

County of Santa Clara

Office of the County Executive

County Government Center, East Wing
70 West Hedding Street
San Jose, California 95110
(408) 299-5105



August 15, 2006

TO: Board of Supervisors
San Jose City Council
Pete Kutras, County Executive
Les White, City Manager

FROM: Gary A. Graves *GAG*
Chief Deputy County Executive

SUBJECT: TRANSMITTAL DESCRIBING THE ALLOCATION OF
DELEGATED FUNDS

In your packets is the original transmittal approved by the Board on December 4, 2004 allocating the delegated funds received by the County from San Jose. In total, the County received \$56,564,541 in delegated funds. These funds have been allocated to the following projects:

- Health Center at Tully (formerly known as Franklin-McKinley Health Clinic)
- VMC Specialty Center
- Charcot Building (Probation Building) acquisition
- Charcot Building (Probation Building) improvements

At this point in time, the Health Center at Tully and the Charcot Building acquisition have been completed. In the case of the VMC Specialty Center, the project has progressed to the point where the delegated funds have been expended with the exception of \$3.5 million. A specific expenditure has been committed to, but will not take place until the summer of FY 2007. There are some minor items remaining on the Charcot Building improvements, totaling \$154,172. As a result, we are reporting that 94% of the delegated funds received from the San Jose Redevelopment Agency have been spent on eligible projects, and the remaining 6% is committed to those eligible projects.

County of Santa Clara
Finance Agency
Controller–Treasurer Department



F03 120704

Reviewed by: David G. Elledge
Controller–Treasurer
Larry Jinkins
Director of Facilities and
Fleet Department

DATE: December 7, 2004

TO: Board of Supervisors

FROM:

A handwritten signature in black ink, appearing to read "Gary Graves".

Gary A. Graves
Chief Deputy County Executive

A handwritten signature in black ink, appearing to read "John V. Guthrie".

John V. Guthrie
Finance Agency Director

SUBJECT: Allocation/Reallocation of RDA Delegated Funds to Capital Projects

Meeting Date December 7, 2004

Processor name Sanjay Moorjaney

Item Number 50

RECOMMENDED ACTION

Consider the recommendations to allocate/reallocate the City of San Jose Redevelopment Agency's (RDA) delegated funds to capital programs managed by the Facilities and Fleet Department. The County Administration (the Administration) seeks the Board's approval on the following budget actions which are included in the Request for Appropriation Modification No. 069:

Possible action:

1. Approve transfer of \$16,764,541 RDA delegated funds to the General Capital Improvement Fund; \$10,437,063 will come from the General Fund designated fund balance, and the remaining \$6,327,478 will be transferred from the RDA Delegated Pass-through Fund (Fund 1623). (Roll Call Vote – 4/5 Approval Required)
2. Approve to allocate \$16,764,541 in RDA delegated funds (Budget Action 1 above) in the General Capital Improvement Fund to these capital projects: Franklin McKinley Health Center (263–C000019) project will receive \$5,352,865, and the VMC Specialty Center (263–C000040) project will receive \$11,411,676 of the delegated funds. This allocation of delegated funds will release \$16,764,541 in County funds from these projects, and will make those funds available for the Administration's proposals outlined in the Budget Actions 3 through 5 below. (Roll Call Vote – 4/5 Approval Required)
3. Approve a transfer of \$4,169,362 from the General Capital Improvement Fund to the Affordable Housing Special Revenue Fund (Fund 0196) for housing programs in accordance with the Board's policy. (Roll Call Vote – 4/5 Approval Required)
4. Approve appropriations of \$8,449,000 in the General Capital Improvement Fund to repay the Retiree Health Fund Loan for the VMC Specialty Center (263–C000040) Project. (Roll Call Vote – 4/5 Approval Required)

