

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Gloria Schmanek

**SUBJECT:** Early Council Packet

**DATE:** October 2, 2012

Approved



Date

10/2/12

**EARLY DISTRIBUTION COUNCIL PACKET FOR**  
**OCTOBER 16, 2012**

Please find attached the Early Distribution Council Packet for the October 16, 2012 Council Meeting.

**3.3 2011- 2012 City Manager's Annual Report.**

**Recommendation:**

- (a) Accept the 2011-2012 City Manager's Annual Report of the Finances of the City of San José in compliance with City Charter Section 701 (F).
- (b) Adopt Appropriation Ordinance and Funding Sources Resolution amendments in various operating and capital funds to implement the 2011-2012 Annual Report recommendations, including appropriate technical adjustments, as detailed in Section IV (Recommended Budget Adjustments and Clean-Up Actions).
- (c) Approve an amendment to Resolution No. 76128 to change the name of the fund from Affordable Housing Investment Fund to the Low and Moderate Income Housing Asset Fund, pursuant to Health and Safety Code Section 34176(d).
- (d) Approve the elimination of 1.0 Recreation Specialist position in the Parks, Recreation and Neighborhood Services Department, as detailed in Section IV (Recommended Budget Adjustments and Clean-Up Actions).

CEQA: Not a Project, File No. PP10-069(a), Annual Reports. (City Manager's Office)  
**DISTRIBUTED SEPARATELY ON SEPTEMBER 28, 2012**

**3.x Amendments to the Staffing Configuration for Fire Management Classifications, City Pay Plan and Membership in the Federated Retirement System for Fire and Police Management Classifications and Related Appropriation Adjustments**

**Recommendation:**

- (a) Authorize the elimination of three vacant Fire Battalion Chief positions and the addition of three Fire Division Chief positions once promotional appointments have been made and vacancies become available.

- (b) Eliminate the stand-by pay practice for the Assistant Fire Chief and Deputy Fire Chief classifications and the previous stand-by pay practice for the Fire Division Chief classification.
- (c) Amend the City of San José City Pay Plan effective November 1, 2012 to make the following pay range adjustments:
  - (1) Increase the pay range for Assistant Fire Chief from \$104,609.77 to 163,065.82 to \$114,024.65 to \$177,741.74;
  - (2) Increase the pay range for Deputy Fire Chief from \$97,260.32 to 151,502.43 to \$106,013.75 to \$165,137.64;
  - (3) Increase the top range for Fire Division Chief from \$124,074.94 to \$153,852.93; and,
  - (4) Increase the pay range for Assistant Police Chief from \$104,609.77 to 163,065.82 to \$117,685.93 to 183,448.95.
- (d) Adopt the following 2012-2013 appropriation ordinance amendments in the General Fund:
  - (1) Increase in the amount of \$66,000 in the Fire Department Personal Services appropriation; and
  - (2) Decrease in the amount of \$66,000 in the Fire Department Non-Personal/Equipment appropriation.
- (e) Direct the City Attorney to evaluate and prepare an amendment to Part 2 of Chapter 3.36 of Title 3 of the San José Municipal Code to exclude from membership in the Police and Fire Department Retirement Plan an Assistant Fire Chief, Deputy Fire Chief, Fire Division Chief, or Assistant Police Chief who has no prior service credit applicable to that plan.

CEQA: Not a Project, File No. PP10-068(b), Municipal Code, Title 3 and File No. PP10-067 (b), Appropriation Ordinance. (City Manager's Office)

**9.x Recognized Obligation Payment Schedules.**

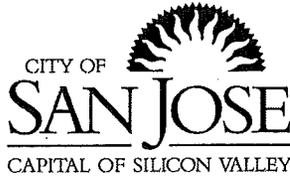
**Recommendation:** Adopt resolutions by the City Council acting in its capacity as the Successor Agency to the Redevelopment Agency Board authorizing expenditure of items on:

- (a) The Recognized Obligation Payment Schedule for July 1 - December 31, 2012 (ROPS 2); and
- (b) The Recognized Obligation Payment Schedule for January 1 – June 30, 2013 (ROPS 3).

