



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Richard A. Keit  
Managing Director

**SUBJECT: SUCCESSOR AGENCY  
JULY-DECEMBER 2012  
ADMINISTRATIVE BUDGET**

**DATE:** April 23, 2012

Approved

Date

4/26/12

**COUNCIL DISTRICT:** City-Wide

## **RECOMMENDATION**

Adopt resolutions:

1. By the City Council, acting in its capacity as the Successor Agency of the Redevelopment Agency of the City of San Jose, approving the Administrative Budget for July-December 2012 and directing staff to present it to the Oversight Board for approval.
2. By the City Council approving the July-December 2012 Administrative Budget.

## **OUTCOME**

Approval of the proposed Successor Agency Administrative Budget will advance the item to the Oversight Board meeting on May 3, 2012.

## **BACKGROUND**

The Administrative Budget provides information on personnel, non-personnel costs, and City support services needed for the operations of the Successor Agency.

## **ANALYSIS**

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. From July 1, 2012, onward the administrative budget will be presented for approval to City Council and Oversight Board on a six-month basis.

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Attachment A is the proposed six-month Administrative Budget from July – December 2012. The 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 line item has payee name, description of work, source/payment, monthly payment, and a total balance through December 2012. The proposed six-month Administrative Budget is \$1,211,702 from July 1, 2012 – December 31, 2012.

The source of funding for these services is intended to be the Redevelopment Property Tax Trust Fund, formerly tax increment dollars. However, due to insufficient tax increment revenue in 2012-2013 to cover all the obligations of the former Redevelopment Agency, it is recommended that the City's General Fund provide support to the Successor Agency in a total amount of \$1,211,702 for the six-month Administrative Budget. With approval and direction of the Oversight Board, the City and Successor Agency will enter into a Reimbursement Agreement, anticipated to be considered by the Oversight Board before July 1, 2012, that would ensure reimbursement to the City of all financial support once sufficient funding remains in the priority of obligations.

The former Redevelopment Agency Board approved a \$3,100,000 operating budget for Fiscal Year 2011 - 2012. With the dissolution of the Agency on February 1, 2012, the Council approved a five-month (February 2012 – June 2012) Administrative budget on April 10, 2012. The annualized Administrative Budget for FY 2011 – 2012 was reduced to \$2,900,000. Staff has been reducing costs and closing contracts with each Administrative Budget. In fact, during the first ten months of the current fiscal year, staff has liquidated \$842,000 in contracts. In order to minimize the impact to the General Fund the current 2012-2013 Proposed Budget has been significantly reduced.

Although the action before the Council is approval of a six-month Administrative Budget, staff has provided Attachment B, a 12 month forecast. The FY 2012 - 2013 Forecast Budget is \$2,169,116. This is a reduction of \$800,000 from the current fiscal year. Attachment B provides information on the current proposed six-month budget, a forecast budget for the next six months, January 2013 to June 2013, and an annualized forecast for the entire fiscal year. The proposed July 2012 – December 2012 six month budget is greater than the proposed forecast for January 2013 – June 2013. The lower amount from January to June is due to anticipated reductions in personnel and non-personnel services. City support services remain at the same level throughout the 2012 -2013 fiscal year.

While the Administrative Budget has been reduced, it is anticipated that the amount of work needed to be done by the Successor Agency staff in FY 2012 - 2013 will be equal or greater than the current fiscal year. Staff believes another reduction in administrative budgets will occur as early as FY 2013 - 2014 as the workload decreases and the dissolution process stabilizes.

With the limited staff of the Successor Agency, the City continues to play a pivotal role in providing support service to the Successor Agency above and beyond the legal services, services from the City Clerk's Office, and rent at City Hall as outlined in this administrative budget. Departments such as Finance, Housing, Transportation, Information Technology, the City

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Manager's Office, the Office of Economic Development as well as the Mayor and City Council in their capacity as the Successor Agency Governing Board all contribute to the multi-departmental transition efforts to wind-down the business of the former Agency. It should be noted that funding for City Support Services is less than one hundred percent of what is being provided. In order to recoup costs associated with the staff time and resources being dedicated to these efforts, the City Administration intends to assess dedicated resources on a semi-annual basis and provide invoices associated with City Services and associated overhead (including overhead assessed on legal services and the City Clerk's Office) to the Successor Agency every six months based on annual budgeted levels for tracking and documentation purposes. For this six month period, services provided are estimated at \$234,000.

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

Successor Agency staff will continue to return to the City Council and the Successor Agency Board regarding Oversight Board actions that impact the City's budget. The Administrative Budget will be brought forward every six months consistent with the requirements in the legislation.

### **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 memorandum will be posted to the City's website with the May 1, 2012 Council agenda.

### **COORDINATION**

This item was coordinated with the City Attorney's Office and the City Manager's Budget Office.

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**CEQA**

Exempt, File No. PP12-008.



RICHARD A. KEIT  
Managing Director  
Successor Agency

For questions, please contact Abe Andrade, Chief Fiscal Officer at (408) 795-1821 or Jennifer Chen, Development Officer, at (408) 795-1847.

