City of Culver City, California

Agenda Item Report

Meeting Date: 04/02/2012	Item Number: JC-2
JOINT CITY COUNCIL AND SUCCESSOR AGENCY TO THE CULVER CITY REDEVELOPMENT AGENCY AGENDA ITEM: (1) City Council Adoption of a Resolution Approving the Execution of a Cooperative Agreement for Advance and Reimbursement of Administrative, Overhead, and Other Expenses by and Between the City and the Successor Agency, and (2) Successor Agency Board Adoption of a Resolution Approving Proposed Administrative Budgets and Approving the Execution of a Cooperative Agreement for Advance and Reimbursement of Administrative, Overhead, and Other Expenses by and Between the City and the Successor Agency and Taking Certain Other Actions.	
Contact Person/Dept.: Jeff Muir/Finance	Phone Number: (310) 253-5865
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: []	Attachments: [X]
Commission Action Required: Yes [] No [X]	Date: ________________
Public Notification: (E-Mail) Meetings and Agendas – City Council (03/30/2012); (E-Mail) Meetings and Agendas – Successor Agency (03/30/12)	
Department Approval: Jeff Muir (03/28/12)	City Attorney/Successor Agency General Counsel Approval: Carol Schwab (by H. Baker) (03/28/12) City and Successor Agency Special Counsel Approval: Murray Kane (03/30/12)
Chief Financial Officer Approval: Jeff Muir (03/28/12)	City Manager Approval: John Nachbar (03/30/12)

RECOMMENDATION:

Staff recommends the following:

1. That the City Council adopt a Resolution approving the execution of a Cooperative Agreement for Advance and Reimbursement of Administrative, Overhead and Other Expenses by and between the City and the Successor Agency; and

2. That the Board of Directors of the Successor Agency to the Culver City Redevelopment Agency adopt a Resolution approving proposed administrative budgets and approving the execution of a Cooperative Agreement for Advance and Reimbursement of Administrative, Overhead, and Other Expenses by and between the City and the Successor Agency and taking certain other actions.

BACKGROUND:

Upon dissolution of the Culver City Redevelopment Agency (CCRA) on February 1, 2012 pursuant to AB X1 26 (AB 26), the Successor Agency to the Culver City Redevelopment Agency (Successor Agency) was constituted and is governed by a board of directors consisting of the members of the City Council.

Pursuant to AB 26, the Successor Agency is required to undertake a number of actions, including winding down the affairs of the former CCRA. For example, the Oversight Board for the Successor Agency may direct the staff of the Successor Agency to perform work in furtherance of the Oversight Board's duties and responsibilities under AB 26, and the Successor Agency must pay for all of the costs of meetings of the Oversight Board. In addition, the Successor Agency will have a number of ongoing responsibilities, such as paying debt service on enforceable obligations of the former CCRA and preparing an administrative budget and Recognized Obligation Payment Schedule (ROPS) for each six-month fiscal period. The Successor Agency also must ensure compliance with agreements and covenants of existing contracts and obligations.

DISCUSSION:

Each proposed administrative budget must include all of the following: (1) estimated amounts for Successor Agency administrative costs for the applicable six-month fiscal period; (2) proposed sources of payment for the administrative costs; and (3) proposals for arrangements for administrative and operations services provided by the City or other entity.

AB 26 provides that the Successor Agency may include the cost of Oversight Board meetings in its administrative budgets, but otherwise does not specify which expenses are appropriate for including in the administrative budget. However, allowable administrative expenses likely include, among others, the costs associated with City staff performing duties on behalf of the Successor Agency, including employee retirement and other benefits, necessary for the administration and operations of the Successor Agency; and the cost of other resources of the City necessary for the administration and operations (including legal expenses and other consultant costs) of the Successor Agency, such as office space, supplies, equipment, utilities, and insurance. Staff recommends that the Successor Agency and the City enter into an agreement whereby the City will provide these services to the Successor Agency and then invoice the Successor Agency for the associated costs.