These items will also be included in the Council Agenda Packet with item numbers.

  
GLORIA SCHMANEK  
Agenda Services Manager





# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Debra Figone

**SUBJECT:** SEE BELOW

**DATE:** October 1, 2012

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**SUBJECT: AMENDMENTS TO THE STAFFING CONFIGURATION FOR FIRE MANAGEMENT CLASSIFICATIONS, CITY PAY PLAN AND MEMBERSHIP IN THE FEDERATED RETIREMENT SYSTEM FOR FIRE AND POLICE MANAGEMENT CLASSIFICATIONS, AND RELATED APPROPRIATION ADJUSTMENTS**

## **RECOMMENDATION**

It is recommended that the City Council:

1. Authorize the elimination of three vacant Fire Battalion Chief positions and the addition of three Fire Division Chief positions once promotional appointments have been made and vacancies become available.
2. Eliminate the stand-by pay practice for the Assistant Fire Chief and Deputy Fire Chief classifications and the previous stand-by pay practice for the Fire Division Chief classification.
3. Amend the City of San Jose City Pay Plan effective November 1, 2012 to make the following pay range adjustments:
  - a. Increase the pay range for Assistant Fire Chief from \$104,609.77 to 163,065.82 to \$114,024.65 to \$177,741.74;
  - b. Increase the pay range for Deputy Fire Chief from \$97,260.32 to 151,502.43 to \$106,013.75 to \$165,137.64;
  - c. Increase the top range for Fire Division Chief from \$124,074.94 to \$153,852.93; and,
  - d. Increase the pay range for Assistant Police Chief from \$104,609.77 to 163,065.82 to \$117,685.93 to 183,448.95.
4. Adopt the following 2012-2013 appropriation ordinance amendments in the General Fund:
  - a. Increase in the amount of \$66,000 in the Fire Department Personal Services appropriation; and
  - b. Decrease in the amount of \$66,000 in the Fire Department Non-Personal/Equipment appropriation.

5. Direct the City Attorney to evaluate and prepare an amendment to Part 2 of Chapter 3.36 of Title 3 of the San Jose Municipal Code to exclude from membership in the Police and Fire Department Retirement Plan an Assistant Fire Chief, Deputy Fire Chief, Fire Division Chief, or Assistant Police Chief who has no prior service credit applicable to that plan.

### **OUTCOME**

Approval of these recommendations will improve departmental operations by establishing a sustainable management structure and span-of-control for the Bureau of Field Operations and adjusting the pay range for certain Fire Department Management classifications commensurate with reporting relationships, responsibilities, and performance expectations. The Assistant Police Chief recommendation will similarly adjust the compensation range for this classification consistent with prior Council direction.

### **BACKGROUND**

Currently, there are three Deputy Fire Chief positions in the Fire Department overseeing three sections: the Bureau of Field Operations, the Bureau of Fire Prevention, and the Emergency Medical Service and Training. The Deputy Fire Chief position overseeing the Bureau of Field Operations directs the work of 18 Battalion Chiefs (five Battalion Chiefs per each of three shifts as well as three administrative Battalion Chiefs). This unusually high span of control has made it difficult for the Fire Department to effectively manage the Bureau of Field Operations staff of 613 sworn positions or 95% of all sworn Fire positions in the Department. Due to the high management demand on one Deputy Fire Chief, operational decision making has been impacted which has resulted in inconsistencies in the interpretation and execution of departmental policies, guidelines, and procedures across battalions and shifts; delayed responses to battalion personnel; and inconsistent implementation of new initiatives among sworn personnel. This high management demand has been exacerbated due to the significant number of recently promoted Battalion Chiefs (14 out of 21 Battalion Chief positions have been filled since March 2011), who require additional guidance in their new job responsibilities.

