cooperation agreements incorporate the Agency's annual capital and operating budgets as they relate to specific redevelopment projects to be undertaken each year. It is the intent of the parties that those annual cooperation agreements remain in full force and effect as may be modified from time to time to reflect the intent of this Agreement.

NOW, THEREFORE, the parties do hereby agree as follows:

1. TERM. The term of this Agreement shall be effective as of July 1, 2004, and shall continue indefinitely unless terminated as provided in paragraph 4 below by either party upon reasonable notice to the other party.

2. PERSONNEL.

a. The SNI Team shall consist of both City and Agency employees.

b. For programmatic direction, the SNI Team will report to a Deputy City Manager, through the Agency employed Strong Neighborhoods Manager.

c. For administrative direction, Agency SNI employees will report through the SNI Manager to the Director of Neighborhood and Business Development. City SNI employees will report through the SNI Manager to the Deputy City Manager. For the purposes of this Agreement, "administrative direction" includes personnel matters (time cards/time-off, evaluations, disciplinary actions), and the expenditure or transfer of Agency funds to the City, other public agencies and private entities, which shall be in accordance with Agency fiscal procedures and requirements. With regard to personnel matters, the SNI Manager will have primary responsibility for such matters for the entire SNI Team, subject to the review and approval of the Deputy City Manager and the Deputy Executive Director or their designees.

d. Recommendations for funding from the Agency's Capital or Operating Budgets will be forwarded by the SNI Manager through the Neighborhood Division Director to the Executive Director of the Agency.

e. Each Agency and City employee shall remain an employee of the entity to which they were hired, and shall be subject to all of the rules and regulations, rights and benefits of their respective employer. Nothing herein shall effect the at will status of all Agency employees.

f. Each Agency and City employee shall remain on the payroll system of their respective employer, notwithstanding the fact that the ultimate source of payment will be a combination of Agency and City funding.

g. The City positions specified above shall remain City positions for the term of this Agreement, unless this agreement is amended to reflect otherwise.

3. FUNDING.

a. On an annual basis, in conjunction with the preparation of annual Capital and Operating budgets of the parties, Agency shall determine the SNI projects eligible for redevelopment funds ("Redevelopment Eligible Projects"). Operating funds for both personal and non-personal expenses shall be allocated between City and Agency in a manner that is consistent with the list of Redevelopment Eligible Projects, and the Agency funded operating costs shall not exceed the percentage of the overall SNI capital budget dedicated to Redevelopment Eligible Projects .

b. The terms of the transfer of funds to the City for SNI projects and programs shall be as specified in the annual Merged Area Cooperation Agreement and the Cooperation Agreement for Operating Expenses.

4. This Agreement may be terminated by either party, effective on the first day of any calendar month during the term hereof upon at least thirty (30) days written notice of such termination.

5. This Agreement may, at any time, be amended in writing by the mutual consent of the parties.

WITNESS the execution hereof the day and year first hereinabove set forth.

APPROVED AS TO FORM:

\_\_\_\_\_  
Chief Deputy General Counsel

REDEVELOPMENT AGENCY  
OF THE CITY OF SAN JOSE

By: \_\_\_\_\_  
Harry S. Mavrogenes  
Interim Executive Director

APPROVED AS TO FORM:

\_\_\_\_\_  
Senior Deputy City Attorney

CITY OF SAN JOSE

By: \_\_\_\_\_  
Del Borgsdorf  
City Manager

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