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Date	Ver.	Action By	Action	Result
2/21/2012	1	City Council	Approved as Submitted	Pass

Finance Committee Meeting Highlights of February 3, 2012

CITY OF SAN LEANDRO  
CITY COUNCIL FINANCE COMMITTEE

February 3, 2012  
8:15am - 9:45am

San Leandro City Hall  
835 East 14th Street  
San Leandro, California  
(Sister Cities Gallery)

**HIGHLIGHTS**

Committee Members: Mayor Cassidy, Vice Mayor Gregory

City Staff Present: City Manager Zapata, Assistant City Manager Marshall, Interim Finance Director O’Leary, Community Development Director Sims, Business Development Manager Battenberg, Deputy Finance Director Rodriguez, Housing-CDBG Manager Liao, Budget & Compliance Manager Perini, Administrative Analyst Kay, Community Relations Representative Ornelas, Sr. Accountant Galvin, Administrative Assistant III Perez

Public Present: Dave Johnson, David Grodin

The meeting was called to order at 8:15 a.m.

## **1. Discussion Regarding Impacts of Eliminating the Redevelopment Agency and Plans for Maintaining Limited City Business Development and Housing Services**

Mayor Cassidy began by thanking Community Development and Finance for providing as much information as possible prior to the meeting. Mayor Cassidy stated that at this meeting, there will be feedback to the presentation but there will be no recommendations or decisions.

Community Development Director Sims presented the Finance Committee with an overview of the impacts of the loss of the Redevelopment Agency. The overview includes: Financial Impact, the RDA programs, Project Management and Services, and Staffing and Administration.

Mr. Sims provided a chart of the Annual Revenue Allocation that illustrated the magnitude of the loss. The Agency's Successor Agency will continue to have debt and through the County Auditor Controller, the Successor Agency will continue to receive tax increments for identified obligations, e.g. Bayfair \$250k, SLUSD Gym \$160k, and Bonds \$4.2 million. Mayor Cassidy inquired about the Bayfair obligation and asked Mr. Sims when the obligation has been paid if the City will receive the \$250k? Mr. Sims stated the City will receive a portion of that amount. Once an obligation on the Enforceable Obligation Payment Schedule is completed, the total will then be distributed annually to all taxing entities, of which the City is one. Essentially, the City will continue to receive tax increment funds for the identified obligations as well as the Pass-Through funds (for schools and County). What will be eliminated or reduced is the funding the City had received for one-time Capital Improvement Projects of \$3.1 million. The proposal presented reduces remaining funding for Programs from \$1.5 million to \$326k, and funding for Admin/Staffing/Overhead will be reduced from \$1.9 million to \$994k.

Mayor Cassidy asked Mr. Sims if the City is currently obligated to fund a Capital Improvement Project (CIP) that will now have to be funded by the General Fund. Mr. Sims stated that there are no pending CIPs at this time. However, the Eden Road Project will be affected as the RDA had entered into an agreement with the City which most likely not be allowed even though it is listed as an enforceable obligation.

Mr. Sims stated that revenue will be received in three ways: Redistributed Property Tax: \$760,000/annually; Administrative Allowance (as stated by the Law), \$250,000/annually; and City of San Leandro Pass-Through Payments, \$310,000/annually. Therefore, the total funds to be allocated are \$1,320,000.

Mayor Cassidy inquired about possible litigations or legal expenses related to former RDA obligations. Administrative Analyst Kay stated that any lawsuits associated with enforceable obligations can be paid through the tax increments received for the debts. Any other legal inquiries will have to be budgeted and paid from the \$250,000 administrative allowance fund.

Mr. Sims presented the Committee with a plan for Future Funding Targets and how the funding may be allocated, assuming the entire \$1,320,000 is allocated to business development and housing programs. The funding of \$1,320,000 is to be distributed as follows: Staffing, \$775,000; Programs, \$326,000; Overhead, \$171,000, and Administration, \$48,000.

Mr. Sims presented a matrix to the Committee which explained in detail staffing, programs, and administrative expenses funded by RDA. Mr. Sims explained that \$1.2 million is what is currently paid from RDA for staffing. Of the total available funding of \$1.3 million, only \$775k is designated for

staffing, and therefore staffing expenditures will need to be reduced by \$425k. Mr. Sims also went over programs that may have to be reduced or eliminated.

Mayor Cassidy instructed staff to provide the City Council at the February 14, 2012 Work Session an explanation of the funding the City will receive: what is restricted and what is unrestricted, as well as how will the General Fund be able to absorb the additional \$200,000 overhead expenses? Also, Mayor Cassidy would like a breakdown of all expenses, e.g. memberships; he does not want expenses lumped into a generic category. Also, the City Council should be given a complete explanation of the various programs and how are they beneficial to the city.

Mayor Cassidy also directed Mr. Sims and staff to present the City Council with a Scenario B. He would like to see what programs can be retained if staffing cost were further reduced. With this, Mayor Cassidy also instructed staff to research how much notice must employees receive regarding lay-offs and what type of severance, if possible, can be provided. Also, can other departments take on some of the responsibilities that are currently with Community Development staff, e.g. the Finance Department may be able to absorb some of the financial functions or perhaps contracted to a third party administrator.

City Manager Zapata instructed staff to notify outside sources, such as the Chamber of Commerce, to attend the meeting on February 14, 2012 so they may be able to ask questions and state any concerns they may have to potentially losing resources from the City. Mr. Zapata also restated that staff will be prepared to provide additional information regarding staffing, severance, and transferring responsibilities to other departments.

## **2. Discussion on Budget Amendment Adjusting Appropriations by Eliminating Redevelopment Agency**

Interim Finance Director O'Leary introduced some components to amend the budget due to the elimination of the Redevelopment Agency. There are continuing obligations the City must pay that were paid out of the RDA fund. Appropriations to the General Fund to cover salaries, benefits, and internal service charges must be provided for the period of February 1 through June 30, 2012. Mr. O'Leary explained that the expenses exceed the revenues by \$178,000.

Mr. O'Leary also stated that appropriations must be adjusted for the Project Areas, the Successor Agency, and bond proceeds.

Mayor Cassidy stated that Budget Amendment should be taken to the City Council on the first Council meeting in March.

## **3. Discussion Regarding Quarterly Investment Report Ending December 31, 2011**

Mr. O'Leary reported on the quarterly investment report for the period ending December 31, 2011. Due to the receipt of Property Taxes in December, the portfolio increased from \$80 million to \$85 million. The rates of return for both the LAIF and Chandler investments were exactly the same as the previous quarter, 0.38% and 1.47% respectively. Staff is continuing to work with Chandler to extend the average maturity periods to gain higher interest rates.

## **4. Public Comments**

Dave Grodin, representing the Chamber of Commerce, indicated that it is important Council recognize that although reducing staff is difficult, it is important to keep the programs that are important to the city.

### **5. Committee Member Comments**

Mayor Cassidy requested that all future Finance Committee meetings be digitally recorded.

Vice Mayor Gregory mentioned that the Downtown Business Association spoke of the value of writing Bylaws.

### **6. Adjourn**

The meeting was adjourned at 9:40 a.m.