Currently, compensation compaction exists between Battalion Chief and Deputy Fire Chief positions, which creates a disincentive to employees for advancement. Additionally, the rate of pay for Assistant Fire Chief and Deputy Fire Chief is internally inconsistent relative to their level and scope of authority, performance expectations of the positions, and responsibilities within the Department and City organization. The current base pay differential between a Battalion Chief and Deputy Fire Chief at the top pay step is approximately seven percent. However, per the existing Memorandum of Agreement between the City and the International Association of Firefighters (IAFF), Local 230, Battalion Chief positions are eligible to earn overtime, which creates a salary compaction issue. Within a fiscal year, any Battalion Chief who works six 24-hour overtime shifts will be paid about the same salary as a Deputy Fire Chief.

Mayor and City Council

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**Subject: Amendments to the Staffing Configuration for Fire Management Classifications, City Pay Plan and Membership in the Federated Retirement System for Fire and Police Management Classifications, and related Appropriation Adjustments**

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Standby-in-lieu was established in 1987 to compensate Deputy Chiefs for standby duty at a rate of two hours per weekday and three hours per weekend day in the form of compensatory time off. This is pay for being available to respond to emergencies on weekends and during non-business hours. Through Manager's Budget Addendum #42 (MBA 42) in June 2012, the City Council provided the City Manager authority to continue to provide stand-by pay to Deputy Chiefs and to provide this to the Assistant Fire Chief. MBA 42 also authorized the City Manager to roll special pays into base pay if necessary, but did not amend the City Pay Plan.

On June 15, 2010, the City Council approved Ordinance No. 28749 amending Part 2 of Chapter 3.36 of Title 3 of the San José Municipal Code. This added a Section 3.36.205 to exclude from membership in the Police and Fire Retirement Plan a Fire Chief or Police Chief who has no prior service credit in that plan. Aside from this exclusion, Police and Fire retirement provisions require an individual to have ten (10) years of service in the system to vest, and twenty (20) years must have elapsed from time of entry in order to retire. This is not practical and a barrier to opening management positions to qualified candidates outside the City of San José system.

## ANALYSIS

In order to establish a sustainable management structure for the Bureau of Field Operations, it is recommended to update the job specification and fill three Fire Division Chief positions that will report to the Deputy Fire Chief, offset by the elimination of the three administrative Battalion Chief positions once promotional appointments have been made and vacancies are available. The Fire Division Chief classification currently exists and is a Unit 99 position that is in between a Battalion Chief and Deputy Chief. With the establishment of the three Fire Division Chiefs, no service level impacts are expected as Division Chiefs in addition to providing field oversight to a shift will also manage a major operational program for the Department.

Each Fire Division Chief position will be responsible for overseeing one Battalion shift and managing five Battalion Chiefs, as well as for serving as command officer on duty outside of normal business hours. This will effectively reduce the span of control for the Deputy Chief of the Bureau of Field Operations from 1:18 to 1:3, and allow the Deputy Chief to advance strategic priorities for the Bureau, such as performance management, cost containment, and proactive policy development rather than simply addressing day-to-day operations. Filling Fire Division Chief positions will provide command officers responsible for managing city-wide resource coverage and coordination between battalions to maximize the utilization of existing resources. The exposure to these assigned duties and responsibilities will prepare Fire Division Chiefs for future advancement, increasing the potential for a more successful transition and succession to the positions of Deputy Fire Chief. With the addition of the three Fire Division Chief positions, the Department will reduce the span of control to a manageable level and facilitate communication, leadership development, mentoring and support for the newly promoted Battalion Chiefs across all shifts. Operationally, this organizational change will allow the Department to improve decision-making through the consistent application of departmental policies, guidelines, and procedures across battalions and shifts; improve internal

communications; be more responsive to changes in the service delivery environment; ensure an enhanced focus on work place safety; and provide an appropriate level of training of all sworn staff.

