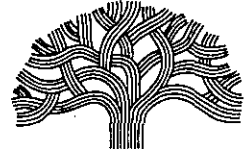


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OFFICE OF THE CITY CLERK  
OAKLAND

CITY OF OAKLAND



12 JAN 23 PM 1:58

1 FRANK H. OGAWA PLAZA · 3<sup>RD</sup> FLOOR · OAKLAND, CALIFORNIA 94612

Office of the Mayor  
Jean Quan  
Mayor

(510) 238-3141  
FAX: (510) 238-4731  
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January 23, 2012

Dear Council President Larry Reid and Members of the City Council, City Employees and Oakland Residents:

The Court ruling, which allowed the State to eliminate Redevelopment but then struck down the companion bill to allow a new Redevelopment system continue by increasing payments to the state, gave us exactly one month to eliminate Redevelopment by February 1st.

While I am still hopeful that an extension or alternatives to maintaining core programs of redevelopment will be passed in the legislature, we have no choice but move towards elimination of Redevelopment by the required date.

Oakland is proud to be one of California's charter cities. Our older infrastructure, historic buildings and neighborhoods, transitioning industrial areas and Army Base, our higher concentration of poverty and central transportation hub status has put more of our city into Redevelopment than most. So, this decision affects us and other urban cities disproportionately. We will lose \$28 million that funds about 159 PTEs and affects about 220 positions.

The elimination of Redevelopment by the end of next week has forced us to make deep cuts on top of the hundreds of positions and \$200 million we've already eliminated over the past 3 years. It is particularly painful because this fiscal year we passed one of our strongest budgets, eliminating a \$58 million deficit and funding a full budget reserve – thanks to the contributions of all our City employees.

Clearly, the City of Oakland can no longer do business as usual. So in this proposal the administration is not just responding to the Redevelopment cuts, we are retooling City government for greater efficiency and a more streamlined organization to maintain as many services as possible and the jobs that support those services. As a result, we now expect fewer layoffs than we originally anticipated.

- We are moving ahead of schedule in planned reduction of administrative positions, flattening the organization and creating funding to maintain key services.

- We have reorganized to merge departments for better coordination and less administrative costs.
- We tried to minimize loss of services. No or minimal cuts to libraries, human services, police or fire.

I want to take this time to thank our employees who have borne the brunt of the cuts over the past few years. You have demonstrated your commitment to public service by continuing to focus on your work, despite the uncertainty. We have worked day and night and through the weekends to come up with these proposals. Many of your suggestions in the budget balancing survey were very helpful as we sought practical ways to support our service priorities with significantly fewer resources. We will meet regularly with a committee of labor representatives as we move forward for discussions of alternatives, implementation, and options and services for employees leaving the City.

The proposed cuts, reorganizing and resulting layoffs will be painful and unsettling, not only to our staff but to the many thousands of residents that we serve.

On behalf of City staff, I ask all Oaklanders to work with us as we grapple with deciding on the final cuts and implementing these changes over the next few weeks and months. I know that, as it has in the past, Oakland will draw on its creativity, compassion and commitment to keep our City strong and moving forward in the midst of these difficult times.



Jean Quan  
Mayor of Oakland

12 JAN 23 AM 11:02

CITY OF OAKLAND



ONE FRANK H. OGAWA PLAZA • 3RD FLOOR • OAKLAND, CALIFORNIA 94612

Office of the Mayor  
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Deanna J. Santana  
City Administrator

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January 23, 2012

To: Honorable City Council  
From: Mayor Jean Quan & City Administrator Deanna J. Santana  
RE: FY 2011-13 Proposed Amended Policy Budget

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This transmittal provides a proposed Amended Policy Budget for FYs 2011-2012 and 2012-2013 and presents the following sections:

- I. Introduction & Budget Balancing Summary;
- II. Schedule, Engagement, and Workforce Noticing Process;
- III. Legislative Activities;
- IV. Budget Balancing Principles & Financial Market Considerations;
- V. FY 2011-2012 & 2012-2013 Proposed Amended Policy Budget;
- VI. Medium-Term Structural Changes to Reduce Cost; and,
- VII. Long-Term Structural Changes to Reduce Cost; and,
- VIII. Conclusion

## I. INTRODUCTION

Until the Court's ruling at the end of December 2011, the City's budget was balanced for this fiscal year and the next. Yet, the elimination of Redevelopment Funding has forced the City to reopen the budget and make significant reductions to achieve a balanced budget in the current year and for next.

This budget balancing process is made more difficult because over the past recent years, the City Council has faced more than \$200M of budget deficits, which has resulted in service reductions impacting both residents and the workforce who have felt the impact. The consideration of this proposal is unprecedented because the City of Oakland is in process of eliminating a key revenue stream that has funded transformative development projects and City staff to support development.

Despite this reality, after recent budget balancing processes and without redevelopment funds, the City is not in a position to keep doing business as usual. In order to maximize services to the community, and to resolve how the City has funded positions throughout the organization with redevelopment funds, this proposal required a complete departure from past proposals to stabilize services and fund core services that were impacted by the Court ruling. This new reality presents an opportunity for the organization to retool itself through practical reorganizations, department consolidations, functional service mergers where a natural nexus exists, and other solutions. The City of Oakland has an opportunity to maximize community services and transition into a more practical structured organization. It is through this process, that the Administration has been able to minimize service reductions and job loss. As such, it is still unfortunate, but necessary, that we present this proposed Amended Policy Budget for Fiscal Years (FYs) 2011-2012 and 2012-2013.

As has already been stated several times since December 29, 2011, this action is required in light of the California Supreme Court ruling where the Court upheld ABx1 26 (the redevelopment elimination bill) [Attachment A], but struck down ABx1 27, the bill that would have allowed agencies to remain in operation as long as they made a payment to the state. The Court's ruling essentially eliminates redevelopment effective February 1, 2012, and leaves no mechanism for reinstatement. It also means that the State will not receive the full \$1.7 billion it had assumed as part of last year's budget.

Unless there is an extension passed by the State Legislature, which appears highly unlikely to happen in time, the elimination of Redevelopment funds creates an immediate deficit in the current year budget which must be corrected by February 1. The City has encouraged our State Representatives to work on refinements to ABx1 27, or craft legislation that will allow jurisdictions to continue some Redevelopment operations and has continued to maintain a close dialogue with State Representatives to develop potential options. As detailed in Section III of this Policy Budget, a bill has been introduced proposing an extension of the February 1 deadline to dissolve redevelopment agencies. However, as mentioned, there is no certainty that this bill will pass.

Like many other California cities, the City of Oakland has used redevelopment as a means to advance development activity and transform economically depressed areas. Indeed, the City has been quite successful with this tool which is easily demonstrated through many successful projects throughout the City. While some large cities in California with redevelopment agencies had primarily one hundred percent staffing dedicated to their redevelopment agency for their redevelopment activities, the City of Oakland used a hybrid model to support our Redevelopment Agency activities and programs in which some City staff were one hundred percent dedicated to redevelopment activities while others were only partially funded by the City's redevelopment agency (depending on the level of support provided to the Agency). As a result, the Supreme Court decision regarding the elimination of redevelopment agencies has a much broader impact on the City of Oakland, not only related to our Redevelopment Agency activity, but also on the City's operating budget since City staff will no longer be funded through the City's redevelopment funds.

Table 1 below provides an overview of the allocation of City staffing resources that provided support to our Agency's activities.

**TABLE 1: Fiscal Year 2011-2012 & 2012-2013—Citywide Distribution of Redevelopment Funds**

Department	Expense		FTE	
	FY 11-12	FY 12-13	FY 11-12	FY 12-13
Mayor	547,723	554,516	2.00	2.00
City Council	1,580,653	1,609,091	9.76	9.76
City Administrator	1,570,649	1,611,392	11.84	11.84
City Attorney	2,867,645	2,981,021	14.85	14.85
City Clerk	439,603	458,727	3.50	3.50
Office of Communication and Information Services	35,046	35,896	0.33	0.33
Finance and Management Agency	841,071	861,425	6.20	6.20
Police Services Agency	3,423,518	3,482,040	17.18	17.18
Department of Human Services	534,734	538,450	3.57	3.52
Public Works Agency	751,118	768,651	7.00	7.00
Community and Economic Development Agency*	13,735,862	13,944,690	83.03	83.03
<b>Grand Total:</b>	<b>326,327,622</b>	<b>326,845,899</b>	<b>159.26</b>	<b>159.21</b>

\* \$3.7M is Housing (Low-Mid); \$5.9M is Redevelopment; \$4.1M is other CEDA (Real Estate, Marketing, Econ Deve. etc.)

Source: Oakland Redevelopment Agency FY 2011-13 Adopted Budget

Table 1 illustrates that for this organization, redevelopment funds are distributed throughout many key functions in an amount greater than \$26M per fiscal year and that these funds support approximately 159 Full-Time Equivalents (FTEs). Given that redevelopment funds are generally distributed by percent to fund a portion of a full-time position, when evaluated to determine magnitude of employees impacted, the result is that 228 actual positions throughout the organization are partially funded by redevelopment funds.

While the majority of positions are in the Community and Economic Development Agency, given various constraints articulated later in this transmittal along with the need to adhere to Charter requirements, the problem quickly becomes a citywide budget issue that requires a short-, medium-, and long-term evaluation of how to invest public funds to provide and stabilize essential City services for now and into future.

As part of the Court decision, a small amount of revenue will be available to the City to support “wind down” activities; but, there is uncertainty in terms of exactly how much revenue will be assigned to these activities. As such, this proposed budget is based on revenue projections that the City will receive (not on revenue that we “think” we will receive or revenue that we “hope” to receive) [Source: Department of Finance in the *Redevelopment Agency Dissolution under ABx1 26 Frequently Asked Questions*].

Given the significance of the budget impact and unsettled implementation approach to be taken by the Oversight Board, the Administration recommends that the City Council only take budget action that reflects true dollars coming into the City and not count on dollars that are not certain. If additional funds are realized, those funds can be programmed for City services at the point that there is certainty and upon their receipt. Attachment B outlines the Redevelopment Agency transition to the successor agency.

## BUDGET BALANCING SUMMARY

### *Amended FY 2011-13 Budget Proposal*

As a result of the dissolution of City's Redevelopment Agency, the City estimates that there will be a budget shortfall of approximately \$12.4M for FY 2011-12 (pro-rated for the period February-June 2012). In FY 2012-13, the projected shortfall is estimated at \$28M.

As referenced in the above section of this report, the Court ruling allows for revenue available to support "wind down" activities for the Successor Agency. As such, it is estimated that approximately \$4.2M of funding will be provided to the city for FY 2011-12 (February-June 2012) to support wind down activities and \$7.7M for FY 2012-13 (Attachment C).

Based on above, to achieve a balanced budget, this proposed budget assumes an elimination of \$8.2M FY 2011-12 (February-June 2012) and an additional elimination approximately \$20.3M in FY 2012-13.

These estimates are based on the following key assumptions:

- 1) The City will be able to charge project staff in order to complete the Enforceable Obligations, on top of the administrative cost allowance (5% in FY 11-12, 3% in FY 12-13). This assumption was confirmed in writing on January 21 by the Department of Finance in the *Redevelopment Agency Dissolution under ABx1 26 Frequently Asked Questions* document (Attachment D);
- 2) At least \$43M in projects that were budgeted to be funded out of the tax increment funds that are Enforceable Obligations;
- 3) The City does not receive additional property tax dollars (27% of uncommitted Tax increment) in either FY 2011-12 or FY 2012-13 (because of assumption #2, and required debt service, there would be no additional net tax increment coming to the city, and,
- 4) FY 2011-12 expenditures do not increase beyond those reported in the First Quarter Revenue & Expenditure Report.

In total, this Proposed Amended Policy Budget will assume a loss of approximately 105 FTEs. The number of staff impacted by demotions and bumping is undetermined at this point and both outcomes (layoff and demotions/bumping depend on the final decisions made by the City Council).

The Proposed Amended Policy Budget preserves essential services by streamlining and consolidating functions that have a natural nexus and, generally, reflect common organizational structures in local government. Listed below are some highlights of what is preserved or reconfigured in this proposed Budget:

- Library services are preserved in whole;

- Department of Human Services are preserved in whole, with the exception of the elimination of the Youth Commission staffing, reduction in administrative support, and elimination of the 211 Program subsidy;
- Public Safety services, for both Police and Fire, are preserved in whole for sworn and largely for non-sworn staff, with the exception of some proposed consolidation of administrative services and the reduction of some Neighborhood Services Coordinators. The Neighborhood Services Division is proposed to transfer to the Department of Community Services);
- Internal Service Departments are proposed to be consolidated for FY 2012-2013 into a traditional Administrative Services Department and preserve the essential strategic support services needed to maintain current service levels;
- Departments of Human Services and Parks & Recreation, along with other like services, are proposed for consolidation for FY 2012-2013, to create a Community Services Department that is entirely focused on direct service to residents;
- The City Administrator's Office is reorganized to assume the administrative responsibilities of the Successor Agency, but to also formally establish the traditional leadership structure needed to manage a large enterprise of our size: budget/fiscal management; operations; and, labor/employee relations;
- Planning and Building Services are proposed to be consolidated into an Office of Planning & Neighborhood Preservation, which better reflects the mission and goals of these services;
- Housing Services are proposed to be converted into an Office of Housing & Community Development, which will provide primary staff support for Housing Successor Agency activities;
- Establishment of an Office of Economic Development to ensure that the City's economic development priority has adequate resources and focused on business relations, retention, attraction and development. This newly formed Office will be positioned to grow as legislative activity emerges that supports economic development in light of the dissolution of redevelopment, which is a very strategic move on the part of the City;
- Establishment of an Office of Neighborhood Investment to transition from a Redevelopment Agency to a functional unit that focused on implementing qualifying projects outlined in the Enforceable Obligation Payment Schedule (EOPS) and to support Successor Agency activities as detailed in the EOPS report that accompanies this proposed Budget;
- Parking is reconfigured to more closely align its individual operating units with competencies in various departments; and,
- Risk Management and Benefits are consolidated under the Department of Human Resources Management, and Retirement is transferred to Treasury.

### ***City Council Priorities***

As reflected on the City's website, the Mayor and the City Council each set priorities for the City. All City services are structured to support these priorities and the City's budget provides the

framework through which the City's goals and objectives are achieved. The City Council's priorities are listed on the City website as follows:

**Public Safety:** Provide an adequate and uncompromised level of public safety services to Oakland residents and businesses; reduce crime and violence; engage youth in programs and services that prevent violence; and provide reentry opportunities for ex-offenders. Reduce crime and ensure public safety for every Oakland neighborhood by implementing a comprehensive crime prevention/reduction strategy.

**Amended Budget Proposal:** As the City Council's key priority, the Proposed Budget preserves both Fire and Police sworn service at current levels and advances the concept of consolidating administrative/internal support services to achieve higher level of efficiencies and cost-saving opportunities.

Additionally, the Proposed Budget consolidates the Departments of Human Services and Parks & Recreation into a Department of Community Services to better leverage resources and coordinate programming offered throughout our neighborhoods.

**Sustainable and Healthy Environment:** Invest and encourage private investment in clean and renewable energy; protect and support clean environment; and give Oakland residents an opportunity to lead a healthy life, have healthy life options and make healthy choices. **Infrastructure:** Provide clean, well-maintained and accessible streets, sidewalks, facilities, amenities, parks, recreational facilities and trees. **Sustainable City:** Maximize socially and environmentally sustainable economic growth, including conserving natural resources. **Healthcare:** Provide ample programs to support the mental, physical and spiritual health of Oakland residents.

**Amended Proposed Budget Proposal:** The Proposed Budget preserves investments in infrastructure, sustainability, and healthcare programs. This Proposed Budget does not propose any service level reductions to current services offered through the Department of Human Services, with the exception of the elimination of the Youth Commission staffing, reduction in administrative support, and elimination of the 211 Program subsidy. Additionally, minor service impacts are proposed in the Amended Operating Budget relative to some Public Works' Agency (PWA) services which are detailed later in this report. This Amended Operating Budget does include some transfer of services to PWA that naturally have a nexus of its current inventory of services, such as: Parking Meter Repair and Parking Garage services. The consolidation of like services results in an organizational structure that is poised for efficiency and streamlining opportunities, upon successful transition.

**Economic Development:** Foster sustainable economic growth and development for the benefit of Oakland residents and businesses. Develop comprehensive business attraction, retention and growth initiatives to attract green, biotech and other businesses that will result in more jobs for Oakland residents. Continue to develop retail space and other attractions that will draw visitors to the City of Oakland.



**Amended Proposed Budget Proposal:** The Proposed Budget dissolves the City's Redevelopment Agency, but preserves essential services required to support economic development activity. Specifically, as already mentioned, the Proposed Budget proposes the: (1) consolidation of the Planning and Building Services functions into an Office of Planning & Neighborhood Preservation, which better reflects the mission and desired goals of these services; (2) conversion of Housing Services into an Office of Housing & Community Development, which will provide primary staff support for Housing Successor Agency activities; (3) establishment of an Office of Economic Development and an Office of Neighborhood Investment to ensure that the City's economic development priority has adequate resources; as well as to transition from a redevelopment focus to a core economic development focus of business relations, retention, attraction and development. These newly formed Offices will be positioned to grow/evolve as legislative activity emerges that supports economic development in light of the dissolution of redevelopment.

**Community Involvement and Empowerment:** Create sense of hope and empowerment among Oaklanders, especially the youth; provide Oaklanders with educational choices through the City Museum and libraries, and partnerships with the School District and other educational establishments. **Social Equity:** Encourage and support social equity for all Oakland residents. **Youth & Seniors:** Provide effective programs that will allow youth, seniors and people with disabilities to thrive in their communities.

**Amended Proposed Budget Proposal:** The Proposed Budget preserves in whole the City's Library services and multi-site system, as well as the Senior Centers; however, some reductions or elimination to youth services are included as part of this proposal, such as:

- The staff support to the Youth Commission and explore possibilities for merging with other like Commissions;
- Select Recreation Center closures on Mondays, with extended hours other days (see below for further detail). Centers that have self-sustaining programs or funding sources outside of the General Fund may continue to be programmed on Mondays. Recreation centers that are successful in generating revenue may operate additional hours or days provided that those programs and services are fully cost recovering;
- Reprogramming of the San Antonio Community Center from a traditional program director site and develop into citywide sports complex; and,
- Reduction in Neighborhood Service Coordinators.

The proposed Recreation Centers revised hours are preliminary as follows:

The following sites will remain closed on Mondays, with operational hours set at 12:00 p.m.-9:00 p.m.:

- |                       |                      |                      |
|-----------------------|----------------------|----------------------|
| • <i>FM.Smith</i>     | • <i>Mosswood</i>    | • <i>Allendale</i>   |
| • <i>Willie Keyes</i> | • <i>Golden Gate</i> | • <i>Brookdale</i>   |
| • <i>DeFremery</i>    | • <i>Manzanita</i>   | • <i>Tassafronga</i> |

The following sites will remain closed on Mondays, with operational hours set at Tuesday-Thursday 11:00 a.m.-8:00 p.m. and Friday-Saturday 10:00 a.m.-7:00 p.m.:

- *San Antonio*
- *Discovery West*
- *Rotary Nature Center*
- *Arroyo* (Friday-Saturday 12:00 p.m.-9:00 p.m.)

**Public-Private Partnerships:** Engage private companies and other governmental agencies in forming public-private partnerships, to raise funds and deliver needed programs and services in an effective, efficient and all inclusive manner.

**Amended Proposed Budget Proposal:** Mentioned as part of the long-term concepts for the City Council to consider, this proposal does include the option for the City Council to consider directing the exploration of public-private partnerships that result in improved service delivery, cost-savings, or more stable service methods. Already, the City has strong service delivery relationships with non-profit organizations, public agencies, and schools, such that a review that focuses on public-private partnerships would be consistent with already existing relationships that focus on maximizing the investment of public funds to offer stable services.

**Government Solvency and Transparency:** Deliver City services in an open, transparent, effective and efficient manner; and protect and manage City's resources in a fiscally responsible and prudent manner. **Efficiency & Responsiveness to Residents:** Ensure that City staff responds to residents in a timely and effective manner by establishing minimum standards of service. **Fiscally Responsible City:** Develop and institutionalize sound financial management policies and practices.

**Amended Proposed Operating Budget Proposal:** The Proposed Budget presents a fiscally responsible approach that maximizes the investment in direct community services through consolidated departments or functions and that retools the organization for the fiscal reality that exists. Services that support communication with the public and workforce are preserved because of the strong value of responsiveness, transparency, and awareness of public service activities. The Proposed Budget has been developed with three key principles in mind:

- (1) City Council's priorities;
- (2) City's credit ratings and relationships with financial markets; and,
- (3) **Budget Balancing Principles** contained in this document.