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5. Approve an operating transfer of \$4,082,010 from the General Capital Improvement Fund to the General Fund contingency reserves. (Roll Call Vote – 4/5 Approval Required)
6. Approve appropriations of \$64,169 in the General Capital Improvement Fund to repay the Retiree Health Fund Loan for the Charcot Center– Probation Building Acquisition (263–C011012) Project. (Roll Call Vote – 4/5 Approval Required)
7. Approve appropriations of \$4,169,362 for various affordable housing programs in the Affordable Housing Special Revenue Fund (Fund 0196). This budget action appropriates funds received by the Office of Affordable Housing in the Budget Action 3 above. (Roll Call Vote – 4/5 Approval Required)
8. Approve to reallocate \$1,439,949 of the delegated funds from the Charcot Center– Probation Building Improvements (263–CP05004) to the Franklin McKinley Health Center (263–C000019); and then to reallocate the same amount in the County funds from the Franklin McKinley Health Center to the Charcot Center– Probation Building Improvements Project. This Budget Action will change the funding composition without changing the total funding for each project. Roll Call Vote – 4/5 Approval Required)
9. Approve to reallocate \$64,169 of the delegated funds from the Charcot Center– Probation Building Improvements (263–CP05004) Project to the Charcot Center– Probation Building Acquisition (263–C011012) Project; and then to reallocate the same amount in County funds from the Charcot Building acquisition costs to pay the building improvements. This Budget Action will change the funding composition without changing the total funding for each project. (Roll Call Vote – 4/5 Approval Required)
10. Approve transfer of \$554,448 from the General Fund to the RDA Delegated Pass-through Fund (Fund 1623) of interest earnings on the delegated funds when those funds were housed in the General Fund. (Roll Call Vote – 4/5 Approval Required).

Meeting Date: December 7, 2004
 Processor name: Sanjay Moorjaney

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11. Determine that the payments for land and improvements are of benefit to the project area or the immediate neighborhood in which the project is located, that no other reasonable means of financing is available to the community and that the payment for land and improvements will assist in the elimination of one or more blighting conditions inside the project area or provide housing for low – or moderate – income persons, and is consistent with the implementation plan

FISCAL IMPLICATIONS

The proposed actions have the following fiscal implications:

1. Transfer \$16,764,541 of the delegated funds to the General Capital Improvement Fund for certain qualified capital programs. These delegated funds will replace the County funds that were earlier allocated to those projects. Thus \$16,764,541 of County (discretionary) funds will be available in the General Capital Improvement Fund for which the Administration proposes the following uses:
 - ◆ \$4,169,362 will be allocated for the affordable housing programs pursuant to the Board's policy;
 - ◆ \$8,449,000 will repay the Retiree Health Fund Loan for the VMC Specialty Center project;
 - ◆ \$64,169 will repay the Retiree Health Fund Loan for the Charcot Center – Probation Building Acquisition project;
 - ◆ \$4,082,010 will be transferred to the General Fund contingency reserves.
2. The Facilities and Fleet Department will reallocate \$1,439,949 of the delegated funds from the Charcot Center (Probation) building improvements to the Franklin McKinley Health Center project. The County funds of \$1,439,949 will then be reallocated from the Franklin McKinley Health Center back to the Charcot Center (Probation) building improvements. This will change the funding composition without affecting the total funding in each project.
3. The Facilities and Fleet Department will reallocate \$64,169 of the delegated funds set aside for the Charcot Center (Probation) building improvements towards the acquisition cost of the same building. The Department will then reallocate the \$64,169 of the County funds to pay for improvements on the same building.

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4. The General Fund will transfer \$554,448 to the RDA Delegated Pass-through Fund for interest earned on delegated funds when those funds were housed in the General Fund.

REASONS FOR RECOMMENDATION

Over the past four years, Santa Clara County has received \$56.6 million in delegated payments from the City of San Jose's Redevelopment Agency to be spent on eligible capital projects as defined by Redevelopment law. The County has already allocated \$39.8 million of these delegated funds to certain RDA qualified capital projects. The Administration plans to allocate the remaining \$16.8 million delegated funds to the RDA qualified capital projects. When these delegated funds are allocated, \$16.8 million of the County funds will become available from those projects.

The Administration plans to optimize the delegated funds and to minimize any potential arbitrage rebate on unspent delegated funds. This can be effectively accomplished by shifting the allocation of delegated funds from the slow moving or relatively long-term projects to those RDA qualified projects where expenditures already exceed the allotted amount of delegated funds. The County (discretionary) funds available in projects which will receive additional allocation of delegated funds will fill the gap in projects where the delegated funds will be transferred from.

Finally, interest earned (\$554,448) while the delegated funds were recorded in the General Fund will have to be transferred to the RDA Delegated Pass-through Fund.

Franklin McKinley Health Center

The County has already incurred \$19,592,814 on this project. The Administration allocated \$12.8 million of the delegated funds to this project in FY 2003. An additional \$6,792,814 allocation from the delegated funds is proposed to match the costs incurred by the County. This additional allocation comes from two sources:

- a. \$5,352,865 will come from the unallocated RDA delegated funds. The same amount of the County funds will become available for other use in the General Capital Improvement Fund.