Attachment A: Proposed SARA Administrative Budget July 1, 2012 - December 31, 2012

Attachment B: SARA Forecast Administrative Budget FY 2012-2013

Administration of Operation	Payee	Description of Work	Source/Payment	July	August	September	October	November	December	Total
			34177 (J)(A-E)							
Successor Agency personnel	Personnel Staff	Personnel costs for operations	City of San Jose General Fund Transfer	98,260	98,260	98,260	98,260	147,390	98,260	638,690
SJRA - unemployment benefits	EDD	Ongoing Unemployment benefits of former staff	CSJ General Fund Transfer	30,000			30,000			60,000
Successor Agency operations	Value Business Products	Office supplies/equipment on an as-needed basis	CSJ General Fund Transfer	400	400	400	400	400	400	2,400
Successor Agency operations	AT&T Mobility	Monthly cell phone usage - SARA employees	CSJ General Fund Transfer	220	220	220	220	220	200	1,300
Successor Agency operations	City of San José	SARA phone bill	CSJ General Fund Transfer	200	200	200	200	200	200	1,200
Successor Agency operations	Pitney Bowes Global Financial	Lease of postage meter machine	CSJ General Fund Transfer	1,146			1,146		100	2,392
Successor Agency operations	Ricoh	Monthly lease and usage of copiers	CSJ General Fund Transfer	700	700	700	700	700	700	4,200
Successor Agency operations	Misc Vendors	Travel, training, and meeting expense	CSJ General Fund Transfer	125	125	125	125	125	125	750
Successor Agency operations	CDW-Government, Inc.	Computer/printer supplies on an as-needed basis	CSJ General Fund Transfer	500		500		500		1,500
Successor Agency financial system	Systems Management, Inc.	JD Edwards Technical Support Services*	CSJ General Fund Transfer	1,800	1,800	1,800	1,800	1,800	2,000	11,000
Successor Agency operations	Chang, Ruthenberg & Long PC	Legal Services - Employee Benefits*	CSJ General Fund Transfer	1,000	1,000	1,000	1,000	1,000	1,000	6,000
Successor Agency Annual financial audit	TBD - Outside Counsel	Oversight Board legal services*	CSJ General Fund Transfer	2,750	2,750	2,750	2,750	2,750	2,750	16,500
Successor Agency employee benefit plan	Macias, Gini & O'Connell, LLP	Financial Audit Services	CSJ General Fund Transfer	8,350	12,525	16,700	16,700	29,225		83,500
Successor Agency employee benefit plan	EFLEXGROUP, Inc.	Flexible spending account administration-employee benefit	CSJ General Fund Transfer	50	50	50	50	50	50	300
Successor Agency employee benefit plan	CONCERN	Employee assistance program (1 x annual)	CSJ General Fund Transfer	3,800						3,800
Successor Agency operations	ADP, Inc.	Services associated with SARA payroll processing	CSJ General Fund Transfer	670	670	670	670	670	670	4,020
Successor Agency retirement plans	Standard Retirement Services, Inc.	Investment administration services	CSJ General Fund Transfer	1,000			1,000			2,000
Successor Agency retirement plans	Stancorp Investment Advisers, Inc.	Investment services	CSJ General Fund Transfer	4,000			4,000			8,000
Successor Agency employee benefit plan	Lee Hecht Harrison LLC	Transition Employment Services*	CSJ General Fund Transfer						2,000	2,000
Successor Agency operations	Oracle America, Inc.	JD Edwards Financial Software Update License & Support	CSJ General Fund Transfer	8,900				8,900		17,800
Successor Agency operations	Progent Corporation	Information technology network system assessment in connection with IT environment *	CSJ General Fund Transfer						2,500	2,500
City Support Services	City of San José	Legal Services, City Clerk	CSJ General Fund Transfer	48,642	48,642	48,642	48,642	48,642	48,642	291,850
City Hall Lease	City of San José	Leased space-14th Floor Tower	CSJ General Fund Transfer	8,333	8,333	8,333	8,333	8,333	8,335	50,000
<b>ADMINISTRATION BUDGET JULY - DECEMBER 2012</b>				<b>211,946</b>	<b>184,575</b>	<b>180,350</b>	<b>215,996</b>	<b>250,905</b>	<b>167,930</b>	<b>1,211,702</b>
* Contracted services on an as-needed basis										

SUCCESSOR AGENCY TO THE REDEVELOPMENT OF THE CITY OF SAN JOSE  
Forecast Administrative FY 2012-2013 Budget

	<u>Proposed July - Dec.'12</u>	<u>Forecast Jan. - Jun.'13</u>	<u>Forecast FY12-13 Budget</u>
Personnel Services	698,690	531,168	1,229,858
Non Personnel	171,162	84,396	255,558
City Support Services	<u>341,850</u>	<u>341,850</u>	<u>683,700</u>
TOTAL	1,211,702	957,414	2,169,116