The proposal is fiscally prudent in light of the significant amount of information that is still unknown to the City with respect to how the legislation dissolving redevelopment will ultimately be implemented and to ensure low risk to the City's General Fund, in the event of any future action on the part of the State or Oversight Board were to result in the City issuing payment under their order.

**II. SCHEDULE, ENGAGEMENT, & WORKFORCE NOTICING PROCESS**

**SCHEDULE**

Since the December 29 Court ruling, City staff has been working very quickly to meet the short deadlines articulated in the legislation and upheld by the Court. The Court decision allows for about one month to implement several efforts to comply with the Ruling and dissolve the Redevelopment Agency. Within the past weeks, Staff has had to:

- Refine and evaluate the Enforceable Obligation Plan (EOP) to ensure compliance with the Court Ruling and estimate revenue associated with “wind down” activities;
- Seek guidance from a variety of sources to clarify several key areas in the legislation that raise questions regarding their application, implementation, or any assumptions moving forward;
- Contribute to a statewide local government legislative strategy;
- Evaluate the City’s Budget for both FYs 2011-2012 and 2012-2013 for the purpose of rebalancing in the light of lost revenue from redevelopment and maintaining essential services and propose a balanced Budget;
- Establish a layoff process, ensure seniority lists are current, and duly notice employees;
- Implement several cost control measures to immediately contain expenditures;
- Work with departments to seek additional 5% expenditure reductions proposals for FY 2011-2013 to cover mandated costs and generate funds to apply toward balancing the Budget;
- Implement a moratorium on hiring City employees and in procuring non-essential purchases across all funds;
- Seek employee input through a citywide survey and keep employees informed; and,
- Respond to bargaining groups regarding the Court’s Ruling and discuss the current state of redevelopment, as we understand it.

Below is a brief timeline of key dates to adhere to the Courts ruling:

**TABLE 2: Timeline of Key Milestones**

Date	Milestone
January 10, 2012	(1) City Council approved staff s recommendation to become the Successor Agency for Redevelopment and Successor Housing Agency. The legislation required that cities opt out of becoming a successor agency by January 13, 2012. (2) City Council authorized City negotiating team to communicate and request that labor unions consider opening their existing Memorandum of Understanding (MOU) for the purpose of additional compensation concessions or other cost reduction measures.

To: HONORABLE CITY COUNCIL

Subject: Proposed Amended Policy Budget, Fiscal Years 2011-2012 and 2012-2013

Date: January 23, 2012

Page 10

January 13	Deadline to opt out of becoming the successor agency. [ <i>Not applicable with January 10 action</i> ]
January 18	Deadline to provide workforce with 10-day layoff-noticing requirement.
January 23	Deadline to provide City Council with Amended Proposed Policy Budget, FYs 2011-2012 and 2012-2013
January 25	Special City Council Meeting (5:30 p.m.) to <u>hear staff's recommendation</u>
January 31	Special City Council Meeting (Time TBD) to <u>approve a balanced</u> Policy Budget for FYs 2011-2012 and 2012-2013
February 1	Redevelopment Agencies are dissolved and all assets and close-out activities are transferred to the Successor Agency. ABx1 26 (the elimination bill) calls for the dissolution of redevelopment agencies and the formation of successor entities to "wind down" the activities that previously occurred within those agencies. In its decision, the Court set each effective date or deadline set forth in the elimination bill arising before May 1, 2012 to take effect four months later than originally scheduled. This means that unless further action is taken by the legislature, February 1, 2012 is the dissolution date for redevelopment agencies.
February 6	Begin implementation of the Adopted Policy Budget for FYs 2011-2012 and 2012-2013.
April 15	First Revised Obligation Payment Schedule (ROPS) due to State Controller and Department of Finance.
May 1	Deadline for Oversight Board to be established (may establish itself before this date). Oversight Board appointments due. If positions on the Oversight Board are not filled by May 15, 2012, then the Governor will make the appointment.
May 16	County Auditor=Controller to transfer revenues to the Successor Agency to pay for obligations listed in the ROPS. Payments are made bi-annually with the next payment to be made on June 1, 2012 and on January 16 and June 1, thereafter.
July 1, 2012	County-Auditor Controller to complete audit of redevelopment assets, liabilities, and pass-through obligations.
July 15, 2012	Audit of redevelopment assets, liabilities, and pass-through obligations due to the State Controller's Office.
July 1, 2016	Consolidation of all Oversight Boards into one County-wide Oversight Board.

## ENGAGEMENT

It is fully acknowledged that the above schedule did not leave the desired time to engage both employees and community in such critical decisions as dissolving the City's Redevelopment Agency. However, City staff did engage in some workforce and community efforts, but clearly acknowledges that it does not reflect our professional style, budgeting best practices, or commitment to seeking input for such policy decision of this magnitude; however, the schedule alone drove the above process and did not allow for desired engagement. Nevertheless, below are some examples of efforts to engage and share information:

- **December 30**—City Administrator's Office sent to all CEDA staff an email describing the Redevelopment Ruling/Next Steps. Included in this email were the Supreme Court Decision and State Legislation.

- **December 30**—City Administrator’s Office sent to all Department Directors/Agency Directors the Redevelopment Ruling/Next Steps. Included in this email were the Supreme Court Decision and State Legislation.
- **January 4**—Information Memorandum sent to all City employees to provide additional information regarding redevelopment funding, including a resource document authored by Goldfarb Lipman Attorneys (dated December 30).
- **January 10**—City Administrator’s Office launches citywide employee survey seeking cost containment and/or reduction ideas and/or revenue generating ideas. This survey served as a tool for the City Administrator to gather information on employee awareness of the current budget situation as well as provide an anonymous outlet for employees to share ideas on ways the City can reduce costs, generate revenue, and streamline service delivery. The survey was open until January 17 and the City Administrator received over 420 responses City-wide. Below is a high level summary of the themes of the cost containment reduction and revenue generating ideas/strategies proposed by our employees:

- Restructuring/Consolidate Departments and Functions
- Merge job responsibilities (eliminate duplication of efforts)
- Outsource services to the County/other cities
- Alternative Service Delivery for Fire & Library
- Eliminate non-essential services
- Civilianization of PD and FD positions
- Reduce subsidies to non-profits
- Change in employee pension benefit
- Reduce number of Management staff
- Early Retirement—offering incentives implementing mandatory retirement
- Permanent Reduced work week; additional furlough days
- Add to and Increase Fees and Fines
- Sell vacant City-owned properties/lease out City-owned buildings
- Utilize Technology
- Reduce Overtime
- Taxes
- Make full time positions part time
- Reduce spending on employee perks
- Focus on economic development
- Streamline contracting/purchasing procedures
- Streamline permit processing for new developments

- **January 18**—City Administrator releases video to workforce outlining the Court ruling and layoff process.
- **January 9 - Current**—City Administrator's Office staff has been making presentations to the Redevelopment Agency's Project Area Committees to inform them about the dissolution bill and the California Supreme Court decision. Presentations were made by the Assistant City Administrator at the Central City PAC on January 9 and the West Oakland PAC on January 11. Both have expressed interest in continuing in their advisory role. While ABx126 eliminates redevelopment agencies, it does not eliminate PACs which are written into redevelopment law. In addition, while the dissolution bill does not suggest an ongoing role for PACs there is an ongoing need for community feedback and staff has recommended a framework for continued community engagement within a separate memo outlining the anticipated activities of the successor entity.

## **WORKFORCE NOTICING PROCESS**

The City's noticing process for layoff requires 10-work days. As such, Table 2 illustrates that the requirement to put in place the required layoffs is January 18 (assuming that the last day of employment will be February 3 to enable employees to complete the work week).

In ordinary budget schedules, when bumping, demotions, and/or layoffs are necessary, the City Council has the luxury of considering the Amended Budget, deliberating over several meetings, and then adopting a budget. Generally, before City Council budget adoptions is taken, management staff also has the opportunity to communicate with employees about proposed service reductions/eliminations and potential impacts to employees. Following City Council adoption of a budget, City staff then notices impacted employees of their status and implements any needed bumping, demotions, or layoffs. This generally allows for employees to be informed of proposed staffing eliminations, affords time to transition from City employment, and, in some instances, seek employment through other sources (if available). The City also has the ability to notice the minimum number of employees impacted by layoff, bumping, or demotion because a budget is approved that dictates service levels, staffing, and policy goals.

It is deeply regrettable that such is not the case in this instance and the impact to the workforce is not lost on the Administration. This process required that a broad range of employees be noticed for potential bumping, demotion, and/or layoff to preserve maximum City Council flexibility for decision-making, since the above process could not be implemented within the short time dictated by the Court ruling. Additionally, had the Administration noticed a low number of employees, the budget balancing development process would have been constrained to the pool of noticed employees, which would have further limited balancing options, unless funds were directed to buy-time to notice employees. Such funds would have needed to come from additional service reductions or Reserve fund balance—which is not within the authority of the City Administrator to decide.

If the ordinary budget process were implemented, the City Council would have needed to be presented with, and adopted according to the City's meeting notice requirements, an Amended Budget between January 3-13--for noticing employees by January 18: the ability to complete these tasks between December 30 – January 13 was not at all possible.

As such, the Administration put in place an alternative approach to ensure that the Amended Policy Budget for FYs 2011-2012 and 2012-2013 did not assume any policy decisions that the Administration has no authority to adopt. For example, the Administration could have delayed noticing employees of potential layoffs, bumping or demotions until after the adoption of an Amended Budget; however, that would have resulted in an assumption on our part that the City Council would approve of using reserves, or taking deeper cuts, to fund delayed adoption of an Amended Budget. As stated, such action would have been outside of the City Administrator's authority and, therefore, the above method was employed—no assumptions (except for those clearly called out in this document), no additional cost impacts, and maximum flexibility for the City Council to deliberate on the amended Budget.

The Administration did exempt some categories from noticing as a result of City Charter functions, lack of City Administrator authority, highly leveraged grant programs that require minimal General Purpose Fund, MOU compliance, and service areas that were not deemed capable of additional reductions.

Below are the proposed exempted categories:

- **Mayor and Mayor's Staff**— It is recommended that the City Council adopt a reduction target, which is achieved through administrative monitoring and controls, and that the Mayor achieve it by service reductions within one pay period. The City Administrator has no authority to develop or propose this Charter Office budget.
- **City Council and City Council Staff**—It is recommended that the City Council adopt a reduction target, which is achieved through administrative monitoring and controls, and that the City Council achieve it by service reductions within one pay period. The City Administrator has no authority to develop or propose these Charter Offices budget.
- **City Auditor and City Auditor Staff**-- It is recommended that the City Council adopt a reduction target, which is achieved through administrative monitoring and controls, and that the City Auditor achieve it by service reductions within one pay period. The City Administrator has no authority to develop or propose these Charter Offices budget.
- **City Attorney and City Attorney Staff**—It is recommended that the City Council adopt a reduction target, which is achieved through administrative monitoring and controls, and that the City Attorney achieve it by service reductions within one pay period. The City Administrator has no authority to develop or propose these Charter Offices budget.
- **City Administrator/Assistant City Administrators**—The City Administrator is a City Charter position and the proposal balanced budget includes City Charter and/or Ordinance

responsibilities assigned to each of the Assistant City Administrators. Additionally, this core team will be responsible for upholding Successor Agency responsibilities, reporting them to the City Council prior to advancing such actions to the Oversight Board.

- **Police and Fire Sworn Staff**—Current MOUs for both police and fire bargaining group include “no layoff” provisions which prohibit the City Council from taking such action. These MOUs expire in 2015. As Table 1 illustrates, there are no Fire Department services covered by redevelopment funds; however, the Police Department has 17.18 FTEs funded by redevelopment at a cost of \$3,423,518 (FY 2011-2012) and \$3,482,040 (FY 2012-2013), which needs to be funded due to the existing MOU.
- **Police and Fire Dispatchers/Police Evidence Technicians**—First hand observation and discussions with both the Police and Fire Chiefs, and related labor groups, result in the professional recommendation that dispatchers and evidence technicians should not be reduced further given the high volume of calls for service and the City’s priority to public safety. If the City Council desires to reduce this classification, it is recommended that the Departments have at minimum one pay period to change shifts, develop a strategy to answer the existing high volume of police and fire calls for service, and/or alternative methods of completing the critical work performed by evidence technicians.
- **Head Start Program/Senior Aides Program**—Both programs are grant funded and seeded with few General Purpose Fund dollars. It was professionally deemed that it was not in the best interest of the community to advance such a proposal and that it would adversely impact future grant opportunities from the federal government and eliminate critical services offered to vulnerable residents. If the City Council desires to eliminate these programs, staff recommends a minimum extension of up to six pay periods to allow for families to transition and City staff to work with the federal government regarding program changes, etc.
- **Library Specific Classifications**—Library services are highly leveraged by the approved ballot measure which provides for \$9M based on a General Purpose Fund investment of \$3M. If the City Council desires to defund libraries, a minimum of one pay period is needed to outreach to the community the discontinuation of library services.
- **Human Resources**—A select group of staff will be allowed to extend employment by up to two pay periods to implement the citywide layoff process.

The above groups represent the minimum categories that should be exempted and enable the City Council to consider its policy options without concern for expending funds that would be needed if noticing were to occur after the budget were adopted. For instance, it is estimated that for each pay period of delayed City Council action on a budget, the City would need to identify an approximate additional \$1M of cuts to balance the current FY 2011-2012 Budget or draw down the City’s Reserve Fund. It is true that this figure can be lower, if partial action is taken on the part of the City Council—but the bottom line is that a delay will cost additional money.

As already stated, given the magnitude of the problem, insufficient time to implement, extraordinary sequencing, and the funds needed to extend decision-making based on a lack of



noticing, the Administration deemed it prudent to issue layoff notices more broadly. It is deeply acknowledged that this approach is regrettable, escalates stress for the workforce, and that a significant number of employees who receive layoff notices will not be laid off. Unfortunately, this is unavoidable given the necessity to have a concurrent layoff noticing and budget deliberating process for obtaining adoption of an Amended Policy Budget.

#### **IH. LEGISLATIVE ACTIVITIES**

Two Bills have been introduced in response to the California Supreme Court decision regarding redevelopment. SB 659 was introduced last week and it proposes extension of the February 1, 2012 deadline to dissolve redevelopment agencies. It was introduced as urgency legislation which requires 2/3 approval in order to be advanced to the Governor for signature. At the time of this report, this Bill had not been assigned to a Committee and it is unclear whether it can attain the 2/3 needed for approval or if it will be signed by the Governor if it makes it to his desk.

SB 654 was introduced last week and it proposes to amend ABx1 26 in order to allow successor housing agencies to retain unencumbered money in low and moderate income housing fund accounts for the purposes of affordable housing production. This Bill was assigned to and passed out of committee with an 8-0 vote in favor and is headed to the Senate and Assembly floor for vote.

#### **IV. BUDGET BALANCING PRINCIPLES & FINANCIAL MARKET CONSIDERATIONS**

While the need to balance the current and next year's budget is entirely driven by the Court ruling dissolving redevelopment agencies, it is worth noting that this action compounds painful service reductions or eliminations previously made. As part of recent budget balancing processes, the City of Oakland has resolved over \$200M in the aggregate of deficits. This can be an indication of unstable funding strategies employed to support City services, along with unanticipated activity that caused for the City to reconsider its original budget approach. However, despite past budget balancing actions, the City has been able to maintain its credit ratings and maintain a full inventory of community services. Given the importance of a City's credit rating, the following information is shared to add context to these budget deliberations.

#### **CREDIT RATING & FINANCIAL MARKET CONSIDERATIONS**

Compounding this issue is the need to preserve the City's credit ratings and status with financial markets—credit rating agencies are clearly observing how local governments are addressing the Court ruling. In December 2011, the City's credit ratings were confirmed by both Standard & Poor's and Moody's Investor Service (Moody's); however, some comments that predate the Court's Ruling are worth sharing to disclose the fragile state of the City's budget, their

perspectives about the City's condition, and to further demonstrate that any actions taken on the part of the City Council need to integrate the below references:

- "The City must continue to manage expenditures pressures in light of slow revenue growth" [Moody's, Challenges Section];
- "Retirement cost pressures could apply significant strain on the budget in the medium term" [Moody's, Challenges Section];
- "This stable outlook reflects our expectation that the City will continue to effectively manage its budget amid a gradually improving economic environment" [Moody's, Outlook Section];
- "The City's very strong reserves" [Standard & Poor's];
- "The rating strengths are partially tempered by what we consider to be a moderately high overall debt burden as well as our view that the budget remains pressured by a lack of revenue growth and dependence on short-term employee concessions to balance the budget" [Standard & Poor's];
- "Oakland's management practices are considered "strong" under Standard & Poor's Financial Management Assessment (FMA) methodology. An FMA of "strong" indicates our view that practices are strong, well embedded, and likely sustainable" [Standard & Poor's]; and,
- "The stable outlook reflects our review of recent budget actions that have allowed the city to retain a very strong general fund balance, although the budget remains pressured by a lack of revenue growth and dependence of short-term employee concessions to balance the budget. We do not expect to raise the rating during the two-year outlook period due to our anticipation that revenue constraints will continue to limit budget flexibility and our view that a structurally balanced budget would likely require revenue growth to keep pace with inflation and pension contribution costs" [Standard & Poor's].

On January 18, in addition to the above regarding the City's credit rating concerns, bond rating agency Moody's downgraded by one notch all California tax allocation bonds (redevelopment bonds) rated Baa2 and above. It also announced that all California tax allocation bonds would remain on review for a possible downgrade. Moody's cited near term cash flow risks jeopardizing debt service payments as the reason for the downgrade. Concern over timely bond payments is just one of the many unforeseen consequences resulting from implementation of AB 1x 26 (bill requiring a February 1, 2012 deadline to dissolve redevelopment agencies). Below are statements issued by Moody's regarding this action:

Compliance with the requirements of the new legislative framework may prove challenging, particularly in the near term as affected agencies attempt to interpret the law and comply with its specified timelines. Most significantly, in

the new law County Auditor-Controllers are given new auditing requirements to be met by July 1, 2012, and on-going administrative responsibilities that may initially conflict with existing bond indentures. The resolution of any such conflicts according to the new law's property tax reallocation process could take a substantial amount of time, and it is entirely untested. The limited, one-notch downgrade across the Baa2-and-above rating spectrum reflects the broad-based but modest nature of this new risk.

In addition, Moody's cited the following challenges that support its decision: the law establishes an initial allocation of property tax revenues that conflicts with existing bond documents, and the effectiveness of the resolution process on a timely basis is uncertain; the timeframe for property tax disbursements is more restricted than it had been previously, potentially resulting in mismatched receipt and disbursement schedules over the course of a year; and, the new law's audit requirements and sheer complexity may result in unexpected payment delays as legal and administrative clarification is pursued.

Such swift action on the part of a credit rating agency clearly indicates that our actions are being closely monitored, uncertainty exists, and that action on their part is entirely real.

## **BUDGET BALANCING PRINCIPLES**

The following budget balancing principles were used to develop budget proposals and present the City Council with a proposed Amended Policy Budget. While many past budget balancing principles were preserved, additional measures were added to stabilize our limited public funds and investment in essential services:

1. Comply with the Court ruling that calls for the dissolution of redevelopment agencies and the formation of successor entities to "wind down" the activities that previously occurred within those agencies. The dissolution date for redevelopment agencies is February 1, 2012.
2. **Develop** a budget that balances the City's delivery of the most essential services to the community with the resources available.
3. **Resolve** the shortfall with ongoing revenue to fund ongoing expenditures. Allow for one-time funds to be used for the transition of City services. Commit and align one-time resources with one-time costs for programs or projects. **One-time** resources should not be used for on-going costs.
4. Minimize the negative impact on Oakland residents, businesses, and employees.
5. General Purpose Fund revenues shall not be earmarked for any particular purpose, unless required by law or generally accepted accounting principles (GAAP).

6. All Enterprise Funds shall work to become fully self-supporting from revenues generated by rates, fees and charges.
7. Rates, fees and charges should become full cost recovery and the General Purpose Fund should not provide subsidies, unless authorized by the City Council and funds appropriately allocated/appropriated.
8. Ensure that budget balancing approaches have no negative impact, or minimal impact, on future budgets to ensure high standards of fiscal integrity and management--along with the goal and interest of preserving the City's credit ratings.
9. Focus on services for both the short- and long-term that are unique to what a full-service local government should offer. As a goal, analyze all existing services and target service consolidations, reductions, or eliminations in areas where service is less essential.
10. Explore personnel services cost savings, subject to the meet and confer process where applicable. Per January 10, 2012 City Council direction, communicate and request that labor unions consider opening their existing Memorandum of Understanding (MOU) for the purpose of additional compensation concessions or other cost reduction measures.
11. Make every effort, if operationally feasible, to eliminate vacant positions, rather than filled positions, to minimize the number of employee layoffs. As programs are consolidated, reduced or eliminated, ensure that management and administration are reduced as appropriate.
12. Defer any new program commitments and initiatives or program expansions, unless those programs stimulate the local economy, job creation, are cost neutral, generate new revenues, have a significant return on investment for the General Purpose Fund, and/or are funded through redeployment of existing resources.