Consistent with the City's pay structure, as well as the performance expectations of the Fire Department's management classifications, the following adjustments to the pay ranges of the Fire Division Chief, Deputy Fire Chief, and the Assistant Fire Chief classifications are recommended as outlined in the table below. Although no pay range adjustments are recommended for the Fire Chief and Battalion Chief classifications, these pay ranges are displayed in the table below for comparison.

| <b>Classification</b> | <b>Current Pay Range</b>    | <b>Recommended Pay Range</b> | <b>Percent Change</b> | <b>Top of Range Separation from Direct Reports</b> |
|-----------------------|-----------------------------|------------------------------|-----------------------|--|
| Fire Chief            | \$127,417.01 – 199,153.99   | No change                    | N/A                   | 12.05%   |
| Assistant Fire Chief  | \$104,609.77 - \$163,065.82 | \$114,024.65 - \$177,741.74  | 9%*                   | 7.63%  |
| Deputy Fire Chief     | \$97,260.32 - \$151,502.43  | \$106,013.75 - \$165,137.64  | 9%*                   | 7.33%  |
| Fire Division Chief   | \$101,835.27 - \$124,074.94 | \$101,835.27 - \$153,852.93  | 24%**                 | 8.47%  |
| Battalion Chief       | \$116,667.20 - \$141,835.20 | No change                    | N/A                   | N/A  |

\* Actual increase to individuals would be less due to elimination of Standby-in-lieu compensation.

\*\* Adjustment to the top of range has not occurred since 2003.

Both the Deputy Fire Chief and Assistant Fire Chief pay ranges are recommended to increase 9% to allow for the inclusion of the Fire Division Chief positions and to establish a functional salary hierarchy and avoid compaction issues within the current Fire Chief and Battalion Chief ranges. For the Fire Division Chief, the top pay range is recommended to be increased by 24% due to the fact that the pay range has not been adjusted for nine years since the positions last existed in 2003 (Three Fire Division Chief positions were eliminated as part of the balancing plan and approval of the 2003-2004 Adopted Budget). Further, by increasing only the upper range of the Fire Division Chief classification, the lower end of the pay range will be aligned with the lower ranges of the Deputy Fire Chief and Assistant Fire Chief classifications. With these proposed pay range adjustments, the pay differential between the Battalion Chief and the Assistant Fire Chief classifications will be between 7.33% and 8.47% of top step as shown in the table.

It should be noted that the Fire Division Chief, Deputy Fire Chief, and Assistant Fire Chief positions are unrepresented management classifications and do not receive overtime. These positions are eligible to receive the following special pays: Holiday-in-Lieu of 5.623% of base salary; Emergency Medical Technician pay (\$102 per pay period), if certified; Education Incentive Pay (\$35 per pay period), if the employee has earned an Associates Degree or higher from an accredited college or university; and an annual Uniform Allowance of \$495. The recommended actions also eliminate the practice of providing stand-by pay for the Assistant Fire Chief and Deputy Fire Chief classifications and the previous stand-by pay practice for the Fire Division Chief classification. Also, per prior City

Council direction, the City will continue to pursue elimination of overtime for the Battalion Chief classification as part of negotiations with IAFF, Local 230.

As a part of these actions, the classification specification for Fire Division Chief will be updated to reflect the current vision and expectations of the duties and responsibilities of this high level management position. In addition, the minimum qualifications will be revised to ensure that external and internal applicants are eligible to apply. Although the position does not require a college degree, the classification will state that a Bachelors Degree in business administration, management sciences or related fields is highly desirable, as well as advanced coursework or training in leadership, management and/or organizational development.

As noted under Background, through MBA 42 the City Council authorized the City Manager to continue special pays to Police and Fire employees in Unit 99, as well as roll these special pays into base pay if necessary. In the case of the Assistant Police Chief classification, applicable premium pays include, among others, POST pay and Anti-Terrorism Training (ATT) pay. POST Pay is an educational incentive pay awarded to each person who has either an Intermediate Certificate or an Advanced Certificate given by the Commission on Peace Officer Standards and Training of the State of California. Employees are eligible for a 5% premium pay for an Intermediate Certificate or a 7.5% premium pay for an Advanced Certificate. ATT Pay is a 5% premium pay for employees who complete the annual training offered by the Police Department in Police anti-terrorist tactics. For employees represented by the SJPOA, this was rolled into base pay in 2009. The recommended salary range adjustment reflects the rolling of POST and ATT into base pay.