AB 26 provides for an "Administrative Cost Allowance" to be paid annually to the Successor Agency of up to 5 percent of the property tax allocated to the successor agency for the 2011/2012 fiscal year and up to 3 percent of the property tax allocated to the Redevelopment Obligation Retirement Fund for each fiscal year thereafter, but not less than $250,000 a year. However, in the event there are insufficient funds to pay the former CCRA's enforceable obligations, some or all of the Administrative Cost Allowance will be used to pay for the enforceable obligations, and these funds will not be available for administrative expenses of the Successor Agency.

The Administrative Cost Allowance will exclude any administrative costs that can be paid from bond proceeds or from sources other than property tax. However, the use of bond proceeds to pay administrative expenses is subject to certain limitations. The first administrative budget is for the six-month fiscal period commencing on January 1, 2012 and ending on June 30, 2012, and the second administrative budget is for the six-month fiscal period commencing on July 1, 2012 and ending on December 31, 2012. The Successor Agency is required to submit each proposed administrative budget to the Oversight Board for its approval. The Successor Agency is also required to provide administrative cost estimates from its approved administrative budget that are to be paid from property tax revenues deposited in the Redevelopment Property Tax Trust Fund of the County to the County Auditor-Controller for each six-month fiscal period.

AB 26 and the California Department of Finance are unclear as to timing, but staff recommends that the Successor Agency Board approve the administrative budgets for the first two six-month fiscal periods for submittal to the Oversight Board (as soon as that Board has a quorum of members appointed) for its approval.

Should the Successor Agency Board adopt the attached Successor Agency Resolution, the proposed administrative budgets for the first two six-month fiscal periods, which are attached as Exhibits A and B to the proposed resolution, would be approved.

The attached Successor Agency Resolution also approves the Cooperative Agreement for Advance and Reimbursement of Administrative, Overhead and Other Expenses between the City and the Successor Agency attached as Exhibit C. As discussed above, the proposed administrative budgets must include proposals for arrangements for administrative and operations services provided by the City or another entity. The Cooperative Agreement provides for the Successor Agency to use the City's staff, facilities, other resources and legal and other consultants, for the administration and operations of the Successor Agency and for the Successor Agency to reimburse the City for such advances. The Administrative Budget and Cooperative Agreement must also be approved by the Oversight Board.

FISCAL ANALYSIS:

As discussed above, AB 26 provides for the Successor Agency to receive an annual Administrative Cost Allowance of up to 5 percent of the property tax allocated to the successor agency for the 2011/2012 fiscal year and up to 3 percent of the property tax allocated to the Redevelopment Obligation Retirement Trust Fund of the County for each fiscal year thereafter, but not less than $250,000 a year. The County's current position, as represented to staff, is that it will not be providing funding to the Successor Agency for the January through June period and expects these costs to be funded by prior tax increment or other sources. Staff does not agree with this position, and has prepared an administrative budget for this period. To estimate what the maximum 3% Administrative Cost Allowance might be, staff looked at the last year of former tax increment receipts. Adjusting for pass-through payments now being made by the County, staff estimates the maximum available to the Successor Agency for the Administrative Cost Allowance for Fiscal Year 2012/2013 and thereafter is slightly over $1 million. However, the allowances are subject to reduction if there are insufficient funds to pay the former Redevelopment Agency's enforceable obligations. This is significantly less than the former Redevelopment Agency's costs for administration, and the proposed administrative budget has been adjusted accordingly. The administrative budget does not include funding for specific project work, and staff time associated with such project-specific work will be paid for as part of the project budget.

ATTACHMENTS:

1. Proposed City Council Resolution with Exhibit 'A'.

2. Proposed Successor Agency Resolution with Exhibits 'A', 'B' and 'C'.

MOTION:

That the City Council:

> Adopt a Resolution approving the Cooperative Agreement for Advance and Reimbursement of Administrative, Overhead, and Other Expenses by and Between the City and the Successor Agency.

AND

That the Successor Agency Board:

> Adopt a Resolution approving proposed Administrative Budgets and a Cooperative Agreement for Advance and Reimbursement of Administrative, Overhead, and Other Expenses between the City and the Successor Agency and taking certain other actions.