<b>V. FY 2011-2012 &amp; 2012-2013 AMENDED BALANCED OPERATING BUDGET ACTIONS</b>
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In order to quickly develop an amended balanced Operating Budget for FYs 2011-2012 and 2012-2013, the methodology utilized was to evaluate options in four categories:

1. Cost Containment
2. Labor
3. Revenue
4. Alternative Service Delivery

The above four categories were used to sort through a variety of budget balancing options or concepts. Below is a summary of the amended budget balancing proposals by category: combined, this proposal results in a balanced budget for both the current and next fiscal year.

## COST CONTAINMENT

This category represents immediate measures that the City can put in place to contain expenditures in an effort to minimize on-going service cuts. In the current year, the following concepts have been put in place:

**Successor Agency Expenses (February 1 – May 1)**—The legislation allows for each City to charge redevelopment “wind down” activities from property tax at a rate of up to 5% in FY 2011-12 and 3% each year after. Additionally, during the initial period after dissolution (February 1), but before the oversight board is formed and the Revised Obligation Payment Schedule (ROPS) and administrative budget are approved (by May 1), the City (as Successor Agency) can fund costs listed on our Enforceable Obligations Payment Schedule (EOPS), including staff and administrative costs to the extent they are consistent with the legislation and listed on the EOPS. Specifically, **AB1X 26** provides that successor agencies are required to continue to make payments due for enforceable obligations (34177(a)) and that: until a Recognized Obligation Payment Schedule becomes operative, only payments required pursuant to an enforceable obligations payment schedule shall be made.” (34177(a)(1)) [See Attachment D]

The proposed EOPS for the Successor Agency, and for the transition period February 1 to May 1, will be the operative document. However, not all costs are proposed for payment and staff is proposing to fund only a portion of allowable EOPS expenditures facilitate transition (or “wind down”) and deliver on key projects. Under separate cover, the redevelopment transition plan [Attachment B], policy alternatives available for City Council consideration, and proposed projects will be transmitted and presented as part of the budget process.

**5% FY 2011-2013 Budget Reductions**—The City Administrator requested Agency/Department Directors to propose five percent expenditure reductions to assess immediate cost containment proposals to generate additional revenue to balance the current and next year’s budgets. It’s important to note that not all proposals were accepted, not all departments took cuts, and that this exercise was purely to generate on-going funds to fund services/programs.

**Hiring & Non-Essential Purchases Moratorium**— The City Administrator has implemented a moratorium on hiring City employees and in procuring non-essential purchases across all funds. This allows for the City to assess current state of expenditure, fund balance, and volume of hiring and non-essential purchases to ensure that only the most core activities are approved. Already, the City was prudent in putting in place strict measures to hire employees and make purchases, but this measure puts in place stricter controls until the City Council has the opportunity to deliberate and make policy decisions for FYs 2011-2012 and 2012-2013.

## **LABOR**

This category reflects efforts to obtain direction from the City Council to authorize the City's negotiating team to seek compensation concessions and/or cost reduction measures in an effort to minimize on-going service cuts.

**Compensation Concessions/Cost Reduction Measures**—On January 10, the City Administrator requested that the City Council consider and approve that the City's negotiating team initiate communication with all bargaining groups for the purpose of exploring personal services cost savings, subject to the meet and confer process, where applicable. The City Council approved that direction and on January 11, the City's Employee Relations Manager communicated via letter requesting that each bargaining group consider opening its existing MOU for the purpose of additional compensation concessions or other cost reduction measures. The deadline to integrate any concessions or cost reduction measures was January 17, in order to cost out proposals and include them into the FYs 2011-2012 and 2012-2013 Proposed Amended Policy Budget. As of January 17, no bargaining group affirmatively responded to the City's request. At any time, if there is interest on the part of a bargaining group to respond, the City's negotiating team is prepared to discuss options for FY 2012-2013 and future FYs.

## **REVENUE**

This category outlines short-term opportunities to assess revenue generating opportunities. Medium- and long-term solutions can only be achieved through efforts that require more time and/or other measures not within the City Council's immediate control (e.g., ballot measures, etc.). In the current year, the following revenue generating opportunity will be evaluated:

**100% Cost Recovery for Fees, Rates, and Charges**—As part of the FY 2012-2013 Amended Budget, in summer/fall 2012, the Administration proposes to evaluate the City's fees, rates, and charges to present the City Council with adjustments that achieve 100% , or a higher rate of, cost recovery. Without doubt, staff will be mindful of the balance between affordability of rates, fees, and charges for residents and the need to seek a higher return of revenue.

## **ALTERNATIVE SERVICE DELIVERY**

This category outlines organizational restructuring, service reductions or eliminations, and alternative service delivery methods that are recommended to reduce cost and achieve a balanced Amended Policy Budget. The following reflects a high-level summary of the proposed changes to stabilize the City organization, plan for the future, and provide service within our limited resources:

### ***Organizational Restructuring***

A number of organizational changes are contained in the FY 2011-13 Proposed Amended Budget:

- We are proposing to begin the consolidation of key administrative functions in the Finance and Management Agency (FMA), Department of Human Resources Management (DHRM), and the City Administrator's Office (CAO). This will reduce duplication of effort that currently exists in the City, develop consistency in administrative functions, and lead to efficiencies and financial savings. The plan is under development to further consolidate additional functions into an Administrative Services Agency, which will be presented to the City Council during FY 2012-13.
- The Office of Parks and Recreation and Department of Human Services will be consolidated into the Department of Community Services in FY 12-13. This replaces the action in the FY 2011-13 Adopted Policy Budget to consolidate OPR, DHS, and Library into the Life Enrichment Agency.
- The Parking Division functions will be decentralized to three Agencies, in order to better align with core competencies in those Agencies.
- The Community & Economic Development Agency is dissolved and functions are either no longer completed by the City, or decentralized to the Office of Economic Development, Office of Neighborhood Investment, Department of Housing & Community Development, and the Department of Planning & Neighborhood Preservation.
- We are proposing to begin the consolidation of certain administrative functions in the Fire and Police Departments in order to promote efficiencies in public safety administrative services.

### ***Other Budget Reductions***

In addition to the budget reductions as a result of organizational restructuring, the FY 2011-13 Proposed Amended Budget eliminates functions, positions and non-position expenses across most City agencies and departments. The reductions are across many City funds, not just the General Purpose Fund. Attachment A provides details on each of these changes and below is a summary:

- Mayor and City Council: Reductions are proposed in both offices in an amount equal to 40% of the redevelopment funding previously appropriated to each office.
- City Administrator: In the City Administrator's Office (CAO), reductions in Administration, KTOP, and the Oaklanders' Assistance Center are proposed.

- City Clerk: In the Clerk's Office, one vacant administrative position is proposed for elimination.
- City Attorney: It's proposed that the Office of the City Attorney (OCA) transfer positions, and related costs, to align the distribution of staff with the services they actually provide. It's proposed that a total of 5.89 FTEs, costing approximately \$0.59 million annually, be moved to other funding sources. At the same time, a reduction target has been proposed in an amount equal to 40% of the redevelopment funding previously appropriated to the Office.
- Finance & Management: In the Finance and Management Agency (FMA), the Agency Director position will be frozen, in coordination with the consolidation efforts of the Administrative Services Agency. The Parking Director position will be eliminated and replaced with an Administrative Services Manager, who will manage Parking Enforcement, which is transferred to OPD. FMA will absorb many of the duties previously performed by CEDA-admin, in a more centralized payroll, accounting and budget role.
- Information Technology: As part of the Administrative Services Agency consolidation, the Director of IT position is frozen in this budget proposal. Other changes to IT include transferring 1.3 FTEs to other funds and some reclassification of positions. No position reductions, other than the Director are proposed, and the existing Interim Director will remain to ensure management and leadership during this time of transition to the proposed Administrative Services Department.
- Human Resources: Two Human Resource Manager positions are eliminated, resulting in a savings of \$.4 million. Funding is provided for the Equal Access language and interpretation contract, as well as staff training and support; however, at a fraction of the level that was previously provided.
- Police & Fire Services: In the Police and Fire Departments, the sworn positions and essential public safety functions are being preserved, in line with the Mayor and Council goals. However, to reduce costs and increase efficiency, a consolidation and reduction of some administrative positions are being proposed in this budget. In addition, the number of Neighborhood Service Coordinators is reduced from nine (9) to five (5) for a savings of \$.37 million.
- Library Services: For the Oakland Public Library, no branches will be closed and no service hours will be impacted.
- Human Services: In the Department of Human Services, a number of budget balancing measures are proposed, to save approximately \$0.3 million per year. These include reclassification of positions, elimination of the Youth Commission staffing, reduction in administrative support, and elimination of the 211 Program subsidy. All Community Housing staff remains until at least July 1, 2012, at which time the program funding structure will be evaluated and any proposed changes will be



presented to Council. The Department Director position is eliminated as part of the consolidation proposal.

- Parks & Recreation: This budget preserves the essential Parks and Recreation programs and services. However, measures required to balance the budget include the elimination of 6.77 positions to save \$0.35 million annually, through the adjustment of Recreation Center hours and the reprogramming of the San Antonio Recreation Center and Davie Tennis program. Annual subsidies for the Oakland Zoo, Children's Fairyland and Hacienda Peralta – whose contracts are administered by OPR – are being decreased by 40%. The subsidy for the Jack London Aquatic Center is being eliminated entirely.
- Public Works: The Public Works Agency budget includes a reduction of 23 FTEs across several different funds. The reduction includes the elimination of the 7 FTEs that were previously funded by redevelopment, as well as Administration, Facilities, and Equipment. The reductions will cause the shift for illegal dumping to be reduced from 7-day to 6-days/week. Response times to service calls for illegal dumping will increase from 3 business days to 4-5 business days. The freezing of vacant positions in the Equipment Fund may cause slower vehicle turn-around.
- Community & Economic Development: CEDA is eliminated and reconstituted as the Office of Economic Development, Office of Neighborhood Investment, Department of Housing & Community Development, and the Department of Planning & Neighborhood Preservation. Approximately 45% of CEDA Redevelopment staff will be retained as part of the Successor Agency to complete the wind-down of projects. A total of 42 FTEs are eliminated from the former Agency for FY 11-12 and an additional 2 FTEs in FY 12-13.
- Non-Departmental: This category has limited discretion due to the nature of its expenditures, as most of the budget is for debt and lease obligations, and transfers to other funds, including Kids First. Balancing measures within Non-Departmental include a 40% reduction to both the Art Grants and the Symphony in the Schools programs, which results in an annual savings of \$.3 million.

## VI. MEDIUM-TERM STRUCTURAL CHANGES TO REDUCE COST

As noted earlier, the frequency of budget balancing processes suggests that longer-term corrective action is needed to structurally reduce the risk of expenditures exceeding revenues. To achieve solutions that address such imbalance, the City should consider a combination of medium- and long-term strategies at some point in the near future to provide policy direction that helps plan for future budgets—which will include shortfalls. It is very important to acknowledge that the City has already employed some strategies that have assisted significantly with balancing past budgets: furlough days; drawing down reserves; employee wage concessions; service cuts; and, eliminating wholesale services.

The above recommendations reflect immediate short-term actions for the City Council to consider in order to adopt an Amended Policy Budget. Medium-term options exist for the City Council to consider that require more time, but that may likely generate additional cost savings. Listed below are some medium-term options that surfaced during the period of developing the Amended Policy Budget, it is not an exhaustive list (given time constraints):

**Additional Reorganization**—The Administration will continue to explore additional cost saving reorganization opportunities that minimizes impact to services, but that result in greater efficiencies. The proposed Amended Budget generated a significant amount of funds by eliminating overhead expenditures and “flattening” the organization; however, striking a balance between service delivery, span of control, and program/service management will need to be closely tracked.

**Contracts**—The City should review its inventory of contracts/agreements to seek lower contract amounts or termination of certain contracts to eliminate spending. In addition, as completed in past years, the City should review existing contracts over \$100,000 and seek reductions from vendors. This would require that staff analyze costs, including contractual services, for cost savings opportunities and work with vendors to reach agreement on new pricing structure.

**Non-General Purpose Funds for Clean-Up**—Staff should analyze non-General Purpose Funds for clean-up opportunities, to ensure that internal service charges are at par with current costs, etc.

**100% Cost Recovery for Fees, Rates, and Charges**—As already noted, in summer/fall 2012, the Administration proposes to evaluate the City’s fees, rates, and charges to present the City Council with adjustments that achieve 100%, or a higher rate of, cost recovery. Without doubt, staff and the will be mindful of the balance between affordability of rates, fees, and charges for residents and the need to seek a higher return of revenue: which is entirely a City Council decision, with staff’s responsibility resting on the need to perform the analysis and some transitional recommendations.

**Animal Shelter Transition**—Currently, the City operates an animal shelter for the City. The City should explore whether there are opportunities to employ alternative service delivery models (e.g., contract out, regionalize services, and/or other options that result in a more efficient use of this public asset).

**Public Safety Dispatch Consolidation**—The Police and Fire Departments each has separate dispatch centers and staffing. A review should be completed to evaluate whether there are efficiencies, capacity-building, and/or cost saving opportunities by consolidating these very similar services.

**Consolidated Inspection/Permit Services**—The City has several decentralized inspection services that each require various sets of staff to complete and, from a customer services standpoint, require that residents contact various departments to seek inspection services. The

City should evaluate current service delivery models and identify areas where efficiencies, improved service delivery, and cost savings can be achieved. As a start, we should explore seamless coordination between taxes and permitting and inspections and enforcement, with a goal in mind of facilitating full compliance with not just one, but all of the applicable City mandates that would apply to any scenario. This coordination could see the creation of a “Commercial Compliance Unit,” comprised of nuisance/building code/fire inspection and tax enforcement staff who work on commercial establishments, special business permits, and alcohol related activities. This Unit could coordinate with the Oakland Police Department to handle enforcement of these matters. As an example of our very preliminary thinking on this concept, consolidated inspection services could centralize: Deemed Approved; Special Permits; Bingo; Abandoned Auto; Vehicle Abatement; Second Hand Dealer program; Food Vending; and, over time, other inspection services that would add a higher level of efficiency or cost savings.

#### **VIE LONG-TERM STRUCTURAL CHANGES TO REDUCE COST**

Local and state governments throughout the state and nation have attempted to address structural budget problems by changing fixed business practices. The City has already taken some action to drive longer-term structural change, such as a two-tier pension system and cost-sharing for pension contributions. There are a variety of options for the City Council to consider that may have additional cost savings, offer flexibility for future budget decision-making, and/or may require modernizing. These discussions require significant workforce engagement and, certainly, the City’s bargaining groups must meet and confer on these options, while in once case voter approval is required. First and foremost, however, these long-term options require direction from the City Council to the City Administrator to evaluate and return with appropriate analysis prior to any further direction on how to proceed. In order to more fully understand how to operationalize any of these concepts, a cost-benefit analysis and/or business case analysis would be needed to surface real savings, efficiencies, barriers to implementation, bargaining group implications, and/or new ways of doing business.

Listed below are some long-term options that surfaced during the period of developing the Amended Policy Budget, it is not an exhaustive list (given time constraints):

**Modernized Revenue Structures**—The City Council can direct staff to conduct a full review of all of the City’s tax rates and categorization for the purpose of determining whether the rate structures are aligned with current industry standards.

**City-Owned Surplus Property Strategy**—The City owns a great deal of property which requires significant resources to maintain. An asset management strategy should be developed to determine which properties should remain City owned, which can be rented/leased, shared, and which should be transferred to private owners to allow the most efficient use.

**Convene Labor Management Committee on Healthcare**—Staff can convene the Labor Management Committee to explore strategies related to healthcare benefits provided to the workforce. Possible options for evaluation could include: increased cost sharing, reduced benefit level, increased co-payments, reduced health and dental in-lieu payments, and/or eliminate dual coverage. Estimated cost savings could not be determined until analysis has been completed and direction is set by the City Council.

**Employee Benefits**—Similar to the above effort, cost containment strategies related to the level of employee benefits could be further explored. Possible options for consideration could include: retirement (e.g., pension and retiree healthcare); sick leave payout structure; premium pays or pay associated with certificates, education levels, etc; and, compensation structure (e.g., step increases, overtime eligibility, salary ranges, etc.). Estimated cost savings could not be determined until analysis has been completed and direction is set by the City Council.

**Public/Private Partnerships**—As already mentioned, the City can explore alternative service delivery models that leverage public/private partnerships with a goal of ensuring no service overlaps, reduced and/or shared costs and leveraged pooled purchases based on high volume unit for the purpose of utilizing our resources more efficiently and effectively. The City's partnerships with schools, non-profits, and other public agencies demonstrate a strong model to advance additional partnerships.

**City Policies**--Identify City policy changes that would enable/facilitate service delivery changes that yield cost-savings or other budget balancing strategies.

**Contracting In and Out**—The City Charter, Title 2-Administration and Personnel, Chapter 2.04.020 (E) (Authority of the City Administrator) has the following provision:

- (3) Loss of Employment or Salary. Contracts for professional services or service-only shall not result in the loss of employment or salary by any person having permanent status in the competitive service.

This provision does not allow the City to contract out for services offered by the City, yet available in the local market; however, it should be acknowledged that some services are already obtained through this model. Many local governments have begun the process of outsourcing services traditionally offered through civil service and procuring such services from local and regional markets. The City could look at the whole issue of both contracting in-and out services for the purpose of identifying cost savings and stabilizing services.

**Ballot Measures**—The City's ballot measures that support the library system and youth programs (Kids First) should be evaluated by the City Council to determine if there is a more modern structure that allows for the City to continue to fund library and youth services, but not at the levels envisioned when the City experienced better fiscal conditions. The past budget cycles have been particularly burdened by the requirements to fund the libraries at a certain level (\$9M)

in order to be eligible for voter approved funds (\$14M). Additionally, the youth services funded by the Kids First measure requires that a certain percent be taken from the General Purpose Fund, but the base year is set at a time when revenues were higher; the Measure does not allow the baseline or the set-aside percent to fluctuate based on current economic conditions experienced by the City.

## VIII. CONCLUSION

It is extremely important to note that up until the end of December, the budget for FYs 2011-2012 and 2012-2013 was balanced. The Court's ruling has a devastating impact beyond the Community and Economic Development Agency; it impacts the entire organization. Geographically about half of Oakland is located in a Redevelopment area, so Redevelopment funds have been used to support staff, projects, and programs throughout the City organization. In order to minimize the impact of the dissolution of redevelopment, and because redevelopment funds are sprinkled throughout the organization, the Administration has reorganized various services, departments, and/or functions to generate efficiencies; lower the cost of service delivery models; reduced/eliminated services; and, proposed some medium- and long-term concepts for the City Council to consider in future discussions.

Redevelopment is the only tool that Oakland—like other urban centers in California—can use to turn vacant and underutilized properties into productive, tax revenue-generating and job-producing use. It has also served as a catalyst for private investment to breathe life into areas burdened with deteriorated buildings, environmental contamination, and aging infrastructure that would otherwise lay vacant and nonproductive. As such, Redevelopment funds have been used to support staff, projects, and programs throughout the City organization.

The City's dissolution of its Redevelopment Agency is entirely regrettable and impacts our organization in many ways. As has been already acknowledged, the sequence and process utilized to propose an Amended Policy Budget is not consistent with the standard processes used in past budget balancing processes and this is dictated largely by how the City has used redevelopment funds to support broadly programs, services, and projects that are directly related to redevelopment. This process has caused for the City to develop a larger corrective action that stabilizes the services that were once funded by redevelopment funds, while dissolving the redevelopment agency in the very short time afforded by the State.

In closing, we recognize that this unordinary budget process has placed stress and confusion on the organization; however, without an action on the part of the State Legislature, we must ensure compliance with the Supreme Court decision and achieve a balanced budget by February 1. A better sequenced process was highly desired. The City does not have non-discretionary funds or reserves that can extend implementation of the Court rulings actions with respect to the related staffing. As difficult, and administratively overwhelming, that this process has been, we believe that we have advanced a proposed budget that maximizes public services, preserves to the greatest degree of jobs, and reorganizes this organization to one that is aligned to its resources and best structured to provide quality services to our residents and neighborhoods. We look

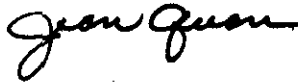
To: HONORABLE CITY COUNCIL

Subject: Proposed Amended Policy Budget, Fiscal Years 2011-2012 and 2012-2013

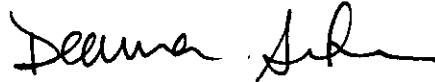
Date: January 23, 2012

Page 28

forward to the opportunity to present this budget for the City Council's consideration on January 25 and 31.