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- b. \$1,439,949 in the delegated funds will be reallocated from the Charcot Center (Probation Department) building improvements. The same amount in the County funds will be reallocated from the Franklin McKinley Health Center to the Charcot Center (Probation Department) building improvements project.

VMC Speciality Center

The project has incurred costs of \$11,411,676. The Administration proposes to allocate delegated funds to match the costs incurred. The same amount of County funds will become available in the General Capital Improvement Fund for other use.

Charcot Center (Probation Department) Building Improvements Project

In September 2004, the Board allocated \$10,090,000 for improvements on the new building for the Probation Department. The proposed action will reduce the delegated fund allocation for this project to \$8,585,882 by reallocating \$1,504,118 to the following projects:

- a. \$1,439,949 to the Franklin McKinley Health Center Project; and
- b. \$64,169 to pay certain acquisition costs for the Charcot Center (Probation Department) building.

This shortfall of \$1,504,118 will be covered by reallocating the same amount in the County funds from these two projects back to the Charcot Center (Probation) building improvements. In the end, all these projects will break—even because the amount of RDA delegated funds transferred from one project to the other will be replace by the same amount in County funds from the project receiving additional RDA delegated funding.

BACKGROUND

In May of 2001, the City of San Jose Redevelopment Agency (RDA) and the County of Santa Clara (County) entered into an agreement that provided the County with two types of payments. The first type of payment is known as pass through revenues. These revenues are fully discretionary and are based on changes in the assessed value of the redevelopment areas. The other type of revenue is known as delegated payments and these are based on proceeds of redevelopment bond issues and must be spent consistent with redevelopment law.

Over the past four years, the County has received the following RDA delegated fund payments consistent with the 2001 agreement:

FY 2001	\$ 7,951,202
FY 2002	\$15,285,861
FY 2003	\$18,887,995
FY 2004	\$14,439,483
Total	– \$56,564,541

The action proposed by the Administration will result in the following allocation of delegated funds:

<u>Capital Projects</u>	<u>Amount</u>
Franklin McKinley Health Center (263–C000019)	\$19,592,814
VMC Specialty Center (263–C000040)	\$11,411,676
Charcot (Probation) Building Acquisition (263–C011012)	\$16,974,169
Charcot (Probation) Building Improvements (263–CP05004)	\$ 8,585,882
Total Allocation	\$56,564,541

Required Legislative Findings

Redevelopment law requires a public hearing and certain Board determinations prior to the use of redevelopment funds for the acquisition of publicly owned buildings. The first required finding is that the buildings and improvements are of benefit to the project area or immediate neighborhood where the project is located. All 3 of the publicly owned buildings that RDA funds will be used for are within or directly adjacent to a redevelopment areas adopted by the City of San Jose. The availability of health or probation services which will be provided by the County at these buildings provide obvious benefits to the residents of the project areas and those in the adjacent neighborhoods.

