



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** RICHARD A. KEIT  
MANAGING DIRECTOR

**SUBJECT:** SUCCESSOR AGENCY  
ADMINISTRATIVE BUDGET

**DATE:** April 6, 2012

Approved 

Date 4/6/12

## RECOMMENDATION

Adopt a resolution by the City Council, acting as the Successor Agency to the Redevelopment Agency of the City of San Jose, approving the proposed February - June 2012 Administrative Budget of the Successor Agency and directing staff to present such Administrative Budget to the Oversight Board for approval.

## OUTCOME

Approval of the proposed Successor Agency Administrative Budget will advance the item to the Oversight Board meeting on April 12, 2012, for the Board's adoption. The adopted budget will be sent to the State Department of Finance to meet AB X1 26 legislation's April 15, 2012, deadline.

## BACKGROUND

Every year the Redevelopment Agency Board would adopt an annual Operating Budget that included administrative items such as personnel and non-personnel costs, rent, supplies and professional contract services. The Annual Operating Budget would also include City Support Services necessary to implement the Agency's projects and activities. In addition to the annual approval of the Operating Budget the Redevelopment Agency Board and City Council would adopt an annual Cooperation Agreement for Operating Expenses detailing the City positions to be funded by the Agency for redevelopment services and the associated costs. The FY 2011-12 Cooperation Agreement was invalidated as of February 1, 2012, by the dissolution legislation (AB X1 26). However, the Successor Agency staff continues to occupy a portion of the 14<sup>th</sup> floor of City Hall, City staff continues to perform services for the Successor Agency, and the Successor Agency has continued to make monthly payments to the City, all as set forth in the Cooperation Agreement.

In addition to an annual Operating Budget, AB X1 26 (Health and Safety Code Section 34177(j)) requires that Successor Agencies prepare an administrative budget for each six-month period and submit it to its Oversight Board for approval. Due to the delay in the Supreme Court's ruling on

AB X1 26, the period for the initial administrative budget is less than six months from February 1, 2012 to June 30, 2012. From July 1, 2012, onward the administrative budget will be presented for approval on a six-month basis.

### **ANALYSIS**

The attached proposed Administrative Budget comprises Successor Agency personnel and non-personal costs (rent, supplies, equipment rental, professional contractual services), and City Support Services for the current fiscal year. Each budget line item has payee name, description of work, source/payment, monthly payment, and a total balance through June 2012. It also shows what percentage of FY 2011-12 tax increment the Administrative Expenses comprises, since the law caps these expenses at 5% of tax increment for this fiscal year. Future years are capped at 3%. As the attachment shows, the Administrative Expenses are well below the cap at 2%.

It should be noted that the City Support Services and City Hall rent line items in the Administrative Budget are payments made pursuant to the now invalid Cooperation Agreement for Operating Expenses. However, since AB X1 26 allows the City to enter into similar agreements with Successor Agencies, staff will be requesting the Oversight Board, at its April 12, 2012 meeting, to approve the Successor Agency entering into a new Cooperation Agreement with the City, identical to the invalidated Cooperation Agreement, to cover these payments through the end of this fiscal year. If approved by the Oversight Board, this new Agreement will be brought back to Council for approval on April 24, 2012.

### **EVALUATION AND FOLLOW-UP**

Successor Agency staff will continue to report back to the City Council and the Successor Agency Board regarding Oversight Board actions that impact the City's budget.

### **PUBLIC OUTREACH/INTEREST**

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This action does not meet the criteria above. Nonetheless, this memorandum will be posted to the Agenda website for Council's April 10, 2012 meeting.

**COORDINATION**

This item was coordinated with the City Attorney's office.

**CEQA**

Exempt, File No. PP12-008.



Richard A. Keit  
Managing Director  
Successor Agency

For questions, please contact Jennifer Chen, Development Officer, at (408) 795-1847.

Attachment: Proposed SARA Administrative Budget February – June 2012

**SARA Administrative Budget**  
February - June 2012

Administration of Operation	Payee	Description of Work	Source/Payment	FEBRUARY	MARCH	APRIL	MAY	JUNE	Total
			34177 (I)(1)(A-E) [Note A]						
Successor Agency personnel	Personnel Staff	Personnel costs for operations	TI/RDATF/Other Rev	106,180	106,180	116,180	116,180	116,180	560,900
Personnel - unemployment benefits	Former Staff	Ongoing Unemployment benefits of former staff	TI/RDATF/Other Rev		100,000			100,000	200,000
Successor Agency employee benefit plan	EFLEXGROUP, Inc.	Third Party Benefit Provider	TI/RDATF/Other Rev	152	152	152	152	152	762
Successor Agency operations	Best, Best & Krieger LLP	Legal Services on an as-needed basis	TI/RDATF/Other Rev	2,658	2,658	2,658	2,658	2,658	13,290
Successor Agency operations	Chang, Ruthenberg & Long PC	Tax Counsel Services on an as-needed basis	TI/RDATF/Other Rev	2,642	2,642	2,642	2,642	2,383	12,951
Successor Agency operations	Jones Hall	Bond Counsel services on an as-needed basis	TI/RDATF/Other Rev	1,547	1,547	1,547	1,547	1,547	7,735
Annual financial audit	Macias, Gini & O'Connell, LLP	Financial Audit Services	TI/RDATF/Other Rev		10,000	8,000	15,000	15,000	48,000
Successor Agency financial system	Systems Management, Inc.	JD Edwards Technical Support Services	TI/RDATF/Other Rev	3,343	3,343	3,343	3,343	3,343	16,716
Employee transition services	Lee Hecht Harrison LLC	Transition employment services for laid off employees.	TI/RDATF/Other Rev	3,000	3,000	3,000			9,000
Successor Agency retirement and deferred compensation plans	Standard Retirement Services, Inc.	Investment administration services	TI/RDATF/Other Rev					2,500	2,500
Successor Agency retirement and deferred compensation plans	Stancorp Investment Advisers, Inc.	Investment services	TI/RDATF/Other Rev					15,000	15,000
Successor Agency operations	AT&T Mobility	Monthly service for cell phone usage for designated Successor Agency employees.	TI/RDATF/Other Rev	223	223	223	223	223	1,115
Successor Agency operations	ADP, Inc.	Services associated with the processing of the Successor Agency payroll.	TI/RDATF/Other Rev	250	250	250	250	250	1,250
Successor Agency operations	Value Business Products	Office supplies/equipment on an as-needed basis.	TI/RDATF/Other Rev	500	500	500	500	500	2,500
Successor Agency operations	CDW-Government, Inc.	Computer and printer supplies on an as-needed basis.	TI/RDATF/Other Rev	500	500	500	500	500	2,500
Successor Agency operations	Urban Analytics, LLC	Fiscal consultant services including analysis of tax increment data.	TI/RDATF/Other Rev					8,925	8,925