Jean Quan  
Mayor



Deanna J. Santana  
City Administrator

Attachments:

- Attachment A: Redevelopment Elimination Bill: ABx1 26
- Attachment B: Redevelopment Transition Plan
- Attachment C: FY 2011-13 Policy Budget Adjustments
- Attachment D: Department of Finance—Redevelopment Agency Dissolution under ABx1 26, Frequently Asked Questions

# **Attachment A**

Assembly Bill No. 26

CHAPTER 5

An act to amend Sections 33500, 33501, 33607.5, and 33607.7 of, and to add Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 of, the Health and Safety Code, and to add Sections 97.401 and 98.2 to the Revenue and Taxation Code, relating to redevelopment, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor June 28, 2011. Filed with  
Secretary of State June 29, 2011.]

LEGISLATIVE COUNSEL'S DIGEST

AB 26, Blumenfield. Community redevelopment.

(1) The Community Redevelopment Law authorizes the establishment of redevelopment agencies in communities to address the effects of blight, as defined. Existing law provides that an action may be brought to review the validity of the adoption or amendment of a redevelopment plan by an agency, to review the validity of agency findings or determinations, and other agency actions.

This bill would revise the provisions of law authorizing an action to be brought against the agency to determine or review the validity of specified agency actions.

(2) Existing law also requires that if an agency ceases to function, any surplus funds existing after payment of all obligations and indebtedness vest in the community.

The bill would suspend various agency activities and prohibit agencies from incurring indebtedness commencing on the effective date of this act. Effective October 1, 2011, the bill would dissolve all redevelopment agencies and community development agencies in existence and designate successor agencies, as defined, as successor entities. The bill would impose various requirements on the successor agencies and subject successor agency actions to the review of oversight boards, which the bill would establish.

The bill would require county auditor-controllars to conduct an agreed-upon procedures audit of each former redevelopment agency by March 1, 2012. The bill would require the county auditor-controller to determine the amount of property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved and deposit this amount in a Redevelopment Property Tax Trust Fund in the county. Revenues in the trust fund would be allocated to various taxing entities in the county and to cover specified expenses of the former agency. By imposing additional duties upon local public officials, the bill would create a state-mandated local program.



(3) The bill would prohibit a redevelopment agency from issuing new bonds, notes, interim certificates, debentures, or other obligations if any legal challenge to invalidate a provision of this act is successful.

(4) The bill would appropriate \$500,000 to the Department of Finance from the General Fund for administrative costs associated with the bill.

(5) The bill would provide that its provisions take effect only if specified legislation is enacted in the 2011–12 First Extraordinary Session of the Legislature.

(6) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(7) The California Constitution authorizes the Governor to declare a fiscal emergency and to call the Legislature into special session for that purpose. Governor Schwarzenegger issued a proclamation declaring a fiscal emergency, and calling a special session for this purpose, on December 6, 2010. Governor Brown issued a proclamation on January 20, 2011, declaring and reaffirming that a fiscal emergency exists and stating that his proclamation supersedes the earlier proclamation for purposes of that constitutional provision.

This bill would state that it addresses the fiscal emergency declared and reaffirmed by the Governor by proclamation issued on January 20, 2011, pursuant to the California Constitution.

(8) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Appropriation: yes.

*The people of the State of California do enact as follows:*

SECTION 1. The Legislature finds and declares all of the following:

(a) The economy and the residents of this state are slowly recovering from the worst recession since the Great Depression.

(b) State and local governments are still facing incredibly significant declines in revenues and increased need for core governmental services.

(c) Local governments across this state continue to confront difficult choices and have had to reduce fire and police protection among other services.

(d) Schools have faced reductions in funding that have caused school districts to increase class size and layoff teachers, as well as make other hurtful cuts.

(e) Redevelopment agencies have expanded over the years in this state. The expansion of redevelopment agencies has increasingly shifted property taxes away from services provided to schools, counties, special districts, and cities.

(f) Redevelopment agencies take in approximately 12 percent of all of the property taxes collected across this state.

(g) It is estimated that under current law, redevelopment agencies will divert \$5 billion in property tax revenue from other taxing agencies in the 2011–12 fiscal year.

(h) The Legislature has all legislative power not explicitly restricted to it. The California Constitution does not require that redevelopment agencies must exist and, unlike other entities such as counties, does not limit the Legislature's control over that existence. Redevelopment agencies were created by statute and can therefore be dissolved by statute.

(i) Upon their dissolution, any property taxes that would have been allocated to redevelopment agencies will no longer be deemed tax increment. Instead, those 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 balances allocated in accordance with applicable constitutional and statutory provisions.

(j) It is the intent of the Legislature to do all of the following in this act:

(1) Bar existing redevelopment agencies from incurring new obligations, prior to their dissolution.

(2) Allocate property tax revenues to successor agencies for making payments on indebtedness incurred by the redevelopment agency prior to its dissolution and allocate remaining balances in accordance with applicable constitutional and statutory provisions.

(3) Beginning October 1, 2011, allocate these funds according to the existing property tax allocation within each county to make the funds available for cities, counties, special districts, and school and community college districts.

(4) 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 winddown of redevelopment agency affairs.

SEC. 2. Section 33500 of the Health and Safety Code is amended to read:

33500. (a) Notwithstanding any other provision of law, including Section 33501, an action may be brought to review the validity of the adoption or amendment of a redevelopment plan at any time within 90 days after the date of the adoption of the ordinance adopting or amending the plan, if the adoption of the ordinance occurred prior to January 1, 2011.

(b) Notwithstanding any other provision of law, including Section 33501, an action may be brought to review the validity of any findings or determinations by the agency or the legislative body at any time within 90 days after the date on which the agency or the legislative body made those findings or determinations, if the findings or determinations occurred prior to January 1, 2011.

(c) Notwithstanding any other law, including Section 33501, an action may be brought to review the validity of the adoption or amendment of a

redevelopment plan at any time within two years after the date of the adoption of the ordinance adopting or amending the plan, if the adoption of the ordinance occurred after January 1, 2011.

(d) Notwithstanding any other law, including Section 33501, an action may be brought to review the validity of any findings or determinations by the agency or the legislative body at any time within two years after the date on which the agency or the legislative body made those findings or determinations, if the findings or determinations occurred after January 1, 2011.

SEC. 3. Section 33501 of the Health and Safety Code is amended to read:

33501. (a) An action may be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity of bonds and the redevelopment plan to be financed or refinanced, in whole or in part, by the bonds, or to determine the validity of a redevelopment plan not financed by bonds, including without limiting the generality of the foregoing, the legality and validity of all proceedings theretofore taken for or in any way connected with the establishment of the agency, its authority to transact business and exercise its powers, the designation of the survey area, the selection of the project area, the formulation of the preliminary plan, the validity of the finding and determination that the project area is predominantly urbanized, and the validity of the adoption of the redevelopment plan, and also including the legality and validity of all proceedings theretofore taken and (as provided in the bond resolution) proposed to be taken for the authorization, issuance, sale, and delivery of the bonds, and for the payment of the principal thereof and interest thereon.

(b) Notwithstanding subdivision (a), an action to determine the validity of a redevelopment plan, or amendment to a redevelopment plan that was adopted prior to January 1, 2011, may be brought within 90 days after the date of the adoption of the ordinance adopting or amending the plan.

(c) Any action that is commenced on or after January 1, 2011, which is brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity or legality of any issue, document, or action described in subdivision (a), may be brought within two years after any triggering event that occurred after January 1, 2011.

(d) For the purposes of protecting the interests of the state, the Attorney General and the Department of Finance are interested persons pursuant to Section 863 of the Code of Civil Procedure in any action brought with respect to the validity of an ordinance adopting or amending a redevelopment plan pursuant to this section.

(e) For purposes of contesting the inclusion in a project area of lands that are enforceably restricted, as that term is defined in Sections 422 and 422.5 of the Revenue and Taxation Code, or lands that are in agricultural use, as defined in subdivision (b) of Section 51201 of the Government Code, the Department of Conservation, the county agricultural commissioner, the

county farm bureau, the California Farm Bureau Federation, and agricultural entities and general farm organizations that provide a written request for notice, are interested persons pursuant to Section 863 of the Code of Civil Procedure, in any action brought with respect to the validity of an ordinance adopting or amending a redevelopment plan pursuant to this section.

SEC. 4. Section 33607.5 of the Health and Safety Code is amended to read:

33607.5. (a) (1) This section shall apply to each redevelopment project area that, pursuant to a redevelopment plan which contains the provisions required by Section 33670, is either: (A) adopted on or after January 1, 1994, including later amendments to these redevelopment plans; or (B) adopted prior to January 1, 1994, but amended, after January 1, 1994, to include new territory. For plans amended after January 1, 1994, only the tax increments from territory added by the amendment shall be subject to this section. All the amounts calculated pursuant to this section shall be calculated after the amount required to be deposited in the Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.3, and 33334.6 has been deducted from the total amount of tax increment funds received by the agency in the applicable fiscal year.

(2) The payments made pursuant to this section shall be in addition to any amounts the affected taxing entities receive pursuant to subdivision (a) of Section 33670. The payments made pursuant to this section to the affected taxing entities, including the community, shall be allocated among the affected taxing entities, including the community if the community elects to receive payments, in proportion to the percentage share of property taxes each affected taxing entity, including the community, receives during the fiscal year the funds are allocated, which percentage share shall be determined without regard to any amounts allocated to a city, a city and county, or a county pursuant to Sections 97.68 and 97.70 of the Revenue and Taxation Code, and without regard to any allocation reductions to a city, a city and county, a county, a special district, or a redevelopment agency pursuant to Sections 97.71, 97.72, and 97.73 of the Revenue and Taxation Code and Section 33681.12. The agency shall reduce its payments pursuant to this section to an affected taxing entity by any amount the agency has paid, directly or indirectly, pursuant to Section 33445, 33445.5, 33445.6, 33446, or any other provision of law other than this section for, or in connection with, a public facility owned or leased by that affected taxing entity, except: (A) any amounts the agency has paid directly or indirectly pursuant to an agreement with a taxing entity adopted prior to January 1, 1994; or (B) any amounts that are unrelated to the specific project area or amendment governed by this section. The reduction in a payment by an agency to a school district, community college district, or county office of education, or for special education, shall be subtracted only from the amount that otherwise would be available for use by those entities for educational facilities pursuant to paragraph (4). If the amount of the reduction exceeds the amount that otherwise would have been available for use for educational

facilities in any one year, the agency shall reduce its payment in more than one year.

(3) If an agency reduces its payment to a school district, community college district, or county office of education, or for special education, the agency shall do all of the following:

(A) Determine the amount of the total payment that would have been made without the reduction.

(B) Determine the amount of the total payment without the reduction which: (i) would have been considered property taxes; and (ii) would have been available to be used for educational facilities pursuant to paragraph

(4).

(C) Reduce the amount available to be used for educational facilities.

(D) Send the payment to the school district, community college district, or county office of education, or for special education, with a statement that the payment is being reduced and including the calculation required by this subdivision showing the amount to be considered property taxes and the amount, if any, available for educational facilities.

(4) (A) Except as specified in subparagraph (E), of the total amount paid each year pursuant to this section to school districts, 43.3 percent shall be considered to be property taxes for the purposes of paragraph (1) of subdivision (h) of Section 42238 of the Education Code, and 56.7 percent shall not be considered to be property taxes for the purposes of that section and shall be available to be used for educational facilities, including, in the case of amounts paid during the 2011–12 fiscal year through the 2015–16 fiscal year, inclusive, land acquisition, facility construction, reconstruction, remodeling, maintenance, or deferred maintenance.

(B) Except as specified in subparagraph (E), of the total amount paid each year pursuant to this section to community college districts, 47.5 percent shall be considered to be property taxes for the purposes of Section 84751 of the Education Code, and 52.5 percent shall not be considered to be property taxes for the purposes of that section and shall be available to be used for educational facilities, including, in the case of amounts paid during the 2011–12 fiscal year through the 2015–16 fiscal year, inclusive, land acquisition, facility construction, reconstruction, remodeling, maintenance, or deferred maintenance.

(C) Except as specified in subparagraph (E), of the total amount paid each year pursuant to this section to county offices of education, 19 percent shall be considered to be property taxes for the purposes of Section 2558 of the Education Code, and 81 percent shall not be considered to be property taxes for the purposes of that section and shall be available to be used for educational facilities, including, in the case of amounts paid during the 2011–12 fiscal year through the 2015–16 fiscal year, inclusive, land acquisition, facility construction, reconstruction, remodeling, maintenance, or deferred maintenance.

(D) Except as specified in subparagraph (E), of the total amount paid each year pursuant to this section for special education, 19 percent shall be considered to be property taxes for the purposes of Section 56712 of the

Education Code, and 81 percent shall not be considered to be property taxes for the purposes of that section and shall be available to be used for education facilities, including, in the case of amounts paid during the 2011–12 fiscal year through the 2015–16 fiscal year, inclusive, land acquisition, facility construction, reconstruction, remodeling, maintenance, or deferred maintenance.

(E) If, pursuant to paragraphs (2) and (3), an agency reduces its payments to an educational entity, the calculation made by the agency pursuant to paragraph (3) shall determine the amount considered to be property taxes and the amount available to be used for educational facilities in the year the reduction was made.

(5) Local education agencies that use funds received pursuant to this section for school facilities shall spend these funds at schools that are: (A) within the project area, (B) attended by students from the project area, (C) attended by students generated by projects that are assisted directly by the redevelopment agency, or (D) determined by the governing board of a local education agency to be of benefit to the project area.

(b) Commencing with the first fiscal year in which the agency receives tax increments and continuing through the last fiscal year in which the agency receives tax increments, a redevelopment agency shall pay to the affected taxing entities, including the community if the community elects to receive a payment, an amount equal to 25 percent of the tax increments received by the agency after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted. In any fiscal year in which the agency receives tax increments, the community that has adopted the redevelopment project area may elect to receive the amount authorized by this paragraph.

(c) Commencing with the 11th fiscal year in which the agency receives tax increments and continuing through the last fiscal year in which the agency receives tax increments, a redevelopment agency shall pay to the affected taxing entities, other than the community which has adopted the project, in addition to the amounts paid pursuant to subdivision (b) and after deducting the amount allocated to the Low and Moderate Income Housing Fund, an amount equal to 21 percent of the portion of tax increments received by the agency, which shall be calculated by applying the tax rate against the amount of assessed value by which the current year assessed value exceeds the first adjusted base year assessed value. The first adjusted base year assessed value is the assessed value of the project area in the 10th fiscal year in which the agency receives tax increment revenues.

(d) Commencing with the 31st fiscal year in which the agency receives tax increments and continuing through the last fiscal year in which the agency receives tax increments, a redevelopment agency shall pay to the affected taxing entities, other than the community which has adopted the project, in addition to the amounts paid pursuant to subdivisions (b) and (c) and after deducting the amount allocated to the Low and Moderate Income Housing Fund, an amount equal to 14 percent of the portion of tax increments received by the agency, which shall be calculated by applying the tax rate

against the amount of assessed value by which the current year assessed value exceeds the second adjusted base year assessed value. The second adjusted base year assessed value is the assessed value of the project area in the 30th fiscal year in which the agency receives tax increments.

(e) (1) Prior to incurring any loans, bonds, or other indebtedness, except loans or advances from the community, the agency may subordinate to the loans, bonds, or other indebtedness the amount required to be paid to an affected taxing entity by this section, provided that the affected taxing entity has approved these subordinations pursuant to this subdivision.

(2) At the time the agency requests an affected taxing entity to subordinate the amount to be paid to it, the agency shall provide the affected taxing entity with substantial evidence that sufficient funds will be available to pay both the debt service and the payments required by this section, when due.

(3) Within 45 days after receipt of the agency's request, the affected taxing entity shall approve or disapprove the request for subordination. An affected taxing entity may disapprove a request for subordination only if it finds, based upon substantial evidence, that the agency will not be able to pay the debt payments and the amount required to be paid to the affected taxing entity. If the affected taxing entity does not act within 45 days after receipt of the agency's request, the request to subordinate shall be deemed approved and shall be final and conclusive.

(f) (1) The Legislature finds and declares both of the following:

(A) The payments made pursuant to this section are necessary in order to alleviate the financial burden and detriment that affected taxing entities may incur as a result of the adoption of a redevelopment plan, and payments made pursuant to this section will benefit redevelopment project areas.

(B) The payments made pursuant to this section are the exclusive payments that are required to be made by a redevelopment agency to affected taxing entities during the term of a redevelopment plan.

(2) Notwithstanding any other provision of law, a redevelopment agency shall not be required, either directly or indirectly, as a measure to mitigate a significant environmental effect or as part of any settlement agreement or judgment brought in any action to contest the validity of a redevelopment plan pursuant to Section 33501, to make any other payments to affected taxing entities, or to pay for public facilities that will be owned or leased to an affected taxing entity.

(g) As used in this section, a "local education agency" is a school district, a community college district, or a county office of education.

SEC. 5. Section 33607.7 of the Health and Safety Code is amended to read:

33607.7. (a) This section shall apply to a redevelopment plan amendment for any redevelopment plans adopted prior to January 1, 1994, that increases the limitation on the number of dollars to be allocated to the redevelopment agency or that increases, or eliminates pursuant to paragraph (1) of subdivision (e) of Section 33333.6, the time limit on the establishing of loans, advances, and indebtedness established pursuant to paragraphs (1)

and (2) of subdivision (a) of Section 33333.6, as those paragraphs read on December 31, 2001, or that lengthens the period during which the redevelopment plan is effective if the redevelopment plan being amended contains the provisions required by subdivision (b) of Section 33670. However, this section shall not apply to those redevelopment plans that add new territory.

(b) If a redevelopment agency adopts an amendment that is governed by the provisions of this section, it shall pay to each affected taxing entity either of the following:

(1) If an agreement exists that requires payments to the taxing entity, the amount required to be paid by an agreement between the agency and an affected taxing entity entered into prior to January 1, 1994.

(2) If an agreement does not exist, the amounts required pursuant to subdivisions (b), (c), (d), and (e) of Section 33607.5, until termination of the redevelopment plan, calculated against the amount of assessed value by which the current year assessed value exceeds an adjusted base year assessed value. The amounts shall be allocated between property taxes and educational facilities, including, in the case of amounts paid during the 2011–12 fiscal year through the 2015–16 fiscal year, inclusive, land acquisition, facility construction, reconstruction, remodeling, maintenance, or deferred maintenance, according to the appropriate formula in paragraph (3) of subdivision (a) of Section 33607.5. In determining the applicable amount under Section 33607.5, the first fiscal year shall be the first fiscal year following the fiscal year in which the adjusted base year value is determined.

(c) The adjusted base year assessed value shall be the assessed value of the project area in the year in which the limitation being amended would have taken effect without the amendment or, if more than one limitation is being amended, the first year in which one or more of the limitations would have taken effect without the amendment. The agency shall commence making these payments pursuant to the terms of the agreement, if applicable, or, if an agreement does not exist, in the first fiscal year following the fiscal year in which the adjusted base year value is determined.

SEC. 6. Part 1.8 (commencing with Section 34161) is added to Division 24 of the Health and Safety Code, to read:

PART 1.8. RESTRICTIONS ON REDEVELOPMENT AGENCY OPERATIONS

CHAPTER 1. SUSPENSION OF AGENCY ACTIVITIES AND PROHIBITION ON CREATION OF NEW DEBTS

34161. Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this part, no agency shall incur new or expand existing monetary or legal obligations except as provided in this



part. All of the provisions of this part shall take effect and be operative on the effective date of the act adding this part.

34162. (a) Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this act, an agency shall be unauthorized and shall not take any action to incur indebtedness, including, but not limited to, any of the following:

(1) Issue or sell bonds, for any purpose, regardless of the source of repayment of the bonds. As used in this section, the term “bonds,” includes, but is not limited to, any bonds, notes, bond anticipation notes, interim certificates, debentures, certificates of participation, refunding bonds, or other obligations issued by an agency pursuant to Part 1 (commencing with Section 33000), and Section 53583 of the Government Code, pursuant to any charter city authority or any revenue bond law.

(2) Incur indebtedness payable from prohibited sources of repayment, which include, but are not limited to, income and revenues of an agency’s redevelopment projects, taxes allocated to the agency, taxes imposed by the agency pursuant to Section 7280.5 of the Revenue and Taxation Code, assessments imposed by the agency, loan repayments made to the agency pursuant to Section 33746, fees or charges imposed by the agency, other revenues of the agency, and any contributions or other financial assistance from the state or federal government.

(3) Refund, restructure, or refinance indebtedness or obligations that existed as of January 1, 2011, including, but not limited to, any of the following:

(A) Refund bonds previously issued by the agency or by another political subdivision of the state, including, but not limited to, those issued by a city, a housing authority, or a nonprofit corporation acting on behalf of a city or a housing authority.

(B) Exercise the right of optional redemption of any of its outstanding bonds or elect to purchase any of its own outstanding bonds.

(C) Modify or amend the terms and conditions, payment schedules, amortization or maturity dates of any of the agency’s bonds or other obligations that are outstanding or exist as of January 1, 2011.

