

CITY OF SAN LEANDRO

MEMORANDUM

DATE: February 3, 2012

TO: Finance Committee

FROM: Chris Zapata, City Manager

BY: Jim O'Leary, Interim Finance Director

SUBJECT: Discussion on Budget Amendment Adjusting Appropriations by Eliminating Redevelopment Agency

SUMMARY AND RECOMMENDATION

Staff recommends that the Finance Committee discuss and consider the elements of a 2011-12 budget amendment adjusting revenue and expenditure appropriations necessary because of state actions eliminating the San Leandro Redevelopment Agency.

BACKGROUND

The City Council approves annual budgets based on the best revenue and expenditure information available several months prior to the actual adoption of budget appropriations. As a result, budget adjustments are periodically necessary for changes that arise and require additional budget appropriations or re-appropriations between budget line items. The City Council approved the current City and Redevelopment Agency budgets on June 6, 2011.

With the passage of Assembly Bill X1 26 on June 29, 2011, the California State Legislature added several sections to the California Community Redevelopment Law, Health and Safety Code Section 33000 et seq. This bill mandated the dissolution of all redevelopment agencies in California as of October 1, 2011 (subsequently revised to February 1, 2012 by the California Supreme Court), and also outlined several requirements for Agencies during the period between the effective date and the date of dissolution.

Section 1 of AB X1 26 includes the following provisions that require the revenue and expenditure appropriation adjustments contained in the budget amendment:

- Upon their dissolution, any property taxes that would have been allocated to redevelopment agencies will no longer be deemed tax increment. Instead, these taxes will be deemed property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agencies, with remaining balance allocated in accordance with applicable constitutional and statutory provisions.

- Allocate property tax revenues to successor agencies for making payments on indebtedness incurred by the redevelopment agency prior to its dissolution and allocate remaining balance in accordance with applicable constitutional and statutory provisions.
- Require successor agencies to expeditiously wind down the affairs of the dissolved redevelopment agencies and to provide the successor agencies with limited authority that extends only to the extent needed to implement a wind down of redevelopment agency affairs.

DISCUSSION

The budget adjustments must reflect revenue and expenditure budget activity to be recorded by the Finance Department due to the actions necessary with eliminating the Redevelopment Agency and establishing the Successor Agency. The amendment adjustments, as with previous amendments, needs to include the fund, the sources of additional revenues or transfers, and the purpose of reallocated expenditures or transfers.

Major changes in the approved budget necessary to wind down the Redevelopment Agency are shown below. This summary reflects continuation of present operations for the balance of the year. The City Council's direction to alter existing services at any time during the 5-month period will modify (presumably reduce) the necessary level of appropriation.

- Appropriate additional General Fund revenue of \$542,000 from Property Tax estimated for the period February 1 through June 30, 2012. Additional salary, benefit, and internal service charges for the General Fund would amount to \$720,200. Projected additional expenditures would exceed projected additional revenues in the General Fund by \$178,200.
- For the Plaza Project Area, the Joint Project Area, the West San Leandro/MacArthur Project Area, the Low/Moderate Housing Fund, and the Redevelopment Agency Debt Service Fund, all budgeted revenues and expenditure appropriations for the period February 1 through June 30, 2012 would be reduced to \$0.
- For the Successor Agency for the San Leandro Redevelopment Agency, appropriation of revenues of \$2,218,500 from EOPS reimbursements from Alameda County and total expenditure appropriation of \$2,218,500 would be recorded.
- Re-appropriate bond proceeds for expenditures related to Town Hall Square, Estudillo/Callan Parking Garage, Chamber of Commerce TI (Garage), E 14th Hesperian/150th Improvements, and the E 14th Hesperian/150th Remediation.

CONCLUSION

Staff recommends that the Finance Committee discuss and consider the elements of a 2011-12 budget amendment adjusting revenue and expenditure appropriations necessary because of state actions eliminating the San Leandro Redevelopment Agency.