Finally, the recommended actions would facilitate the recruitment of external candidates for the positions of Assistant Fire Chief, Deputy Fire Chief, and Fire Division Chief, as well as Assistant Police Chief. Current vesting rules of the Police and Fire retirement create a disincentive for candidates that are not coming directly from a reciprocal agency to apply for or accept employment with the City of San Jose. Police and Fire retirement provisions require an individual to have ten (10) years of service in the system to vest, and twenty (20) years must have elapsed from time of entry in order to retire. The proposed change would allow an individual who does not have prior service credit with the City of San Jose retirement plan or applicable to the plan through reciprocity to enter the Federated retirement plan, which has for a five (5) year vesting requirement. Individuals who enter the Federated retirement plan would be subject to the same vesting rules, contribution rates and benefits as any other Federated employee.

#### **PUBLIC OUTREACH/INTEREST**

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 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)**

Mayor and City Council

October 1, 2012

**Subject: Amendments to the Staffing Configuration for Fire Management Classifications, City Pay Plan and Membership in the Federated Retirement System for Fire and Police Management Classifications, and related Appropriation Adjustments**

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- Criterion 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)**

Although this item does not meet any of the above criteria, this memorandum will be posted on the City's website for the October 16, 2012 City Council meeting.

### COORDINATION

This action has been coordinated with the City Attorney's Office.

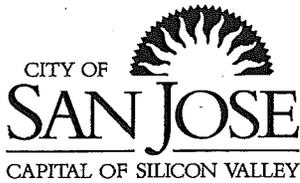
### COST SUMMARY/IMPLICATIONS

The addition of three Fire Division Chief positions is recommended to be offset with the elimination of three Battalion Chief positions once promotional appointments have been made and vacancies are available. On an annualized basis, the additional cost of these position changes in the amount of \$167,000 will be offset with approximately \$91,000 in stand-by pay elimination. The remaining increase in personal services costs in the amount of \$76,000 will be offset by a reduction in the Fire Department non-personal/equipment appropriation with no impact on service delivery expected. For 2012-2013, with an October 28, 2012 effective date, a personal services cost increase of \$128,000 is recommended to be offset by the elimination of \$62,000 in stand-by pay and \$66,000 in non-personal/equipment savings. If the City Council approves this recommendation, the Fire Department 2013-2014 Base Budget will be adjusted accordingly with no impact to the General Fund.

### CEQA

Not a project, File No. PP10-068(b), Municipal Code, Title 3 and File No. PP10-067 (b), Appropriation Ordinance.

  
DEBRA FIGONE  
City Manager



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL/SUCCESSOR  
AGENCY BOARD

**FROM:** Richard A. Keit

**SUBJECT:** SEE BELOW

**DATE:** September 24, 2012

Approved

Date

10/2/12

**SUBJECT: APPROVAL OF THE RECOGNIZED OBLIGATION PAYMENT  
SCHEDULES 2 AND 3**

### RECOMMENDATION

It is recommended that the City Council, acting in its capacity as Successor Agency to the Redevelopment Agency, adopt a funding sources and appropriation resolution for 2012-2013 authorizing payment of expenditures for items on the Recognized Obligation Payment Schedule 2 and 3, which detail the obligations of the Successor Agency for the period of July 1, 2012 through June 30, 2013.

### BACKGROUND

Pursuant to Health and Safety Code 34177, each Successor Agency must submit a Recognized Obligation Payment Schedule (ROPS) to the State Department of Finance (DOF) every six months. The ROPS reflects payments due during that six month period. The DOF has significantly revised the ROPS form for ROPS 3 (January 2013 through June 2013) to simplify the information and to allow the Successor Agency to provide comments.

On January 24, 2012, in anticipation of the dissolution of the Redevelopment Agency, the City Council established the Redevelopment Obligation Retirement Fund and adopted the corresponding Appropriation Ordinance and Funding Sources Resolution. On June 12, 2012, these appropriations were repealed and the City Council directed staff to use the ROPS process as a means of authorizing Successor Agency revenues and expenditures in the future. Therefore, instead of an annual fiscal year budget process for the Successor Agency, revenues and expenditures will be authorized on a six month basis to correspond with the ROPS process.