(4) Take out or accept loans or advances, for any purpose, from the state or the federal government, any other public agency, or any private lending institution, or from any other source. For purposes of this section, the term “loans” include, but are not limited to, agreements with the community or any other entity for the purpose of refinancing a redevelopment project and moneys advanced to the agency by the community or any other entity for the expenses of redevelopment planning, expenses for dissemination of redevelopment information, other administrative expenses, and overhead of the agency.

(5) Execute trust deeds or mortgages on any real or personal property owned or acquired by it.

(6) Pledge or encumber, for any purpose, any of its revenues or assets. As used in this part, an agency's "revenues and assets" include, but are not limited to, agency tax revenues, redevelopment project revenues, other agency revenues, deeds of trust and mortgages held by the agency, rents, fees, charges, moneys, accounts receivable, contracts rights, and other rights to payment of whatever kind or other real or personal property. As used in this part, to "pledge or encumber" means to make a commitment of, by the grant of a lien on and a security interest in, an agency's revenues or assets, whether by resolution, indenture, trust agreement, loan agreement, lease, installment sale agreement, reimbursement agreement, mortgage, deed of trust, pledge agreement, or similar agreement in which the pledge is provided for or created.

(b) Any actions taken that conflict with this section are void from the outset and shall have no force or effect.

(c) Notwithstanding subdivision (a), a redevelopment agency may issue refunding bonds, which are referred to in this part as Emergency Refunding Bonds, only where all of the following conditions are met:

(1) The issuance of Emergency Refunding Bonds is the only means available to the agency to avoid a default on outstanding agency bonds.

(2) Both the county treasurer and the Treasurer have approved the issuance of Emergency Refunding Bonds.

(3) Emergency Refunding Bonds are issued only to provide funds for any single debt service payment that is due prior to October 1, 2011, and that is more than 20 percent larger than a level debt service payment would be for that bond.

(4) The principal amount of outstanding agency bonds is not increased.

34163. Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this part, an agency shall not have the authority to, and shall not, do any of the following:

(a) Make loans or advances or grant or enter into agreements to provide funds or provide financial assistance of any sort to any entity or person for any purpose, including, but not limited to, all of the following:

(1) Loans of moneys or any other thing of value or commitments to provide financing to nonprofit organizations to provide those organizations with financing for the acquisition, construction, rehabilitation, refinancing, or development of multifamily rental housing or the acquisition of commercial property for lease, each pursuant to Chapter 7.5 (commencing with Section 33741) of Part 1.

(2) Loans of moneys or any other thing of value for residential construction, improvement, or rehabilitation pursuant to Chapter 8 (commencing with Section 33750) of Part 1. These include, but are not limited to, construction loans to purchasers of residential housing, mortgage loans to purchasers of residential housing, and loans to mortgage lenders, or any other entity, to aid in financing pursuant to Chapter 8 (commencing with Section 33750).

(3) The purchase, by an agency, of mortgage or construction loans from mortgage lenders or from any other entities.

(b) Enter into contracts with, incur obligations, or make commitments to, any entity, whether governmental, tribal, or private, or any individual or groups of individuals for any purpose, including, but not limited to, loan agreements, passthrough agreements, regulatory agreements, services contracts, leases, disposition and development agreements, joint exercise of powers agreements, contracts for the purchase of capital equipment, agreements for redevelopment activities, including, but not limited to, agreements for planning, design, redesign, development, demolition, alteration, construction, reconstruction, rehabilitation, site remediation, site development or improvement, removal of graffiti, land clearance, and seismic retrofits.

(c) Amend or modify existing agreements, obligations, or commitments with any entity, for any purpose, including, but not limited to, any of the following:

(1) Renewing or extending term of leases or other agreements, except that the agency may extend lease space for its own use to a date not to exceed six months after the effective date of the act adding this part and for a rate no more than 5 percent above the rate the agency currently pays on a monthly basis.

(2) Modifying terms and conditions of existing agreements, obligations, or commitments.

(3) Forgiving all or any part of the balance owed to the agency on existing loans or extend the term or change the terms and conditions of existing loans.

(4) Increasing its deposits to the Low and Moderate Income Housing Fund created pursuant to Section 33334.3 beyond the minimum level that applied to it as of January 1, 2011.

(5) Transferring funds out of the Low and Moderate Income Housing Fund, except to meet the minimum housing-related obligations that existed as of January 1, 2011, to make required payments under Sections 33690 and 33690.5, and to borrow funds pursuant to Section 34168.5.

(d) Dispose of assets by sale, long-term lease, gift, grant, exchange, transfer, assignment, or otherwise, for any purpose, including, but not limited to, any of the following:

(1) Assets, including, but not limited to, real property, deeds of trust, and mortgages held by the agency, moneys, accounts receivable, contract rights, proceeds of insurance claims, grant proceeds, settlement payments, rights to receive rents, and any other rights to payment of whatever kind.

(2) Real property, including, but not limited to, land, land under water and waterfront property, buildings, structures, fixtures, and improvements on the land, any property appurtenant to, or used in connection with, the land, every estate, interest, privilege, easement, franchise, and right in land, including rights-of-way, terms for years, and liens, charges, or encumbrances by way of judgment, mortgage, or otherwise, and the indebtedness secured by the liens.

(e) Acquire real property by any means for any purpose, including, but not limited to, the purchase, lease, or exercising of an option to purchase or lease, exchange, subdivide, transfer, assume, obtain option upon, acquire by gift, grant, bequest, devise, or otherwise acquire any real property, any interest in real property, and any improvements on it, including the repurchase of developed property previously owned by the agency and the acquisition of real property by eminent domain; provided, however, that nothing in this subdivision is intended to prohibit the acceptance or transfer of title for real property acquired prior to the effective date of this part.

(f) Transfer, assign, vest, or delegate any of its assets, funds, rights, powers, ownership interests, or obligations for any purpose to any entity, including, but not limited to, the community, the legislative body, another member of a joint powers authority, a trustee, a receiver, a partner entity, another agency, a nonprofit corporation, a contractual counterparty, a public body, a limited-equity housing cooperative, the state, a political subdivision of the state, the federal government, any private entity, or an individual or group of individuals.

(g) Accept financial or other assistance from the state or federal government or any public or private source if the acceptance necessitates or is conditioned upon the agency incurring indebtedness as that term is described in this part.

34164. Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this part, an agency shall lack the authority to, and shall not, engage in any of the following redevelopment activities:

(a) Prepare, approve, adopt, amend, or merge a redevelopment plan, including, but not limited to, modifying, extending, or otherwise changing the time limits on the effectiveness of a redevelopment plan.

(b) Create, designate, merge, expand, or otherwise change the boundaries of a project area.

(c) Designate a new survey area or modify, extend, or otherwise change the boundaries of an existing survey area.

(d) Approve or direct or cause the approval of any program, project, or expenditure where approval is not required by law.

(e) Prepare, formulate, amend, or otherwise modify a preliminary plan or cause the preparation, formulation, modification, or amendment of a preliminary plan.

(f) Prepare, formulate, amend, or otherwise modify an implementation plan or cause the preparation, formulation, modification, or amendment of an implementation plan.

(g) Prepare, formulate, amend, or otherwise modify a relocation plan or cause the preparation, formulation, modification, or amendment of a relocation plan where approval is not required by law.

(h) Prepare, formulate, amend, or otherwise modify a redevelopment housing plan or cause the preparation, formulation, modification, or amendment of a redevelopment housing plan.

(i) Direct or cause the development, rehabilitation, or construction of housing units within the community, unless required to do so by an enforceable obligation.

(j) Make or modify a declaration or finding of blight, blighted areas, or slum and blighted residential areas.

(k) Make any new findings or declarations that any areas of blight cannot be remedied or redeveloped by private enterprise alone.

(l) Provide or commit to provide relocation assistance, except where the provision of relocation assistance is required by law.

(m) Provide or commit to provide financial assistance.

34165. Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this part, an agency shall lack the authority to, and shall not, do any of the following:

(a) Enter into new partnerships, become a member in a joint powers authority, form a joint powers authority, create new entities, or become a member of any entity of which it is not currently a member, nor take on nor agree to any new duties or obligations as a member or otherwise of any entity to which the agency belongs or with which it is in any way associated.

(b) Impose new assessments pursuant to Section 7280.5 of the Revenue and Taxation Code.

(c) Increase the pay, benefits, or contributions of any sort for any officer, employee, consultant, contractor, or any other goods or service provider that had not previously been contracted.

(d) Provide optional or discretionary bonuses to any officers, employees, consultants, contractors, or any other service or goods providers.

(e) Increase numbers of staff employed by the agency beyond the number employed as of January 1, 2011.

(f) Bring an action pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity of any issuance or proposed issuance of revenue bonds under this chapter and the legality and validity of all proceedings previously taken or proposed in a resolution of an agency to be taken for the authorization, issuance, sale, and delivery of the revenue bonds and for the payment of the principal thereof and interest thereon.

(g) Begin any condemnation proceeding or begin the process to acquire real property by eminent domain.

(h) Prepare or have prepared a draft environmental impact report. This subdivision shall not alter or eliminate any requirements of the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

34166. No legislative body or local governmental entity shall have any statutory authority to create or otherwise establish a new redevelopment

agency or community development commission. No chartered city or chartered county shall exercise the powers granted in Part 1 (commencing with Section 33000) to create or otherwise establish a redevelopment agency.

34167. (a) This part is intended to preserve, to the maximum extent possible, the revenues and assets of redevelopment agencies so that those assets and revenues that are not needed to pay for enforceable obligations may be used by local governments to fund core governmental services including police and fire protection services and schools. It is the intent of the Legislature that redevelopment agencies take no actions that would further deplete the corpus of the agencies' funds regardless of their original source. All provisions of this part shall be construed as broadly as possible to support this intent and to restrict the expenditure of funds to the fullest extent possible.

(b) For purposes of this part, "agency" or "redevelopment agency" means a redevelopment agency created or formed pursuant to Part 1 (commencing with Section 33000) or its predecessor or a community development commission created or formed pursuant to Part 1.7 (commencing with Section 34100) or its predecessor.

(c) Nothing in this part in any way impairs the authority of a community development commission, other than in its authority to act as a redevelopment agency, to take any actions in its capacity as a housing authority or for any other community development purpose of the jurisdiction in which it operates.

(d) For purposes of this part, "enforceable obligation" means any of the following:

(1) Bonds, as defined by Section 33602 and bonds issued pursuant to Section 5850 of the Government Code, including the required debt service, reserve set-asides and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the redevelopment agency.

(2) Loans of moneys borrowed by the redevelopment agency for a lawful purpose, including, but not limited to, moneys borrowed from the Low and Moderate Income Housing Fund, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms.

(3) Payments required by the federal government, preexisting obligations to the state or obligations imposed by state law, other than passthrough payments that are made by the county auditor-controller pursuant to Section 34183, or legally enforceable payments required in connection with the agencies' employees, including, but not limited to, pension payments, pension obligation debt service, and unemployment payments.

(4) Judgments or settlements entered by a competent court of law or binding arbitration decisions against the former redevelopment agency, other than passthrough payments that are made by the county auditor-controller pursuant to Section 34183. Along with the successor agency, the oversight board shall have the authority and standing to appeal any judgment or to set aside any settlement or arbitration decision.

(5) Any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy.

(6) Contracts or agreements necessary for the continued administration or operation of the redevelopment agency to the extent permitted by this part, including, but not limited to, agreements to purchase or rent office space, equipment and supplies, and pay-related expenses pursuant to Section 33127 and for carrying insurance pursuant to Section 33134.

(e) To the extent that any provision of Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), or Part 1.7 (commencing with Section 34100) conflicts with this part, the provisions of this part shall control. Further, if any provision in Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), or Part 1.7 (commencing with Section 34100) provides an authority that this part is restricting or eliminating, the restriction and elimination provisions of this part shall control.

(f) Nothing in this part shall be construed to interfere with a redevelopment agency's authority, pursuant to enforceable obligations as defined in this chapter, to (1) make payments due, (2) enforce existing covenants and obligations, or (3) perform its obligations.

(g) The existing terms of any memorandum of understanding with an employee organization representing employees of a redevelopment agency adopted pursuant to the Meyers-Milias-Brown Act that is in force on the effective date of this part shall continue in force until September 30, 2011, unless a new agreement is reached with a recognized employee organization prior to that date.

(h) After the enforceable obligation payment schedule is adopted pursuant to Section 34169, or after 60 days from the effective date of this part, whichever is sooner, the agency shall not make a payment unless it is listed in an adopted enforceable obligation payment schedule, other than payments required to meet obligations with respect to bonded indebtedness.

(i) The Department of Finance and the Controller shall each have the authority to require any documents associated with the enforceable obligations to be provided to them in a manner of their choosing. Any taxing entity, the department, and the Controller shall each have standing to file a judicial action to prevent a violation under this part and to obtain injunctive or other appropriate relief.

(j) For purposes of this part, "auditor-controller" means the officer designated in subdivision (e) of Section 24000 of the Government Code.

34167.5. Commencing on the effective date of the act adding this part, the Controller shall review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency or any other public agency, and the redevelopment agency. If such an asset transfer did occur during that period and the government agency that received the assets is not contractually committed to a third party for the expenditure or encumbrance of those assets, to the

extent not prohibited by state and federal law, the Controller shall order the available assets to be returned to the redevelopment agency or, on or after October 1, 2011, to the successor agency, if a successor agency is established pursuant to Part 1.85 (commencing with Section 34170). Upon receiving such an order from the Controller, an affected local agency shall, as soon as practicable, reverse the transfer and return the applicable assets to the redevelopment agency or, on or after October 1, 2011, to the successor agency, if a successor agency is established pursuant to Part 1.85 (commencing with Section 34170). The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in the furtherance of the Community Redevelopment Law and is thereby unauthorized.

34168. (a) Notwithstanding any other law, any action contesting the validity of this part or Part 1.85 (commencing with Section 34170) or challenging acts taken pursuant to these parts shall be brought in the Superior Court of the County of Sacramento.

(b) If any provision of this part or the application thereof to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this part which can be given effect without the invalid provision or application, and to this end, the provisions of this part are severable.

#### CHAPTER 2. REDEVELOPMENT AGENCY RESPONSIBILITIES

34169. Until successor agencies are authorized pursuant to Part 1.85 (commencing with Section 34170), redevelopment agencies shall do all of the following:

(a) Continue to make all scheduled payments for enforceable obligations, as defined in subdivision (d) of Section 34167.

(b) Perform obligations required pursuant to any enforceable obligations, including, but not limited to, observing covenants for confining disclosure obligations and those aimed at preserving the tax-exempt status of interest payable on any outstanding agency bonds.

(c) Set aside or maintain reserves in the amount required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds.

(d) Consistent with the intent declared in subdivision (a) of Section 34167, preserve all assets, minimize all liabilities, and preserve all records of the redevelopment agency.

(e) Cooperate with the successor agencies, if established pursuant to Part 1.85 (commencing with Section 34170), and provide all records and information necessary or desirable for audits, making of payments required by enforceable obligations, and performance of enforceable obligations by the successor agencies.



(f) Take all reasonable measures to avoid triggering an event of default under any enforceable obligations as defined in subdivision (d) of Section 34167.

(g) (1) Within 60 days of the effective date of this part, adopt an Enforceable Obligation Payment Schedule that lists all of the obligations that are enforceable within the meaning of subdivision (d) of Section 34167 which includes the following information about each obligation:

(A) The project name associated with the obligation.

(B) The payee.

(C) A short description of the nature of the work, product, service, facility, or other thing of value for which payment is to be made.

(D) The amount of payments obligated to be made, by month, through December 2011.

(2) Payment schedules for issued bonds may be aggregated, and payment schedules for payments to employees may be aggregated. This schedule shall be adopted at a public meeting and shall be posted on the agency's Internet Web site or, if no Internet Web site exists, on the Internet Web site of the legislative body, if that body has an Internet Web site. The schedule may be amended at any public meeting of the agency. Amendments shall be posted to the Internet Web site for at least three business days before a payment may be made pursuant to an amendment. The Enforceable Obligation Payment Schedule shall be transmitted by mail or electronic means to the county auditor-controller, the Controller, and the Department of Finance. A notification providing the Internet Web site location of the posted schedule and notifications of any amendments shall suffice to meet this requirement.

(h) Prepare a preliminary draft of the initial recognized obligation payment schedule, no later than September 30, 2011, and provide it to the successor agency, if a successor agency is established pursuant to Part 1.85 (commencing with Section 34170).

(i) The Department of Finance may review a redevelopment agency action taken pursuant to subdivision (g) or (h). As such, all agency actions shall not be effective for three business days, pending a request for review by the department. Each agency shall designate an official to whom the department may make these requests and who shall provide the department with the telephone number and e-mail contact information for the purpose of communicating with the department pursuant to this subdivision. In the event that the department requests a review of a given agency action, the department shall have 10 days from the date of its request to approve the agency action or return it to the agency for reconsideration and this action shall not be effective until approved by the department. In the event that the department returns the agency action to the agency for reconsideration, the agency must resubmit the modified action for department approval and the modified action shall not become effective until approved by the department. This subdivision shall apply to a successor agency, if a successor agency is established pursuant to Part 1.85 (commencing with Section 34170), as a successor entity to a dissolved redevelopment agency, with

respect to the preliminary draft of the initial recognized obligation payment schedule.

CHAPTER 3. APPLICATION OF PART TO FORMER PARTICIPANTS OF THE  
ALTERNATIVE VOLUNTARY REDEVELOPMENT PROGRAM

34169.5. (a) It is the intent of the Legislature that a redevelopment agency, that formerly operated pursuant to the Alternative Voluntary Redevelopment Program (Part 1.9 (commencing with Section 34192)), but that becomes subject to this part pursuant to Section 34195, shall be subject to all of the requirements of this part, except that dates and deadlines shall be appropriately modified, as provided in this section, to reflect the date that the agency becomes subject to this part.

(b) For purposes of a redevelopment agency that becomes subject to this part pursuant to Section 34195, the following shall apply:

(1) Any reference to "January 1, 2011," shall be construed to mean January 1 of the year preceding the year that the redevelopment agency became subject to this part, but no earlier than January 1, 2011.

(2) Any reference to a date "60 days from the effective date of this part" shall be construed to mean 60 days from the date that the redevelopment agency becomes subject to this part.

(3) Except as provided in paragraphs (1) and (2), any reference to a date certain shall be construed to be the date, measured from the date that the redevelopment agency became subject to this part, that is equivalent to the duration of time between the effective date of this part and the date certain identified in statute.

SEC. 7. Part 1.85 (commencing with Section 34170) is added to Division 24 of the Health and Safety Code, to read:

PART 1.85. DISSOLUTION OF REDEVELOPMENT AGENCIES AND  
DESIGNATION OF SUCCESSOR AGENCIES

CHAPTER 1. EFFECTIVE DATE, CREATION OF FUNDS, AND DEFINITION  
OF TERMS

34170. (a) Unless otherwise specified, all provisions of this part shall become operative on October 1, 2011.

(b) If any provision of this part or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this part which can be given effect without the invalid provision or application, and to this end, the provisions of this part are severable.

34170.5. (a) The successor agency shall create within its treasury a Redevelopment Obligation Retirement Fund to be administered by the successor agency.

(b) The county auditor-controller shall create within the county treasury a Redevelopment Property Tax Trust Fund for the property tax revenues related to each former redevelopment agency, for administration by the county auditor-controller.

34171. The following terms shall have the following meanings:

(a) "Administrative budget" means the budget for administrative costs of the successor agencies as provided in Section 34177.

(b) "Administrative cost allowance" means an amount that, subject to the approval of the oversight board, is payable from property tax revenues of up to 5 percent of the property tax allocated to the successor agency for the 2011–12 fiscal year and up to 3 percent of the property tax allocated to the Redevelopment Obligation Retirement Fund money that is allocated to the successor agency for each fiscal year thereafter; provided, however, that the amount shall not be less than two hundred fifty thousand dollars (\$250,000) for any fiscal year or such lesser amount as agreed to by the successor agency. However, the allowance amount shall exclude any administrative costs that can be paid from bond proceeds or from sources other than property tax.

(c) "Designated local authority" shall mean a public entity formed pursuant to subdivision (d) of Section 34173.

(d) (1) "Enforceable obligation" means any of the following:

(A) Bonds, as defined by Section 33602 and bonds issued pursuant to Section 58383 of the Government Code, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency.

(B) Loans of moneys borrowed by the redevelopment agency for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms.

(C) Payments required by the federal government, preexisting obligations to the state or obligations imposed by state law, other than passthrough payments that are made by the county auditor-controller pursuant to Section 34183, or legally enforceable payments required in connection with the agencies' employees, including, but not limited to, pension payments, pension obligation debt service, unemployment payments, or other obligations conferred through a collective bargaining agreement.