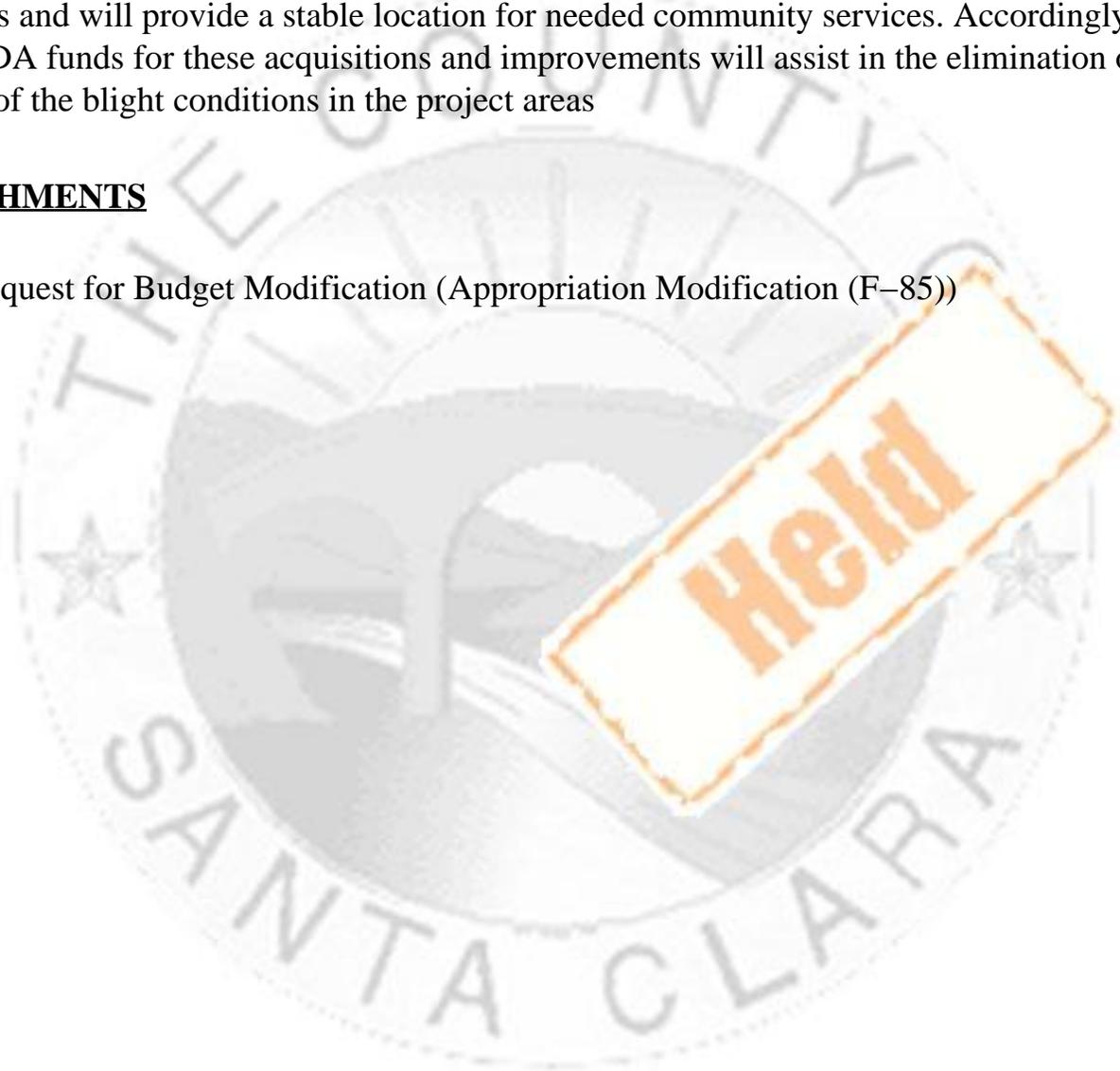
Second, the Board must determine that there are no other reasonable means of financing the public improvements. The County is facing a \$127 million budget deficit in fiscal year 2006 and has no funds or reasonable prospect of funds for the acquisition and improvement of the Franklin McKinley, VMC Speciality Center and Charcot buildings other than the RDA funds.

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Finally, the Board must determine that the RDA funds contribution to the public buildings will assist in the elimination of the project area's blight conditions. The project areas were adopted with San Jose City Council findings of "blight", including age and obsolescence, improper utilization, and economic disuse. Use of RDA funds to purchase and improve the Franklin McKinley, VMC Speciality Center and Charcot buildings and their use to provide health and probation services will prevent deterioration and improper utilization of the structures and will provide a stable location for needed community services. Accordingly, use of the RDA funds for these acquisitions and improvements will assist in the elimination of one or more of the blight conditions in the project areas

ATTACHMENTS

- Request for Budget Modification (Appropriation Modification (F-85))



