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Staff Report for Resolution Approving a Budget Amendment Adjusting Revenue and Expenditure Appropriations Necessary from State Actions Eliminating the San Leandro Redevelopment Agency

RECOMMENDATIONS

The Finance Committee recommends that the City Council approve the budget amendment adjusting revenue and expenditure appropriations necessary from State actions eliminating the San Leandro Redevelopment Agency.

DISCUSSION

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.

The budget amendment reflects revenue and expenditure budget activity to be recorded by the Finance Department due to the actions necessary from eliminating the Redevelopment Agency and establishing the Successor Agency. This adjustment, as with previous budget amendments, includes the fund name, 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 generally reflects continuation of present operations through June 30, 2012. The City Council's direction to alter existing services at any time during the 5-month period would modify the necessary level of appropriation.

- Appropriate additional General Fund revenue of \$815,000 from Property Tax estimated for the period February 1 through June 30, 2012. Additional salaries and benefits, internal service charges, and business development and housing operating expenses for the General Fund amount to \$719,800. Projected additional revenues will exceed projected additional expenditures in the General Fund by \$95,200. The total estimated revenue is greater than presented to the Finance Committee based on a recalculation of the pass-through revenue the City will receive for the five-month period.
- For operations, 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 \$9,931,700 from EOPS reimbursements from Alameda County and bond proceeds and total expenditure appropriation of \$9,931,700 will 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.

Current Agency Policies

- The City Council approves all adjustments to the City's revenue and expenditure appropriations.

Previous Actions

- The City Council approved the current City and Redevelopment Agency budgets on June 6, 2011.

Committee Review and Actions

- The Finance Committee reviewed and approved the budget adjustments due to the State

elimination of the Redevelopment Agency on February 3, 2012.

Fiscal Impacts

For the remainder of 2011-12, additional General Fund revenue will be \$815,000 from Property Tax. Additional salary, benefit, internal service charges, and business development and housing operating expenses for the General Fund amount to \$719,800. Projected additional revenues would exceed projected additional expenditures in the General Fund by \$95,200.

ATTACHMENT

None

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