(D) Judgments or settlements entered by a competent court of law or binding arbitration decisions against the former redevelopment agency, other than passthrough payments that are made by the county auditor-controller pursuant to Section 34183. Along with the successor agency, the oversight board shall have the authority and standing to appeal any judgment or to set aside any settlement or arbitration decision.

(E) Any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy. However, nothing in this act shall prohibit either the successor agency, with the approval or at the direction of the oversight board, or the oversight board itself from terminating any existing agreements or contracts and providing

any necessary and required compensation or remediation for such termination.

(F) Contracts or agreements necessary for the administration or operation of the successor agency, in accordance with this part, including, but not limited to, agreements to purchase or rent office space, equipment and supplies, and pay-related expenses pursuant to Section 33127 and for carrying insurance pursuant to Section 33134.

(G) Amounts borrowed from or payments owing to the Low and Moderate Income Housing Fund of a redevelopment agency, which had been deferred as of the effective date of the act adding this part; provided, however, that the repayment schedule is approved by the oversight board.

(2) For purposes of this part, “enforceable obligation” does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency. However, written agreements entered into (A) at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and (B) solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations for purposes of this part. Notwithstanding this paragraph, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created it, within two years of the date of creation of the redevelopment agency, may be deemed to be enforceable obligations.

(3) Contracts or agreements between the former redevelopment agency and other public agencies, to perform services or provide funding for governmental or private services or capital projects outside of redevelopment project areas that do not provide benefit to the redevelopment project and thus were not properly authorized under Part 1 (commencing with Section 33000) shall be deemed void on the effective date of this part; provided, however, that such contracts or agreements for the provision of housing properly authorized under Part 1 (commencing with Section 33000) shall not be deemed void.

(e) “Indebtedness obligations” means bonds, notes, certificates of participation, or other evidence of indebtedness, issued or delivered by the redevelopment agency, or by a joint exercise of powers authority created by the redevelopment agency, to third-party investors or bondholders to finance or refinance redevelopment projects undertaken by the redevelopment agency in compliance with the Community Redevelopment Law (Part I (commencing with Section 33000)).

(f) “Oversight board” shall mean each entity established pursuant to Section 34179.

(g) “Recognized obligation” means an obligation listed in the Recognized Obligation Payment Schedule.

(h) “Recognized Obligation Payment Schedule” means the document setting forth the minimum payment amounts and due dates of payments required by enforceable obligations for each six-month fiscal period as provided in subdivision (m) of Section 34177.

(l) "School entity" means any entity defined as such in subdivision (f) of Section 95 of the Revenue and Taxation Code.

(j) "Successor agency" means the county, city, or city and county that authorized the creation of each redevelopment agency or another entity as provided in Section 34173.

(k) "Taxing entities" means cities, counties, a city and county, special districts, and school entities, as defined in subdivision (f) of Section 95 of the Revenue and Taxation Code, that receive passthrough payments and distributions of property taxes pursuant to the provisions of this part.

## CHAPTER 2. EFFECT OF REDEVELOPMENT AGENCY DISSOLUTION

34172. (a) (1) All redevelopment agencies and redevelopment agency components of community development agencies created under Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100) that were in existence on the effective date of this part are hereby dissolved and shall no longer exist as a public body, corporate or politic. Nothing in this part dissolves or otherwise affects the authority of a community redevelopment commission, other than in its authority to act as a redevelopment agency, in its capacity as a housing authority or for any other community development purpose of the jurisdiction in which it operates. For those other nonredevelopment purposes, the community development commission derives its authority solely from federal or local laws, or from state laws other than the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(2) A community in which an agency has been dissolved under this section may not create a new agency pursuant to Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), or Part 1.7 (commencing with Section 34100). However, a community in which the agency has been dissolved and the successor entity has paid off all of the former agency's enforceable obligations may create a new agency pursuant to Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), or Part 1.7 (commencing with Section 34100), subject to the tax increment provisions contained in Chapter 3.5 (commencing with Section 34194.5) of Part 1.9 (commencing with Section 34192).

(b) All authority to transact business or exercise powers previously granted under the Community Redevelopment Law (Part 1 (commencing with Section 33000)) is hereby withdrawn from the former redevelopment agencies.

(c) Solely for purposes of Section 16 of Article XVI of the California Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the dissolved redevelopment agency to pay the principal of and interest on loans, moneys advanced to, or indebtedness,

whether funded, refunded, assumed, or otherwise incurred by the redevelopment agency to finance or refinance, in whole or in part, the redevelopment projects of each redevelopment agency dissolved pursuant to this part.

(d) Revenues equivalent to those that would have been allocated pursuant to subdivision (b) of Section 16 of Article XVI of the California Constitution shall be allocated to the Redevelopment Property Tax Trust Fund of each successor agency for making payments on the principal of and interest on loans, and moneys advanced to or indebtedness incurred by the dissolved redevelopment agencies. Amounts in excess of those necessary to pay obligations of the former redevelopment agency shall be deemed to be property tax revenues within the meaning of subdivision (a) of Section 1 of Article XIII A of the California Constitution.

34173. (a) Successor agencies, as defined in this part, are hereby designated as successor entities to the former redevelopment agencies.

(b) Except for those provisions of the Community Redevelopment Law that are repealed, restricted, or revised pursuant to the act adding this part, all authority, rights, powers, duties, and obligations previously vested with the former redevelopment agencies, under the Community Redevelopment Law, are hereby vested in the successor agencies.

(c) (1) Where the redevelopment agency was in the form of a joint powers authority, and where the joint powers agreement governing the formation of the joint powers authority addresses the allocation of assets and liabilities upon dissolution of the joint powers authority, then each of the entities that created the former redevelopment agency may be a successor agency within the meaning of this part and each shall have a share of assets and liabilities based on the provisions of the joint powers agreement.

(2) Where the redevelopment agency was in the form of a joint powers authority, and where the joint powers agreement governing the formation of the joint powers authority does not address the allocation of assets and liabilities upon dissolution of the joint powers authority, then each of the entities that created the former redevelopment agency may be a successor agency within the meaning of this part, a proportionate share of the assets and liabilities shall be based on the assessed value in the project areas within each entity's jurisdiction, as determined by the county assessor, in its jurisdiction as compared to the assessed value of land within the boundaries of the project areas of the former redevelopment agency.

(d) (1) A city, county, city and county, or the entities forming the joint powers authority that authorized the creation of each redevelopment agency may elect not to serve as a successor agency under this part. A city, county, city and county, or any member of a joint powers authority that elects not to serve as a successor agency under this part must file a copy of a duly authorized resolution of its governing board to that effect with the county auditor-controller no later than one month prior to the effective date of this part.

(2) The determination of the first local agency that elects to become the successor agency shall be made by the county auditor-controller based on

the earliest receipt by the county auditor-controller of a copy of a duly adopted resolution of the local agency's governing board authorizing such an election. As used in this section, "local agency" means any city, county, city and county, or special district in the county of the former redevelopment agency.

(3) If no local agency elects to serve as a successor agency for a dissolved redevelopment agency, a public body, referred to herein as a "designated local authority" shall be immediately formed, pursuant to this part, in the county and shall be vested with all the powers and duties of a successor agency as described in this part. The Governor shall appoint three residents of the county to serve as the governing board of the authority. The designated local authority shall serve as successor agency until a local agency elects to become the successor agency in accordance with this section.

(e) The liability of any successor agency, acting pursuant to the powers granted under the act adding this part, shall be limited to the extent of the total sum of property tax revenues it receives pursuant to this part and the value of assets transferred to it as a successor agency for a dissolved redevelopment agency.

34174. (a) Solely for the purposes of Section 16 of Article XVI of the California Constitution, commencing on the effective date of this part, all agency loans, advances, or indebtedness, and interest thereon, shall be deemed extinguished and paid; provided, however, that nothing herein is intended to absolve the successor agency of payment or other obligations due or imposed pursuant to the enforceable obligations; and provided further, that nothing in the act adding this part is intended to be construed as an action or circumstance that may give rise to an event of default under any of the documents governing the enforceable obligations.

(b) Nothing in this part, including, but not limited to, the dissolution of the redevelopment agencies, the designation of successor agencies, and the transfer of redevelopment agency assets and properties, shall be construed as a voluntary or involuntary insolvency of any redevelopment agency for purposes of the indenture, trust indenture, or similar document governing its outstanding bonds.

34175. (a) It is the intent of this part that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.

(b) All assets, properties, contracts, leases, books and records, buildings, and equipment of the former redevelopment agency are transferred on October 1, 2011, to the control of the successor agency, for administration pursuant to the provisions of this part. This includes all cash or cash equivalents and amounts owed to the redevelopment agency as of October 1, 2011.

34176. (a) The city, county, or city and county that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency. If a city,

county, or city and county elects to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, duties, and obligations, excluding any amounts on deposit in the Low and Moderate Income Housing Fund, shall be transferred to the city, county, or city and county.

(b) If a city, county, or city and county does not elect to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the agency, excluding any amounts in the Low and Moderate Income Housing Fund, shall be transferred as follows:

(1) Where there is no local housing authority in the territorial jurisdiction of the former redevelopment agency, to the Department of Housing and Community Development.

(2) Where there is one local housing authority in the territorial jurisdiction of the former redevelopment agency, to that local housing authority.

(3) Where there is more than one local housing authority in the territorial jurisdiction of the former redevelopment agency, to the local housing authority selected by the city, county, or city and county that authorized the creation of the redevelopment agency.

(c) Commencing on the operative date of this part, the entity assuming the housing functions formerly performed by the redevelopment agency may enforce affordability covenants and perform related activities pursuant to applicable provisions of the Community Redevelopment Law (Part 1 (commencing with Section 33000), including, but not limited to, Section 33418.

### CHAPTER 3. SUCCESSOR AGENCIES

34177. Successor agencies are required to do all of the following:

(a) Continue to make payments due for enforceable obligations.

(1) On and after October 1, 2011, and until a Recognized Obligation Payment Schedule becomes operative, only payments required pursuant to an enforceable obligations payment schedule shall be made. The initial enforceable obligation payment schedule shall be the last schedule adopted by the redevelopment agency under Section 34169. However, payments associated with obligations excluded from the definition of enforceable obligations by paragraph (2) of subdivision (e) of Section 34171 shall be excluded from the enforceable obligations payment schedule and be removed from the last schedule adopted by the redevelopment agency under Section 34169 prior to the successor agency adopting it as its enforceable obligations payment schedule pursuant to this subdivision. The enforceable obligation payment schedule may be amended by the successor agency at any public meeting and shall be subject to the approval of the oversight board as soon as the board has sufficient members to form a quorum.



(2) The Department of Finance and the Controller shall each have the authority to require any documents associated with the enforceable obligations to be provided to them in a manner of their choosing. Any taxing entity, the department, and the Controller shall each have standing to file a judicial action to prevent a violation under this part and to obtain injunctive or other appropriate relief.

(3) Commencing on January 1, 2012, only those payments listed in the Recognized Obligation Payment Schedule may be made by the successor agency from the funds specified in the Recognized Obligation Payment Schedule. In addition, commencing January 1, 2012, the Recognized Obligation Payment Schedule shall supersede the Statement of Indebtedness, which shall no longer be prepared nor have any effect under the Community Redevelopment Law.

(4) Nothing in the act adding this part is to be construed as preventing a successor agency, with the prior approval of the oversight board, as described in Section 34179, from making payments for enforceable obligations from sources other than those listed in the Recognized Obligation Payment Schedule.

(5) From October 1, 2011, to July 1, 2012, a successor agency shall have no authority and is hereby prohibited from accelerating payment or making any lump-sum payments that are intended to prepay loans unless such accelerated repayments were required prior to the effective date of this part.

(b) Maintain reserves in the amount required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds.

(c) Perform obligations required pursuant to any enforceable obligation.

(d) Remit unencumbered balances of redevelopment agency funds to the county auditor-controller for distribution to the taxing entities, including, but not limited to, the unencumbered balance of the Low and Moderate Income Housing Fund of a former redevelopment agency. In making the distribution, the county auditor-controller shall utilize the same methodology for allocation and distribution of property tax revenues provided in Section 34188.

(e) Dispose of assets and properties of the former redevelopment agency as directed by the oversight board; provided, however, that the oversight board may instead direct the successor agency to transfer ownership of certain assets pursuant to subdivision (a) of Section 34181. The disposal is to be done expeditiously and in a manner aimed at maximizing value. Proceeds from asset sales and related funds that are no longer needed for approved development projects or to otherwise wind down the affairs of the agency, each as determined by the oversight board, shall be transferred to the county auditor-controller for distribution as property tax proceeds under Section 34188.

(f) Enforce all former redevelopment agency rights for the benefit of the taxing entities, including, but not limited to, continuing to collect loans, rents, and other revenues that were due to the redevelopment agency.

(g) Effectuate transfer of housing functions and assets to the appropriate entity designated pursuant to Section 34176.

(h) Expediently wind down the affairs of the redevelopment agency pursuant to the provisions of this part and in accordance with the direction of the oversight board.

(i) Continue to oversee development of properties until the contracted work has been completed or the contractual obligations of the former redevelopment agency can be transferred to other parties. Bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds.

(j) Prepare a proposed administrative budget and submit it to the oversight board for its approval. The proposed administrative budget shall include all of the following:

(1) Estimated amounts for successor agency administrative costs for the upcoming six-month fiscal period.

(2) Proposed sources of payment for the costs identified in paragraph (1).

(3) Proposals for arrangements for administrative and operations services provided by a city, county, city and county, or other entity.

(k) Provide administrative cost estimates, from its approved administrative budget that are to be paid from property tax revenues deposited in the Redevelopment Property Tax Tmst Fund, to the county auditor-controller for each six-month fiscal period.

(l) (1) Before each six-month fiscal period, prepare a Recognized Obligation Payment Schedule in accordance with the requirements of this paragraph. For each recognized obligation, the Recognized Obligation Payment Schedule shall identify one or more of the following sources of payment:

(A) Low and Moderate Income Housing Fund.

(B) Bond proceeds.

(C) Reserve balances.

(D) Administrative cost allowance.

(E) The Redevelopment Property Tax Tmst Fund, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or by the provisions of this part.

(F) Other revenue sources, including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board in accordance with this part.

(2) A Recognized Obligation Payment Schedule shall not be deemed valid unless all of the following conditions have been met:

(A) A draft Recognized Obligation Payment Schedule is prepared by the successor agency for the enforceable obligations of the former redevelopment agency by November 1, 2011. From October 1, 2011, to July 1, 2012, the initial draft of that schedule shall project the dates and amounts of scheduled

payments for each enforceable obligation for the remainder of the time period during which the redevelopment agency would have been authorized to obligate property tax increment had such a redevelopment agency not been dissolved, and shall be reviewed and certified, as to its accuracy, by an external auditor designated pursuant to Section 34182.

(B) The certified Recognized Obligation Payment Schedule is submitted to and duly approved by the oversight board.

(C) A copy of the approved Recognized Obligation Payment Schedule is submitted to the county auditor-controller and both the Controller's office and the Department of Finance and be posted on the successor agency's Internet Web site.

(3) The Recognized Obligation Payment Schedule shall be forward looking to the next six months. The first Recognized Obligation Payment Schedule shall be submitted to the Controller's office and the Department of Finance by December 15, 2011, for the period of January 1, 2012, to June 30, 2012, inclusive. Former redevelopment agency enforceable obligation payments due, and reasonable or necessary administrative costs due or incurred, prior to January 1, 2012, shall be made from property tax revenues received in the spring of 2011 property tax distribution, and from other revenues and balances transferred to the successor agency.

34178. (a) Commencing on the operative date of this part, agreements, contracts, or arrangements between the city or county, or city and county that created the redevelopment agency and the redevelopment agency are invalid and shall not be binding on the successor agency; provided, however, that a successor entity wishing to enter or reenter into agreements with the city, county, or city and county that formed the redevelopment agency that it is succeeding may do so upon obtaining the approval of its oversight board.

(b) Notwithstanding subdivision (a), any of the following agreements are not invalid and may bind the successor agency:

(1) A duly authorized written agreement entered into at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and solely for the purpose of securing or repaying those indebtedness obligations.

(2) A written agreement between a redevelopment agency and the city, county, or city and county that created it that provided loans or other startup funds for the redevelopment agency that were entered into within two years of the formation of the redevelopment agency.

(3) A joint exercise of powers agreement in which the redevelopment agency is a member of the joint powers authority. However, upon assignment to the successor agency by operation of the act adding this part, the successor agency's rights, duties, and performance obligations under that joint exercise of powers agreement shall be limited by the constraints imposed on successor agencies by the act adding this part.

34178.7. For purposes of this chapter with regard to a redevelopment agency that becomes subject to this part pursuant to Section 34195, only references to "October 1, 2011," and to the "operative date of this part"

shall be modified in the manner described in Section 34191. All other dates shall be modified only as necessary to reflect the appropriate fiscal year or portion of a fiscal year.

CHAPTER 4. OVERSIGHT BOARDS

34179. (a) Each successor agency shall have an oversight board composed of seven members. The members shall elect one of their members as the chairperson and shall report the name of the chairperson and other members to the Department of Finance on or before January 1, 2012. Members shall be selected as follows:

- (1) One member appointed by the county board of supervisors.
- (2) One member appointed by the mayor for the city that formed the redevelopment agency.
- (3) One member appointed by the largest special district, by property tax share, with territory in the territorial jurisdiction of the former redevelopment agency, which is of the type of special district that is eligible to receive property tax revenues pursuant to Section 34188.
- (4) One member appointed by the county superintendent of education to represent schools if the superintendent is elected. If the county superintendent of education is appointed, then the appointment made pursuant to this paragraph shall be made by the county board of education.
- (5) One member appointed by the Chancellor of the California Community Colleges to represent community college districts in the county.
- (6) One member of the public appointed by the county board of supervisors.
- (7) One member representing the employees of the former redevelopment agency appointed by the mayor or chair of the board of supervisors, as the case may be, from the recognized employee organization representing the largest number of former redevelopment agency employees employed by the successor agency at that time.
- (8) If the county or a joint powers agency formed the redevelopment agency, then the largest city by acreage in the territorial jurisdiction of the former redevelopment agency may select one member. If there are no cities with territory in a project area of the redevelopment agency, the county superintendent of education may appoint an additional member to represent the public.
- (9) If there are no special districts of the type that are eligible to receive property tax pursuant to Section 34188, within the territorial jurisdiction of the former redevelopment agency, then the county may appoint one member to represent the public.
- (10) Where a redevelopment agency was formed by an entity that is both a charter city and a county, the oversight board shall be composed of seven members selected as follows: three members appointed by the mayor of the city, where such appointment is subject to confirmation by the county board of supervisors, one member appointed by the largest special district, by

property tax share, with territory in the territorial jurisdiction of the former redevelopment agency, which is the type of special district that is eligible to receive property tax revenues pursuant to Section 34188, one member appointed by the county superintendent of education to represent schools, one member appointed by the Chancellor of the California Community Colleges to represent community college districts, and one member representing employees of the former redevelopment agency appointed by the mayor of the city where such an appointment is subject to confirmation by the county board of supervisors, to represent the largest number of former redevelopment agency employees employed by the successor agency at that time.

(b) The Governor may appoint individuals to fill any oversight board member position described in subdivision (a) that has not been filled by January 15, 2012, or any member position that remains vacant for more than 60 days.

(c) The oversight board may direct the staff of the successor agency to perform work in furtherance of the oversight board's duties and responsibilities under this part. The successor agency shall pay for all of the costs of meetings of the oversight board and may include such costs in its administrative budget. Oversight board members shall serve without compensation or reimbursement for expenses.

(d) Oversight board members shall have personal immunity from suit for their actions taken within the scope of their responsibilities as oversight board members.

(e) A majority of the total membership of the oversight board shall constitute a quorum for the transaction of business. A majority vote of the total membership of the oversight board is required for the oversight board to take action. The oversight board shall be deemed to be a local entity for purposes of the Ralph M. Brown Act, the California Public Records Act, and the Political Reform Act of 1974.

(f) All notices required by law for proposed oversight board actions shall also be posted on the successor agency's Internet Web site or the oversight board's Internet Web site.

(g) Each member of an oversight board shall serve at the pleasure of the entity that appointed such member.

(h) The Department of Finance may review an oversight board action taken pursuant to the act adding this part. As such, all oversight board actions shall not be effective for three business days, pending a request for review by the department. Each oversight board shall designate an official to whom the department may make such requests and who shall provide the department with the telephone number and e-mail contact information for the purpose of communicating with the department pursuant to this subdivision. In the event that the department requests a review of a given oversight board action, it shall have 10 days from the date of its request to approve the oversight board action or return it to the oversight board for reconsideration and such oversight board action shall not be effective until approved by the department. In the event that the department returns the

oversight board action to the oversight board for reconsideration, the oversight board shall resubmit the modified action for department approval and the modified oversight board action shall not become effective until approved by the department.