Successor Agency staff completed the ROPS 2 (July 2012-December 2012), which was approved by the Oversight Board on May 24, 2012, and submitted the final ROPS 3 (January 2013-June 2013) in time for the September 1<sup>st</sup> deadline. Each schedule outlines anticipated payments due during the given timeframe along with the funding source which is intended to provide funding for expenditures. However, due to insufficient redevelopment tax increment revenues, the Successor Agency will not have sufficient revenues to pay for all obligations. As such, where appropriate, the City has recommended providing funding for City contractually

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**Subject: Approval of the Recognized Obligation Payment Schedules 2 and 3**

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obligated Successor Agency obligations as well as costs associated with the Administrative Budget as approved by the City Council to assist with the winding down of the former Redevelopment Agency. Staff is working to prepare a Reimbursement Agreement with the City to establish an enforceable obligation to repay the City for expenditures incurred by the City on behalf of the Successor Agency beginning July 1, 2012.

On September 14, 2012, the Santa Clara County Auditor-Controller (CAC) submitted a Notice of Objection to ROPS 3. On September 21, 2012, the Successor Agency transmitted the Notice of Objection with an Information Memo to the Oversight Board responding to the Notice. The response stated that with one exception the Successor Agency staff agreed with the objections in the Notice and that those agreed upon items would be revised. The one item in dispute is the dollar amount of the reserve for the Housing Set-Aside Bonds as defined by the bond indentures? The State Department of Finance is currently reviewing ROPS 3.

### ANALYSIS

Council approval of this action will provide the Successor Agency the authority to expend funds for enforceable obligations during the 2012-2013 fiscal year, to the extent available funding exists.

#### *Summary of Revenues and Expenditures*

The Redevelopment Property Taxes (formerly tax increment) estimated to be received for ROPS 2 and 3 enforceable obligations total \$160.1 million, of which \$77.5 million was received in June 2012. The Successor Agency receives tax increment two times in a given year. The June payment is used for the July through December ROPS period (ROPS 2) and the January payment is dedicated for the January through June period (ROPS 3). The revised summary schedule for ROPS 3 requires the County Auditor-Controller (CAC) to provide the Successor Agency with the six-month anticipated Redevelopment Property Tax Trust Fund (RPTTF) deposit and amount to be available for distribution on January 2, 2013. The CAC forecast of \$82.6 million represents the maximum amount available to fund the obligations as listed in ROPS 3. The Successor Agency is contesting the revenue amounts received and or forecasted to be received to fund ROPS 2 and 3 because it does not include all revenues that comprise former tax increment. The CAC has held and plans to continue to withhold certain tax levies in the amount of approximately \$3.75 million from each of the semi-annual distributions for an annual impact of approximately \$7.5 million. Per the Successor Agency's bond requirements, 80% of all tax revenues must be sent to the Trustee until all senior debt service obligations for the bond year (August 1-July 31) are met.

In addition to tax increment receipts, various other sources and revenues are anticipated to be received in 2012-2013 including state grant proceeds (\$3.4 million), revenues from the sale of property (\$3.5 million), rental income (\$380,000), loan repayments (\$260,000), and participation payments from real estate development agreements (\$80,000). When combined with the beginning fund balance of \$2.5 million, available funding is estimated to total \$170.2 million in Fiscal Year 2012-2013, excluding any transfer of City funding for support of various obligations.

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Outstanding obligations, as reported in ROPS 3, total \$3.6 billion, reflecting a combination of all 80% (non-housing) and 20% housing set-aside obligations incurred to date. The total anticipated payments in 2012-2013 are \$198.7 million. The \$198.7 million reflect payments which include the following:

- \$132.0 million senior debt service on the Successor Agency's non-housing tax allocation bonds;
- \$27.0 million for housing 20% set-aside tax allocation bonds and subordinate housing debt service payments;
- \$15.3 million debt service payments on the Convention Center bonds;
- \$3.4 million debt service for the Fourth Street Parking Garage bonds;
- \$6.0 million for debt service and letter of credit fees in connection with the senior subordinated variable rate bonds;
- \$4.0 million loan payment to the State of California (ERAF Loan);
- \$2.0 million for HUD 108 loan payments; and,
- \$9.0 million in non-debt service related obligations which include project related costs of \$7.0 million (of which \$3.4 million is funded with proceeds from a California State Infill and Infrastructure Grant) and \$2.0 million in administrative costs.