Meeting Date December 7, 2004

Processor name Sanjay Moorjaney

Item Number 50

COUNTY OF SANTA CLARA
REQUEST FOR BUDGET MODIFICATION
FISCAL YEAR = 2005

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For
Controller's
Office Use
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Agency/Department Name:							Fund Center (Budget Unit):	
Line #	Description	Fund	Superior Fd Cntr	Cost Center	G. L. Account	Project Definition/ Employee Class	Amount (in Dollars)	
							Revenue	Expenditure
1	SJ RDA OP TR OUT-CAP PROJ	0001	0263	2515	5610100			10,437,063.00
2	SJ RDA TO FUND 0050	1623			5800100			6,327,478.00
3	SJ RDA OP TR IN (0001)	0050	0263	2516	4920100		10,437,063.00	
4	SJ RDA OP TR IN (1623)	0050	0263	2516	4980270		6,327,478.00	
5	SJ RDA RECEIVED (FMC) (0001)	0050	0263	2516	5530200	263-C000019-BUDGET		5,352,865.00
6	SJ RDA RECEIVED (VSC) (1623)	0050	0263	2516	5530200	263-C000040-BUDGET		11,411,676.00
7	REPLACE CTY DISCRETIONARY (FMC)	0050	0263	2516	5530200	263-C000019-BUDGET		(5,352,865.00)
8	REPLACE CTY DISCRETIONARY (VSC)	0050	0263	2516	5530200	263-C000040-BUDGET		(11,411,676.00)
9	OP TR OUT 30% AHP 0196	0050	0263	2516	5610100			4,169,362.00
10	SJ RDA OP TR IN 30% AHP	0196	0168	1170	4920100		4,169,362.00	
11	GRANT CONTRACT PAYMENTS	0196	0168	1170	5255455			4,169,362.00
12	REPAY RETIREE HEALTH	0050	0263	2516	5620600			8,513,169.00
13	OP TF OT GEN FUND (CONT RES)	0050	0263	2516	5610100			4,082,010.00
14	OP TF IN (FND 0050) CONT RES	0001	0910	1010	4920100		4,082,010.00	
15	CONTINGENCY RESERVES	0001	0910	1010	5701000			4,082,010.00
16	Transfer from trust fund (Fund # 1623)							(6,327,478.00)
17	Transfer from fund balance (Fund # 0001)							(10,437,063.00)
18	Others - Describe:							
19								
20	Total forwarded from other pages (Page 2 to 2)							
TOTAL							25,015,913.00	25,015,913.00

REASON FOR REQUEST: (Require to check one and indicate a brief description)

Recognize new expenditure/revenue (ongoing)

Recognize new expenditure/revenue (one-time)

Re-appropriate prior year unspent expenditures (one-time)

Others

Brief Description: Allocate San Jose RDA Delegated funds to various capital projects. Also reallocate some of the RDA funds from certain projects to other RDA qualified projects to release County funds that will be used to repay Retiree Health loan, transfer to Affordable Housing program and to transfer funds to contingency reserves.

Prepared By: Vinod Sharma *V.Sharma*

Name (print): Vinod Sharma

Telephone: 299-5240

Signature: *Phyllis Park*

Date: 11/30/04

Chief Financial/Dept. Fiscal Officer

Agency/Department Head

APPROPRIATIONS ARE ADEQUATE TO COVER REQUEST

Signature: *J. Sumner* Date: 11/30/04

Deputy County Controller (Controller's Office Use Only)

Signature: *Larry Jordan* Date: 30 Nov 04

Office of Budget and Analysis (OBA)

SAP Document numbers

CO _____

FM _____

PS _____

Entered to SAP by _____

Date entered _____

Approved

Disapproved

Signature: *Wang* Date: 11-30-04

Clerk of the Board

Approved by the Board of Supervisors

Clerk of the Board By: _____ Date: _____

Transmittal # **069**

(Forward original to The Controller-Treasurer Department)

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COUNTY OF SANTA CLARA
REQUEST FOR BUDGET MODIFICATION
FISCAL YEAR 2005

Transmittal # 067

For
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Agency/Department Name:							Fund Center (Budget Unit):		
Line #	Description	Fund	Superior Fd Cntr	Cost Center	G.L. Account	Project Definition/ Employee Class	Amount (in Dollars)		
							Revenue	Expenditure	
1	REALLOCATE RDA CHARCOT IMPROV TO FMC	0050	0263	2516	5530200	263-CP05004-BUDGET		(1,439,949.00)	
2	REALLOCATE RDA CHARCOT IMPROV TO FMC	0050	0263	2516	5530200	263-C000019-BUDGET		1,439,949.00	
3	REALLOC CNTY DISC FMS -CHARCOT IMPROV	0050	0263	2516	5530200	263-C000019-BUDGET		(1,439,949.00)	
4	REALLOC CNTY DISC FMS -CHARCOT IMPROV	0050	0263	2516	5530200	263-CP05004-BUDGET		1,439,949.00	
5	REALLOC RDA CHARCOT IMPRV TO BLDG BUY	0050	0263	2516	5530200	263-CP05004-BUDGET		(64,169.00)	
6	REALLOC RDA CHARCOT IMPRV TO BLDG BUY	0050	0263	2516	5530200	263-C011012-BUDGET		64,169.00	
7	ALLOC CNTY FUNDS CHAR IMPRV-BLDG BUY	0050	0263	2516	5530200	263-CP05004-BUDGET		64,169.00	
8	ALLOC CNTY FUNDS CHAR IMPRV-BLDG BUY	0050	0263	2516	5530200	263-C011012-BUDGET		(64,169.00)	
9	RDA INTEREST REVENUE 0001	0001	0110	2113	4301100		(554,447.76)		
10	RDA INTEREST REVENUE 1623	1623			4980010		554,447.76		
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