(i) Oversight boards shall have fiduciary responsibilities to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues pursuant to Section 34188. Further, the provisions of Division 4 (commencing with Section 1000) of the Government Code shall apply to oversight boards. Notwithstanding Section 1099 of the Government Code, or any other law, any individual may simultaneously be appointed to up to five oversight boards and may hold an office in a city, county, city and county, special district, school district, or community college district.

(j) Commencing on and after July 1, 2016, in each county where more than one oversight board was created by operation of the act adding this part, there shall be only one oversight board appointed as follows:

(1) One member may be appointed by the county board of supervisors.

(2) One member may be appointed by the city selection committee established pursuant to Section 50270 of the Government Code. In a city and county, the mayor may appoint one member.

(3) One member may be appointed by the independent special district selection committee established pursuant to Section 56332 of the Government Code, for the types of special districts that are eligible to receive property tax revenues pursuant to Section 34188.

(4) One member may be appointed by the county superintendent of education to represent schools if the superintendent is elected. If the county superintendent of education is appointed, then the appointment made pursuant to this paragraph shall be made by the county board of education.

(5) One member may be appointed by the Chancellor of the California Community Colleges to represent community college districts in the county.

(6) One member of the public may be appointed by the county board of supervisors.

(7) One member may be appointed by the recognized employee organization representing the largest number of successor agency employees in the county.

(k) The Governor may appoint individuals to fill any oversight board member position described in subdivision (j) that has not been filled by July 15, 2016, or any member position that remains vacant for more than 60 days.

(l) Commencing on and after July 1, 2016, in each county where only one oversight board was created by operation of the act adding this part, then there will be no change to the composition of that oversight board as a result of the operation of subdivision (b).

(m) Any oversight board for a given successor agency shall cease to exist when all of the indebtedness of the dissolved redevelopment agency has been repaid.

34180. All of the following successor agency actions shall first be approved by the oversight board:

(a) The establishment of new repayment terms for outstanding loans where the terms have not been specified prior to the date of this part.

(b) Refunding of outstanding bonds or other debt of the former redevelopment agency by successor agencies in order to provide for savings or to finance debt service spikes; provided, however, that no additional debt is created and debt service is not accelerated.

(c) Setting aside of amounts in reserves as required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds.

(d) Merging of project areas.

(e) Continuing the acceptance of federal or state grants, or other forms of financial assistance from either public or private sources, where assistance is conditioned upon the provision of matching funds, by the successor entity as successor to the former redevelopment agency, in an amount greater than 5 percent.

(f) (1) If a city, county, or city and county wishes to retain any properties or other assets for future redevelopment activities, funded from its own funds and under its own auspices, it must reach a compensation agreement with the other taxing entities to provide payments to them in proportion to their shares of the base property tax, as determined pursuant to Section 34188, for the value of the property retained.

(2) If no other agreement is reached on valuation of the retained assets, the value will be the fair market value as of the 2011 property tax lien date as determined by the county assessor.

(g) Establishment of the Recognized Obligation Payment Schedule.

(h) A request by the successor agency to enter into an agreement with the city, county, or city and county that formed the redevelopment agency that it is succeeding.

(i) A request by a successor agency or taxing entity to pledge, or to enter into an agreement for the pledge of, property tax revenues pursuant to subdivision (b) of Section 34178.

34181. The oversight board shall direct the successor agency to do all of the following:

(a) Dispose of all assets and properties of the former redevelopment agency that were funded by tax increment revenues of the dissolved redevelopment agency; provided, however, that the oversight board may instead direct the successor agency to transfer ownership of those assets that were constructed and used for a governmental purpose, such as roads, school buildings, parks, and fire stations, to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such an asset. Any compensation to be provided to the successor agency for the transfer of the asset shall be governed by the agreements relating to the construction or use of that asset. Disposal shall be done expeditiously and in a manner aimed at maximizing value.

(b) Cease performance in connection with and terminate all existing agreements that do not qualify as enforceable obligations.

(c) Transfer housing responsibilities and all rights, powers, duties, and obligations along with any amounts on deposit in the Low and Moderate Income Housing Fund to the appropriate entity pursuant to Section 34176.

(d) Terminate any agreement, between the dissolved redevelopment agency and any public entity located in the same county, obligating the redevelopment agency to provide funding for any debt service obligations of the public entity or for the construction, or operation of facilities owned or operated by such public entity, in any instance where the oversight board has found that early termination would be in the best interests of the taxing entities.

(e) Determine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated to reduce liabilities and increase net revenues to the taxing entities, and present proposed termination or amendment agreements to the oversight board for its approval. The board may approve any amendments to or early termination of such agreements where it finds that amendments or early termination would be in the best interests of the taxing entities.

#### CHAPTER 5. DUTIES OF THE AUDITOR-CONTROLLER

34182. (a) (1) The county auditor-controller shall conduct or cause to be conducted an agreed-upon procedures audit of each redevelopment agency in the county that is subject to this part, to be completed by March 1, 2012.

(2) The purpose of the audits shall be to establish each redevelopment agency's assets and liabilities, to document and determine each redevelopment agency's passthrough payment obligations to other taxing agencies, and to document and determine both the amount and the terms of any indebtedness incurred by the redevelopment agency and certify the initial Recognized Obligation Payment Schedule.

(3) The county auditor-controller may charge the Redevelopment Property Tax Trst Fund for any costs incurred by the county auditor-controller pursuant to this part.

(b) By March 15, 2012, the county auditor-controller shall provide the Controller's office a copy of all audits performed pursuant to this section. The county auditor-controller shall maintain a copy of all documentation and working papers for use by the Controller.

(c) (1) The county auditor-controller shall determine the amount of property taxes that would have been allocated to each redevelopment agency in the county had the redevelopment agency not been dissolved pursuant to the operation of the act adding this part. These amounts are deemed property tax revenues within the meaning of subdivision (a) of Section 1 of Article XIII A of the California Constitution and are available for allocation and distribution in accordance with the provisions of the act adding this part.



The county auditor-controller shall calculate the property tax revenues using current assessed values on the last equalized roll on August 20, pursuant to Section 2052 of the Revenue and Taxation Code, and pursuant to statutory formulas or contractual agreements with other taxing agencies, as of the effective date of this section, and shall deposit that amount in the Redevelopment Property Tax Trust Fund.

(2) Each county auditor-controller shall administer the Redevelopment Property Tax Trust Fund for the benefit of the holders of former redevelopment agency enforceable obligations and the taxing entities that receive passthrough payments and distributions of property taxes pursuant to this part.

(3) In connection with the allocation and distribution by the county auditor-controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, in compliance with this part, the county auditor-controller shall prepare estimates of amounts to be allocated and distributed, and provide those estimates to both the entities receiving the distributions and the Department of Finance, no later than November 1 and May 1 of each year.

(4) Each county auditor-controller shall disburse proceeds of asset sales or reserve balances, which have been received from the successor entities pursuant to Sections 34177 and 34187, to the taxing entities. In making such a distribution, the county auditor-controller shall utilize the same methodology for allocation and distribution of property tax revenues provided in Section 34188.

(d) By October 1, 2012, the county auditor-controller shall report the following information to the Controller's office and the Director of Finance:

(1) The sums of property tax revenues remitted to the Redevelopment Property Tax Trust Fund related to each former redevelopment agency.

(2) The sums of property tax revenues remitted to each agency under paragraph (1) of subdivision (a) of Section 34183.

(3) The sums of property tax revenues remitted to each successor agency pursuant to paragraph (2) of subdivision (a) of Section 34183.

(4) The sums of property tax revenues paid to each successor agency pursuant to paragraph (3) of subdivision (a) of Section 34183.

(5) The sums paid to each city, county, and special district, and the total amount allocated for schools pursuant to paragraph (4) of subdivision (a) of Section 34183.

(6) Any amounts deducted from other distributions pursuant to subdivision (b) of Section 34183.

(e) A county auditor-controller may charge the Redevelopment Property Tax Trust Fund for the costs of administering the provisions of this part.

(f) The Controller may audit and review any county auditor-controller action taken pursuant to the act adding this part. As such, all county auditor-controller actions shall not be effective for three business days, pending a request for review by the Controller. In the event that the Controller requests a review of a given county auditor-controller action, he or she shall have 10 days from the date of his or her request to approve the

county auditor-controller's action or return it to the county auditor-controller for reconsideration and such county auditor-controller action shall not be effective until approved by the Controller. In the event that the Controller returns the county auditor-controller's action to the county auditor-controller for reconsideration, the county auditor-controller must resubmit the modified action for Controller approval and such modified county auditor-controller action shall not become effective until approved by the Controller.

34183. (a) Notwithstanding any other law, from October 1, 2011, to July 1, 2012, and for each fiscal year thereafter, the county auditor-controller shall, after deducting administrative costs allowed under Section 34182 and Section 95.3 of the Revenue and Taxation Code, allocate moneys in each Redevelopment Property Tax Trust Fund as follows:

(1) Subject to any prior deductions required by subdivision (b), first, the county auditor-controller shall remit from the Redevelopment Property Tax Trust Fund to each local agency and school entity an amount of property tax revenues in an amount equal to that which would have been received under Section 33401, 33492.140, 33607, 33607.5, 33607.7, or 33676, as those sections read on January 1, 2011, or pursuant to any passthrough agreement between a redevelopment agency and a taxing jurisdiction that was entered into prior to January 1, 1994, that would be in force during that fiscal year, had the redevelopment agency existed at that time. The amount of the payments made pursuant to this paragraph shall be calculated solely on the basis of passthrough payment obligations, existing prior to the effective date of this part and continuing as obligations of successor entities, shall occur no later than January 16, 2012, and no later than June 1, 2012, and each January 16 and June 1 thereafter. Notwithstanding subdivision (e) of Section 33670, that portion of the taxes in excess of the amount identified in subdivision (a) of Section 33670, which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness for the acquisition or improvement of real property shall be allocated to, and when collected shall be paid into, the fund of that taxing agency.

(2) Second, on January 16, 2012, and June 1, 2012, and each January 16 and June 1 thereafter, to each successor agency for payments listed in its Recognized Obligation Payment Schedule for the six-month fiscal period beginning January 1, 2012, or July 1, 2012, and each January 16 and June 1 thereafter, in the following order of priority:

(A) Debt service payments scheduled to be made for tax allocation bonds.

(B) Payments scheduled to be made on revenue bonds, but only to the extent the revenues pledged for them are insufficient to make the payments and only where the agency's tax increment revenues were also pledged for the repayment of the bonds.

(C) Payments scheduled for other debts and obligations listed in the Recognized Obligation Payment Schedule that are required to be paid from former tax increment revenue.

(3) Third, on January 16, 2012, and June 1, 2012, and each January 16 and June 1 thereafter, to each successor agency for the administrative cost allowance, as defined in Section 34171, for administrative costs set forth in an approved administrative budget for those payments required to be paid from former tax increment revenues.

(4) Fourth, on January 16, 2012, and June 1, 2012, and each January 16 and June 1 thereafter, any moneys remaining in the Redevelopment Property Tax Tmst Fund after the payments and transfers authorized by paragraphs (1) to (3), inclusive, shall be distributed to local agencies and school entities in accordance with Section 34188.

(b) If the successor agency reports, no later than December 1, 2011, and May 1, 2012, and each December 1 and May 1 thereafter, to the county auditor-controller that the total amount available to the successor agency from the Redevelopment Property Tax Tmst Fund allocation to that successor agency's Redevelopment Obligation Retirement Fund, from other funds transferred from each redevelopment agency, and from funds that have or will become available through asset sales and all redevelopment operations, are insufficient to fund the payments required by paragraphs (1) to (3), inclusive, of subdivision (a) in the next six-month fiscal period, the county auditor-controller shall notify the Controller and the Department of Finance no later than 10 days from the date of that notification. The county auditor-controller shall verify whether the successor agency will have sufficient funds from which to service debts according to the Recognized Obligation Payment Schedule and shall report the findings to the Controller. If the Controller concurs that there are insufficient funds to pay required debt service, the amount of the deficiency shall be deducted first from the amount remaining to be distributed to taxing entities pursuant to paragraph (4), and if that amount is exhausted, from amounts available for distribution for administrative costs in paragraph (3). If an agency, pursuant to the provisions of Section 33492.15, 33492.72, 33607.5, 33671.5, 33681.15, or 33688, made passthrough payment obligations subordinate to debt service payments required for enforceable obligations, funds for servicing bond debt may be deducted from the amounts for passthrough payments under paragraph (1), as provided in those sections, but only to the extent that the amounts remaining to be distributed to taxing entities pursuant to paragraph (4) and the amounts available for distribution for administrative costs in paragraph (3) have all been exhausted.

(c) The county treasurer may loan any funds from the county treasury that are necessary to ensure prompt payments of redevelopment agency debts.

(d) The Controller may recover the costs of audit and oversight required under this part from the Redevelopment Property Tax Tmst Fund by presenting an invoice therefor to the county auditor-controller who shall set aside sufficient funds for and disburse the claimed amounts prior to making the next distributions to the taxing jurisdictions pursuant to Section 34188. Subject to the approval of the Director of Finance, the budget of the

Controller may be augmented to reflect the reimbursement, pursuant to Section 28.00 of the Budget Act.

34185. Commencing on January 16, 2012, and on each January 16 and June 1 thereafter, the county auditor-controller shall transfer, from the Redevelopment Property Tax Trust Fund of each successor agency into the Redevelopment Obligation Retirement Fund of that agency, an amount of property tax revenues equal to that specified in the Recognized Obligation Payment Schedule for that successor agency as payable from the Redevelopment Property Tax Trust Fund subject to the limitations of Sections 34173 and 34183.

34186. Differences between actual payments and past estimated obligations on recognized obligation payment schedules must be reported in subsequent recognized obligation payment schedules and shall adjust the amount to be transferred to the Redevelopment Obligation Retirement Fund pursuant to this part. These estimates and accounts shall be subject to audit by county auditor-controllers and the Controller.

34187. Commencing January 1, 2012, whenever a recognized obligation that had been identified in the Recognized Payment Obligation Schedule is paid off or retired, either through early payment or payment at maturity, the county auditor-controller shall distribute to the taxing entities, in accordance with the provisions of the Revenue and Taxation Code, all property tax revenues that were associated with the payment of the recognized obligation.

34188. For all distributions of property tax revenues and other moneys pursuant to this part, the distribution to each taxing entity shall be in an amount proportionate to its share of property tax revenues in the tax rate area in that fiscal year, as follows:

(a) (1) For distributions from the Redevelopment Property Tax Trust Fund, the share of each taxing entity shall be applied to the amount of property tax available in the Redevelopment Property Tax Trust Fund after deducting the amount of any distributions under paragraphs (2) and (3) of subdivision (a) of Section 34183.

(2) For each taxing entity that receives passthrough payments, that agency shall receive the amount of any passthrough payments identified under paragraph (1) of subdivision (a) of Section 34183, in an amount not to exceed the amount that it would receive pursuant to this section in the absence of the passthrough agreement. However, to the extent that the passthrough payments received by the taxing entity are less than the amount that the taxing entity would receive pursuant to this section in the absence of a passthrough agreement, the taxing entity shall receive an additional payment that is equivalent to the difference between those amounts.

(b) Property tax shares of local agencies shall be determined based on property tax allocation laws in effect on the date of distribution, without the revenue exchange amounts allocated pursuant to Section 97.68 of the Revenue and Taxation Code, and without the property taxes allocated pursuant to Section 97.70 of the Revenue and Taxation Code.

(c) The total school share, including passthroughs, shall be the share of the property taxes that would have been received by school entities, as

detained in subdivision (f) of Section 95 of the Revenue and Taxation Code, in the jurisdictional territory of the former redevelopment agency, including, but not limited to, the amounts specified in Sections 97.68 and 97.70 of the Revenue and Taxation Code.

34188.8. For purposes of a redevelopment agency that becomes subject to this part pursuant to Section 34195, a date certain identified in this chapter shall not be subject to Section 34191, except for dates certain in Section 34182 and references to “October 1, 2011,” or to the “operative date of this part.” However, for purposes of those redevelopment agencies, a date certain identified in this chapter shall be appropriately modified, as necessary to reflect the appropriate fiscal year or portion of a fiscal year.

#### CHAPTER 6. EFFECT OF THE ACT ADDING THIS PART ON THE COMMUNITY REDEVELOPMENT LAW

34189. (a) Commencing on the effective date of this part, all provisions of the Community Redevelopment Law that depend on the allocation of tax increment to redevelopment agencies, including, but not limited to, Sections 33445, 33640, 33641, 33645, and subdivision (b) of Section 33670, shall be inoperative, except as those sections apply to a redevelopment agency operating pursuant to Part 1.9 (commencing with Section 34192).

(b) The California Law Revision Commission shall draft a Community Redevelopment Law cleanup bill for consideration by the Legislature no later than January 1, 2013.

(c) To the extent that a provision of Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100) conflicts with this part, the provisions of this part shall control. Further, if a provision of Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), or Part 1.7 (commencing with Section 34100) provides an authority that the act adding this part is restricting or eliminating, the restriction and elimination provisions of the act adding this part shall control.

(d) It is intended that the provisions of this part shall be read in a manner as to avoid duplication of payments.

#### CHAPTER 7. STABILIZATION OF LABOR AND EMPLOYMENT RELATIONS

34190. (a) It is the intent of the Legislature to stabilize the labor and employment relations of redevelopment agencies and successor agencies in furtherance of and connection with their responsibilities under the act adding this part.

(b) Nothing in the act adding this part is intended to relieve any redevelopment agency of its obligations under Chapter 10 (commencing with Section 3500) of Division 4 of Title 1 of the Government Code. Subject to the limitations set forth in Section 34165, prior to its dissolution, a

redevelopment agency shall retain the authority to meet and confer over matters within the scope of representation.

(c) A successor agency, as defined in Sections 34171 and 34173, shall constitute a public agency within the meaning of subdivision (c) of Section 3501 of the Government Code.

(d) Subject to the limitations set forth in Section 34165, redevelopment agencies, prior to and during their winding down and dissolution, shall retain the authority to bargain over matters within the scope of representation.

(e) In recognition that a collective bargaining agreement represents an enforceable obligation, a successor agency shall become the employer of all employees of the redevelopment agency as of the date of the redevelopment agency's dissolution. If, pursuant to this provision, the successor agency becomes the employer of one or more employees who, as employees of the redevelopment agency, were represented by a recognized employee organization, the successor agency shall be deemed a successor employer and shall be obligated to recognize and to meet and confer with such employee organization. In addition, the successor agency shall retain the authority to bargain over matters within the scope of representation and shall be deemed to have assumed the obligations under any memorandum of understanding in effect between the redevelopment agency and recognized employee organization as of the date of the redevelopment agency's dissolution.

(f) The Legislature finds and declares that the duties and responsibilities of local agency employer representatives under this chapter are substantially similar to the duties and responsibilities required under existing collective bargaining enforcement procedures and therefore the costs incurred by the local agency employer representatives in performing those duties and responsibilities under the act adding this part are not reimbursable as state-mandated costs. Furthermore, the Legislature also finds and declares that to the extent the act adding this part provides the funding with which to accomplish the obligations provided herein, the costs incurred by the local agency employer representatives in performing those duties and responsibilities under the act adding this part are not reimbursable as state-mandated costs.

(g) The transferred memorandum of understanding and the right of any employee organization representing such employees to provide representation shall continue as long as the memorandum of understanding would have been in force, pursuant to its own terms. One or more separate bargaining units shall be created in the successor agency consistent with the bargaining units that had been established in the redevelopment agency. After the expiration of the transferred memorandum of understanding, the successor agency shall continue to be subject to the provisions of the Meyers-Milias-Brown Act.

(h) Individuals formerly employed by redevelopment agencies that are subsequently employed by successor agencies shall, for a minimum of two years, transfer their status and classification in the civil service system of the redevelopment agency to the successor agency and shall not be required

to qualify to perform the duties that they previously performed or duties substantially similar in nature and in required qualification to those that they previously performed. Any such individuals shall have the right to compete for employment under the civil service system of the successor agency.

CHAPTER 8. APPLICATION OF PART TO FORMER PARTICIPANTS OF THE  
ALTERNATIVE VOLUNTARY REDEVELOPMENT PROGRAM

34191. (a) It is the intent of the Legislature that a redevelopment agency that formerly operated pursuant to the Alternative Voluntary Redevelopment Program (Part 1.9 (commencing with Section 34192)), that becomes subject to this part pursuant to Section 34195, shall be subject to all of the requirements of this part, except that dates and deadlines shall be appropriately modified, as provided in this section, to reflect the date that the agency becomes subject to this part.

(b) Except as otherwise provided by law, for purposes of a redevelopment agency that becomes subject to this part pursuant to Section 34195, the following shall apply:

(1) Any reference to "January 1, 2011," shall be construed to mean January 1 of the year preceding the year that the redevelopment agency became subject to this part, but no earlier than January 1, 2011.

(2) Any reference to "October 1, 2011," or to the "operative date of this part," shall mean the date that is the equivalent to the "October 1, 2011," identified in Section 34167.5 for that redevelopment agency as determined pursuant to Section 34169.5.