As discussed above, due to insufficient redevelopment tax increment revenues the Successor Agency will not have sufficient revenues to pay for all obligations. Therefore, the City staff has recommended providing funding for certain Successor Agency obligations including Administrative costs. Successor Agency obligations which the City would be contractually obligated to pay include: 4<sup>th</sup> Street Garage Debt Service, Convention Center Debt Service, HUD 108 Loan payments, and ERAF Loan Payments. Currently, \$11.0 million in the General Fund and \$16.3 million in all funds is included in the City's 2012-2013 Adopted Operating Budget to ensure complete payment of those City contractual obligations as well as Successor Agency Administrative costs.

#### *Inclusion of Long-term Obligations and City Loan Obligations*

Included in ROPS 3 are those obligations which are not due in the current reporting period but are approved enforceable obligations that need to be included on the ROPS to accurately reflect the total outstanding debt or obligation amount of the Successor Agency. Included in this category are the County Pass-through Payments reporting the amounts accrued for FY 2011-12 and estimated for FY 2012-13 (\$31 million) and payments to the County under the 2011 Settlement Agreement (\$23.8 million). Also included are the following obligations to the City, the terms of which will need to be approved by the Oversight Board: SERAF loan agreement (\$109 million), Parking Fund Loans I and II (\$13.6 million), Deferred Parkland Fees (\$8.1 million) and reimbursement to the City for the Hillview Playground (\$200,000).

A reference to the Reimbursement Agreement between the City of San José and the Successor Agency, the terms of which were approved by the Oversight Board on June 28, 2012, is currently included in the notes section of ROPS 3. Upon final resolution on the terms of the agreement, this document will be included on a future ROPS. This resolves concerns expressed by the Oversight Board with tracking these costs on an ongoing basis.

Please click on the following link to view the ROPS 2:

[http://www.sanjoseca.gov/Clerk/Agenda/successor/20120524/sara20120524\\_0602bres.pdf](http://www.sanjoseca.gov/Clerk/Agenda/successor/20120524/sara20120524_0602bres.pdf)

Please click on the following links to view the ROPS 3:

[http://www.sanjoseca.gov/clerk/Agenda/successor/20120823/sara20120823\\_0602.pdf](http://www.sanjoseca.gov/clerk/Agenda/successor/20120823/sara20120823_0602.pdf)

<http://www.sjredevelopment.org/Finance/ROPS/ROPSIIIFinal083112.pdf>

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

Successor Agency staff will continue to return to the City Council and the Successor Agency Board regarding Oversight Board actions and budgetary authority through the bi-annual approval of the Recognized Obligation Payment Schedule and Administrative Budget.

### **PUBLIC OUTREACH**

- ✓ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**
- Criterion 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 Website Posting)**
- Criterion 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)**

Actions recommended in this report meet Criterion #1. This report will be posted on the website for the Council's October 16, 2012 meeting.

### **COORDINATION**

This memo has been coordinated with the City Attorney's Office, the Finance Department and the City Manager's Budget Office.

### **COST IMPLICATIONS**

The Recognized Obligation Payment Schedules reflect obligations due during the specified time period. Approval of this Resolution provides budget authority for expenditures as available funding permits in accordance with the priority of obligations. As noted above, Redevelopment Property Tax revenues are anticipated to fall short of enforceable obligations. Therefore as

HONORABLE MAYOR AND CITY COUNCIL/SUCCESSOR AGENCY BOARD

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**Subject: Approval of the Recognized Obligation Payment Schedules 2 and 3**

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appropriate, the City will provide funding for those obligations the City is contractually obligated to pay as well as Administrative costs as outlined in the Administrative Budgets.

**CEQA**

Not a Project, File No. PP10-067(b), appropriation ordinance.



RICHARD A. KEIT  
Managing Director