

**ALBANY OVERSIGHT BOARD  
BOARD AGENDA STAFF REPORT**

Agenda Date: MARCH 2, 2015

**SUBJECT:** Adoption of Oversight Board Resolution No. OB 2015-1, approving Recognized Obligation Payment Schedule (ROPS) No. 15-16A and the Administrative Budget of the Successor Agency

**REPORT BY:** Paul Rankin, Finance Advisor – Regional Government Services

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**STAFF RECOMMENDATION**

Staff recommends that the Albany Oversight Board adopt Resolution No. OB 2015-1.

**BACKGROUND**

State law dissolved all redevelopment agencies effective February 1, 2012. The Albany City Council determined that the City would serve as the Successor Agency. Successor Agencies are required to prepare and submit to the Department of Finance (DOF), a Recognized Obligation Payment Schedule (ROPS) for the period July 1, 2015 through December 31, 2015. The Successor Agency is required to prepare a proposed administrative budget and submit it to the Oversight Board for approval.

**DISCUSSION & ANALYSIS**

The ROPS process uses a rolling six month analysis, whereby funds distributed that were not required are reflected as adjustments to the next six month disbursement cycle. It is typical for a Successor Agency to have two types of expenses Enforceable Obligations and Administrative Expenses. At this time the Successor Agency will be claiming only administrative expenses.

**Enforceable Obligations**

In previous reports to the Oversight Board it was suggested that advances from the City of Albany to the Redevelopment Agency could not be included for payment. The City of Albany advanced a total of \$1,506,203 in funds prior to the Redevelopment dissolution. The dissolution law established a process for these items to be enforceable obligations eligible for repayment. One of the steps in the process was for the Agency to receive a final Finding of Completion (FOC) from the State Department of Finance. Criteria for requesting a FOC includes:

- The successor agency has paid the full amount as determined during the due diligence reviews or has paid a final judicial determination and the county auditor-controller has reported those payments to Finance

The State Department of Finance (DOF) disallowed a cash transfer in the amount of \$1,050,000 related to a January 2011 Cooperative Funding Agreement between the City and the Albany Community Reinvestment Agency (CRA). This funding was utilized to pay part of the cost to purchase a parcel of land on Pierce Street from CalTrans. The dispute with the State is currently being litigated and the trial court has issued a ruling supporting the State claim that the City must repay the \$1,050,000. The City has protected its right to appeal and is also in settlement discussions with the Department of Finance. Until the litigation is resolved or there is a settlement agreement, the State will not issue a Finding of Completion.

Although the City does not have a “Finding of Completion,” there was a legal ruling issued in January 2015, which may impact future claims for enforceable obligations. The California Court of Appeal – Third Appellate District issued a decision [“City of Emeryville, et al., v. Michael Cohen, as Director etc. (C074186 (Super. Ct. No. 34201280001264 CUWVGDS))], which validated restated agreements between the City of Emeryville and its Redevelopment Agency. Given the current legal discussions between Albany and the Department of Finance no amount is proposed to be claimed for Enforceable Obligations in ROPS 15-16A. This decision may be re-evaluated in future ROPS periods.

#### Administrative Costs

The submittal of the ROPS 15-16A will be used to determine the allowed administrative costs and whether funding will be needed by the Successor Agency from the Redevelopment Property Tax Trust Fund (RPTTF). This fund is administered by the County Auditor Controller.

California Health & Safety Code section 34171(b) established a provision for the Successor Agency to recover Administrative costs. The law basically states that the administrative allowance shall not be less than \$250,000 per fiscal year, except as approved by the Oversight Board. As part of past DOF reviews they have commented on administrative budgets which although less than \$250,000, they observed may be excessive given the level of activity.

Albany has been requesting less based on the estimated costs. By claiming lower administrative costs this allows for more funds to be available to meet enforceable obligations and ultimately to be distributed among all taxing entities as residual funds.

Staff estimates that expenses of the Albany Successor Agency for the period July - December 2015 will be \$32,500. A breakdown of the Budget is presented in Exhibit B, of the Resolution (See Attachment 1). This is a budget estimate and the final expense will be impacted by the amount of legal services required to resolve any outstanding aspects of the DOF claim.

The Agency Trust Fund has unspent administrative funds available and therefore no additional RPTTF funds are needed and these expenses will be paid from reserves.

#### **FINANCIAL IMPACT**

The adoption of the ROPS 15-16A will provide for payment of administrative expenses for the period July 1, 2015 through December 31, 2015.

#### **Attachment**

1. Resolution No. OB 2015-1
  - EXHIBIT A - Recognized Obligation Payment Schedule (5 pages)
  - EXHIBIT B - Administrative Budget