(3) Except as provided in paragraphs (1) and (2), any reference to a date certain shall be construed to be the date, measured from the date that the redevelopment agency became subject to this part, that is equivalent to the duration of time between the operative date of this part and the date certain identified in statute.

SEC. 8. Section 97.401 is added to the Revenue and Taxation Code, to read:

97.401. Commencing October 1, 2011, the county auditor shall make the calculations required by Section 97.4 based on the amount deposited on behalf of each former redevelopment agency into the Redevelopment Property Tax Trust Fund pursuant to paragraph (1) of subdivision (c) of Section 34182 of the Health and Safety Code. The calculations required by Section 97.4 shall result in cities, counties, and special districts annually remitting to the Educational Revenue Augmentation Fund the same amounts they would have remitted but for the operation of Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code.

SEC. 9. Section 98.2 is added to the Revenue and Taxation Code, to read:

98.2. For the 2011–12 fiscal year, and each fiscal year thereafter, the computations provided for in Sections 98 and 98.1 shall be performed in a manner which recognizes that passthrough payments formerly required under the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code) are continuing to be made under the authority of Part 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code and those payments shall be recognized in the TEA calculations as though they were made under the Community Redevelopment Law. Additionally, the computations provided for in Sections 98 and 98.1 shall be performed in a manner that recognizes payments to a Redevelopment Property Tax Trust Fund, established pursuant to Section 34170.5 of the Health and Safety Code as if they were payments to a redevelopment agency as provided in subdivision (b) of Section 33670 of the Health and Safety Code.

SEC. 10. If a legal challenge to invalidate any provision of this act is successful, a redevelopment agency shall be prohibited from issuing new bonds, notes, interim certificates, debentures, or other obligations, whether funded, refunded, assumed, or otherwise, pursuant to Article 5 (commencing with Section 33640) of Chapter 6 of Part 1 of Division 24 of the Health and Safety Code.

SEC. 11. The sum of five hundred thousand dollars (\$500,000) is hereby appropriated to the Department of Finance from the General Fund for allocation to the Treasurer, Controller, and Department of Finance for administrative costs associated with this act. The department shall notify the Joint Legislative Budget Committee and the fiscal committees in each house of any allocations under this section no later than 10 days following that allocation.

SEC. 12. If any provision of this act or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this act which can be given effect without the invalid provision or application and to this end, the provisions of this act are severable. The Legislature expressly intends that the provisions of Part 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code are severable from the provisions of Part 1.8 (commencing with Section 34161) of Division 24 of the Health and Safety Code, and if Part 1.85 is held invalid, then Part 1.8 shall continue in effect.

SEC. 13. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act, within the meaning of Section 17556 of the Government Code.

SEC. 14. This act shall take effect contingent on the enactment of Assembly Bill 27 of the 2011–12 First Extraordinary Session or Senate Bill 15 of in the 2011–12 First Extraordinary Session and only if the enacted bill adds Part 1.9 (commencing with Section 34192) to Division 24 of the Health and Safety Code.



SEC. 15. This act addresses the fiscal emergency declared and reaffirmed by the Governor by proclamation on January 20, 2011, pursuant to subdivision (f) of Section 10 of Article IV of the California Constitution.

SEC. 16. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (c) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.

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# **Attachment B**

# Redevelopment Agency Transition

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## BACKGROUND

On June 28, 2011 the Governor signed ABx1 26 (the Elimination Bill) and x1 27 (Reinstatement Bill) into law as part of the State of California's FY11/12 budget. The Elimination Bill eliminated redevelopment agencies and created successor entities to wind down their affairs. The Reinstatement Bill allowed redevelopment agencies to be exempt from the Elimination Bill if they paid their proportionate share of \$1.7 billion.

Following the passage and signing of the ABx1 26 and ABx1 27 (the Bills), the California Redevelopment Association, the California League of Cities, Union City, and the City of San Jose sued the State claiming that the Bills had the effect of taking local funds in order to balance the state budget – a violation of Proposition 22.

In its December 28, 2011 decision, the California Supreme Court ruled that the Elimination Bill was legal and that the Reinstatement Bill was not. The effect of this decision was the elimination of redevelopment agencies with no mechanism for continued operation. The Elimination Bill has four key components:

- (1) Dissolution of redevelopment agencies effective February 1, 2012;
- (2) Suspension of most redevelopment activities until the dissolution date;
- (3) Recognition of enforceable obligations that must be honored; and,
- (4) Establishment of successor entities to honor enforceable obligations and to wind down the affairs of redevelopment agencies.

Advocacy efforts are underway to seek an extension to the February 1 date, but it is unclear whether the political will exists among members of the Legislature to pass an extension bill and Governor Jerry Brown has indicated that he is unwilling to support an extension. As a result, staff is preparing for the dissolution of the City of Oakland's Redevelopment Agency and the formation of Successor Entity on February 1, 2012.

## SUCCESSOR ENTITY ROLE AND COMPOSITION

On January 10, 2012, the City Council passed resolutions to become the successor entity and the housing successor for Oakland's Redevelopment Agency. Staff is tracking the activity regarding the creation of the Oversight Board and, while some preliminary discussions have taken place, there remains uncertainty regarding the appropriate process to form the Oversight Board. To date, staff continues to seek clarity on how to successfully fulfill the Mayor's obligations to appoint two members to the Oversight Board. Successor entities are required to establish oversight bodies by May 1, 2012 composed of the following appointments:

- County Board of Supervisors (two members);
- Mayor (one member);
- County Superintendent of Education (one member);
- Chancellor of California Community Colleges (one member);
- Largest special district taxing entity (one member); and
- A former RDA employee appointed by Mayor from the recognized employee

organization representing the largest number of former redevelopment agency employees (one member).

The Successor entity is required to make payments and perform other obligations due for Enforceable Obligations of the former RDA, which include:

- Bonds;
- Loans borrowed by the RDA (including amounts borrowed in past years from the Housing Fund);
- Payments required by federal or state government or for employee pension obligations;
- Judgments or settlements; and
- Legally binding and enforceable agreements or contracts that are "not otherwise void as violating the debt limit or public policy" (at Oversight Board direction, a Successor Agency may terminate existing agreements and pay required compensation or remediation for such termination)<sup>1</sup>.

In addition to the fiduciary responsibilities highlighted above, the Successor entity is required to engage in a series of other activities designed to wind down redevelopment affairs and implement enforceable obligations. Those responsibilities include: 1) dispose of the former RDA's assets or properties expeditiously and in a manner aimed at maximizing value (proceeds to be distributed similar to normal property tax proceeds); 2) effectuate the transfer of housing functions of the former RDA to its Successor Housing Agency (i.e. the Sponsoring Community or applicable Housing Authority or the Department of Housing and Community Development); and 3) prepare administrative budgets for Oversight Board approval and pay administrative costs.

Subject to the approval of the Oversight Board, the Successor Agency's annual administrative costs will be an amount up to five percent of the property tax allocated to the Successor Agency for FY 2011-12 and up to three percent of the property tax allocated to the Successor Agency each succeeding fiscal year. A recent "Frequently Asked Questions" (FAQ) publication released by the California Department of Finance outlines current approach for qualifying what are deemed as enforceable obligations, and states:

Generally, Finance believes ABx1 26 provides that written contracts for specific performance with parties that are not the sponsoring agency are what qualify as enforceable obligations. Plans, statements of intent, statements of intent to award, designations of project areas, descriptions or lists of projects, or commitments by the agency without any counter party (other than the local agency that formed the redevelopment agency) will not be considered enforceable obligations. Contracts too vague to be enforceable are also not enforceable obligations. Contracts to develop future proposals of future

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<sup>1</sup> Goldfarb & Lipman LLP, California Supreme Court Decision in California Redevelopment Association v. Matosantos and Related Implementation Actions, Updates January 2012.

contracts are limited to the work that is specified sufficiently so that it could be enforced. A contract to design something does not imply or become a contract to construct unless such extension or inclusion is specifically called out in the contract and compensation is specified for it, such as in a design-build contract.

In those cases where Finance and the Controller do not initially come to a conclusion or need further review time, we are prepared to approve the Recognized Obligation Payment Schedule (ROPS) without the questioned item, it that is a practical option. If timing issues require an earlier decision with regard to a Recognized Obligation Payment Schedule, we may or may not forgo objection at that time but reserve the right to take action under Sec. 34177 or object to the inclusion of the Items in a future ROPS. Finance and Controller are prepared to make commitments with regard to future actions on specific situations once our review is completed.

### **SUCCESSOR ENTITY STAFFING AND BUDGET**

As previously stated, the role of the Successor entity is to create a vehicle for the implementation of enforceable obligations and to wind down the affairs of redevelopment agencies. Enforceable obligations are generally defined as contractual obligations and debt (See above). In order to clearly define the payments associated with contractual obligations and debts, cities are required to adopt Enforceable Obligation Payment Schedules (EOPS). These EOPS are adopted by each jurisdiction's legislative body and are subject to review by the State. The City Council adopted an EOPS in August of 2012 for payments through December 2011 and is scheduled to consider an amended EOPS in January 2012.

An important provision in the Elimination Bill allows the State to review all transfers of assets between redevelopment agencies and their host jurisdictions and gives the State the ability to invalidate those transfers unless they are obligated through third party contracts. This provision attaches substantial monetary risks to the City's General Purpose Fund if tax increment funds are expended to implement projects that are ultimately invalidated. The Elimination Bill also places emphasis on being able to review agency actions taken after January 2011 – the date that Governor's proposal to eliminate redevelopment Agencies was introduced. In order to manage General Purpose Fund risk, budget assumptions for City operations as the Successor entity rely on Agency projects that have contracts entered into before January 2011 and select Agency projects that have contract dates after January 2011 (as described above).

Therefore, for the remainder of this fiscal year, the administrative budget for Oakland's Successor entity operations is based on the 5% allowance for the property tax that will be allocated for debt obligations and Redevelopment Agency projects that meet the criteria stated above. It also includes prudent staff costs associated with implementation of specific projects. For the remainder of FY 2011-12 the administrative allowance and project specific costs total \$4,237,483. In subsequent years, the administrative allowance drops down to 3%. As a result, the FY 2012-13 administrative allowance and project specific staff costs total \$7,718,685. This

revenue is significantly lower than previous funds appropriated to support redevelopment activities.

The revised Budget recommends elimination of the City's Community and Economic Development Agency (CEDA) and the establishment of smaller Office to support development activity. The core staff for Successor entity activities would be split between the organization, with core strategic support housed in the City Administrator's Office. For Housing Successor responsibilities, it is proposed that the City Administrator's Office will hold core responsibilities and will be supported by a newly formed Department of Housing and Community Development. The revised budget also recommends the formation of a new Department of Planning and Neighborhood Preservation which consolidates the CEDA's Planning and Building Services divisions. The City's remaining Economic Development and Workforce Development divisions would be absorbed into the City Administrator's Office and be significantly smaller than current resources allot.

#### **OTHER BUDGETING OPTIONS FOR SUCCESSOR OPERATIONS**

The proposed budget for successor operations represents lowest risk to the City's General Purpose Fund; however, there are other higher risk options that can be considered. The City Administration has chosen a fiscally prudent approach given the high level of uncertainty related to implementation of the Court ruling and a strong desire to not place the General Purpose Fund in a high risk position where it must fund actions that the State or Oversight Board overturns. Additionally, this action was taken to stabilize the organization and propose a budget based on revenue that the City anticipates—not what it thinks or hopes it will get as implementation is advanced. It is our professional assessment that the City's fiscal condition does not appear to lend itself to high risk options, where Reserves or General Purpose Funds can absorb additional costs.

However, for the purpose of full disclose of policy alternatives available to the City Council, the City Council could choose higher risk options that increase staffing and projects through May 1, 2012. One such option is to assume that projects with third party contracts that were entered into between June 29, 2011 and January 31, 2012 by the City via the March 3, 2011 funding agreement will not be clawed back by the State. Under this option, the administrative budget would increase by \$3.8 million for the remainder of the fiscal year and this amount would be at risk if the associated projects were clawed back. If the City Council desires this higher risk option, it is recommended that this direction be accompanied by a contingency plan that sets aside funds to absorb any actions taken on the part of the State or Oversight Board to protect the proposed Amended Operating Budget and service levels—and to avoid the need to balance the budget 11 times in three years.

## **TRANSITION ACTIVITIES AND TIMEFRAMES**

Through a Funding Agreement and Purchase and Sale Agreement adopted on March 3, 2011, Council granted the City Administrator with the authority to transfer a number of projects and properties from the Redevelopment Agency to the City. The City Administrator is reviewing all of these transactions to determine their level of risk for invalidation.

Properties that serve a governmental purpose and that were not acquired with tax increment funds are highlighted in the Elimination Bill as valid for transfer. All other transfers from the Redevelopment Agency to the City that are not contractually obligated with third parties are subject to claw back and no transfers will be able to take place after February 1, 2012 due a provision of the Elimination Bill which invalidates cooperative agreements such as the Purchase and Sale Agreement adopted by Council.

## **KEY MILESTONES AND NEXT STEPS<sup>2</sup>**

There are a variety of key dates and actions associated with implementation of the Elimination Bill. Key milestones are as follows:

- Upon effectiveness of the Dissolution Act: State Controller may commence review of RDA asset transfers after January 1, 2011. [Section 34167.5<sup>3</sup>]
- No specified date: State Controller may order the assets improperly transferred by a RDA to its Sponsoring Community after January 1, 2011 to be returned to the RDA (or to its Successor Agency). [Section 34167.5]
- After Court decision: Redevelopment activities continue to remain suspended except for limited specified activities pending dissolution of RDAs. [Sections 34161-34165]
- No later than January 13, 2012: Sponsoring Community decides whether to serve as a Successor Agency by resolution. [Section 34173(d)(1)]
- No later than January 13, 2012: Sponsoring Community that elects not to serve as a Successor Agency files a copy of resolution to that effect with the County Auditor-Controller. [Section 34173(d)(1)]
- No later than January 31, 2012: Sponsoring Community decides whether to serve as Successor Housing Agency by resolution. [Section 34176(a)]

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<sup>2</sup> Goldfarb & Lipman LLP, California Supreme Court Decision in California Redevelopment Association v. Matosantos and Related Implementation Actions, Updates January 2012.

<sup>3</sup> All section references are to the Health and Safety Code. Many of the dates provided consist of the reformed dates provided the Supreme Court.

- No later than January 31, 2012: A RDA should consider any appropriate amendments to its previously adopted Enforceable Obligation Payment
- Schedule to reflect payments due after December 31, 2011. [Section 34169(g)]
- No later than January 31, 2012: A RDA that has not prepared a preliminary draft of the initial Recognized Obligation Payment Schedule should do so and provide it to the Successor Agency. Those RDAs that have prepared such preliminary drafts should forward it to the Successor Agency. [Section 34169(h)]
- February 1, 2012: The existing terms of any memorandum of understanding with an employee organization will be deemed to have been assumed by the Successor Agency and the Successor Agency shall become the employer of all employees of the former redevelopment agency. [Section 34190(e)]
- February 1, 2012: RDA is dissolved. [Section 34172(a)(1)]
- February 1, 2012: RDA agreements with Sponsoring Community void (with limited exceptions). [Sections 34171(d)(2)-(3), 34178(a), 34181(d)]
- February 1, 2012: All dissolved RDA assets (including properties, contracts, leases, books and records, buildings and equipment, and existing Housing Fund balance), except other housing assets, transferred to Successor Agency. RDA delivers Enforceable Obligation Payment Schedule to Successor Agency. Transfer of RDA housing assets (excluding existing Housing Fund balances) to Successor Housing Agency. [Sections 34175(b), 34176]
- February 1, 2012: Successor Agency establishes Redevelopment Obligation Retirement Fund. [Section 34170.5]
- February 1, 2012: County Auditor-Controller establishes Redevelopment Property Tax Trust Fund. [Section 34170.5]
- On and after February 1, 2012: Successor Agency permitted to make payments only as listed on Enforceable Obligation Payment Schedule until the Recognized Obligation Payment Schedule becomes operative. [Section 34177(a)(1)]
- From February 1, 2012 to July 1, 2012: Successor Agency prohibited from accelerating payments or making any lump sum payments that are intended to prepay loans unless such accelerated repayments were required prior to February 1, 2012. [Section 34177(a)(5)]
- By March 1, 2012: Successor Agency prepares initial draft of Recognized Obligation Payment Schedule for the Enforceable Obligations of the former RDA, subject to review



and certification by external auditor as to accuracy and approval by Oversight Board.  
[Section 34177(1)(2)]

- No later than April 1, 2012 and May 1, 2012, and each December 1 and May 1 thereafter: Successor Agency reports to the County Auditor-Controller if the total amount available to the Successor Agency is insufficient to fund the specified payments in the next six-month fiscal period. County Auditor-Controller notifies State Controller and DOF no later than 10 days from the date of that notification from the Successor Agency. [Section 34183(b)]
- April 15, 2012: Successor Agency submits first Recognized Obligation Payment Schedule to State Controller and DOF for the period of January 1, 2012 to June 30, 2012 and should also project the dates and amounts of scheduled payments for each Enforceable Obligation for the remainder of the time period the RDA would have been authorized to obligate tax increment. Successor Agency prepares new Recognized Obligation Payment Schedule for each six month period thereafter for approval by Oversight Board. Approved Recognized Obligation Payment Schedules are posted on Successor Agency website and submitted to DOF, Controller and County Auditor-Controller. [Sections 34177(1)(3), 34183(a)(2)]
- Commencing on May 1, 2012: Successor Agency may pay only those payments listed in the approved Recognized Obligation Payment Schedule.
- Statements of Indebtedness are no longer recognized for dissolved RDAs. [Section 34177(a)(3)]
- By May 1, 2012: Oversight Board elects and reports name of chairperson and other members to DOF. [Section 34179(a)]
- No specified date but after formation of Oversight Board: Each Oversight Board informs DOF of a designated contact person and related contact information for the purpose of communicating with DOF. [Section 34179(a)]
- May 15, 2012: Governor appoints persons to unfilled positions on Oversight Board (or any member position that remains vacant for more than 60 days). [Section 34179(b)]
- No later than May 16, 2012 and June 1, 2012, and each January 16 and June 1 thereafter: County Auditor-Controller transfers an amount of property tax revenues equal to that specified in the Recognized Obligation Payment Schedule from the Trust Fund of each Successor Agency into the Redevelopment Obligation Retirement Fund of that Successor Agency. Successor Agency makes payments on listed Recognized Obligation Payment Schedule from that fund. [Section 34183(a)(2)]
- By July 1, 2012: County Auditor-Controller completes audit of each dissolved RDA. [Section 34182(a)(1)]

- By July 15, 2012: County Auditor-Controller provides the State Controller copy of all audits performed on dissolved RDAs. [Section 34182(b)]
- By October 1, 2012: County Auditor-Controller reports specified financial information to the Controller and DOF. [Section 34182(d)]
- January 1, 2013: California Law Revision Commission drafts a Community Redevelopment Law cleanup bill for consideration by the Legislature. [Section 34189(b)]
- July 1, 2016: Consolidation of all Oversight Boards into one county-wide Oversight board in each county where more than one Oversight Board was created. [Section 34179(j)]
- After July 15, 2016: Governor appoints persons to unfilled positions on county-wide Oversight Board (or any member position that remains vacant for more than 60 days). [Section 34179(k)]

Attachments  
ABx1 26  
EOPS  
Successor Budget

# **Attachment C**

	FY 2011-2012 (Prorated Feb-Jun)	FY 2012-2013
Budgeted Personnel Costs and Treasury Recoveries in Redevelopment - Fund 7780	\$ (10,707,526)	\$ (26,426,264)
Q2 Projected Shortfall	\$ (1,700,000)	\$ (600,000)
Remove Life Enrichment Agency Consolidated Savings for FY 12-13		\$ (1,000,000)
<b>Total Projected Shortfall:</b>	<b>\$ (12,407,526)</b>	<b>\$ (28,026,264)</b>

**Key Balancing Assumptions:**

City will be able to charge project staff in order to complete Enforceable Obligations, on top of the administrative cost allowance (5% in FY 11-12, 3% in FY 12-13). This assumption was confirmed in writing by the CA Department of Finance on January 21.

All least \$43 million in projects that were budgeted to be funded out of Tax Increment funds are Enforceable Obligations

City does not receive additional property tax dollars (27% of uncommitted Tax Increment) in either FY 11-12 or FY 12-13

FY 11-12 expenditures do not increase beyond those reported in the First Quarter Revenue & Expenditure Report

	FY 2011-2012 (Prorated Feb-Jun)	FY 2012-2013
<b>Estimated Funding Provided to City for Wind-Down Activities:</b>		
Administrative Cost Allowance equal to 5% of Enforceable Obligations in FY 11-12 (3% in FY 12-13)	\$ 1,870,690	\$ 2,790,000
Project Staffing of Enforceable Obligations	\$ 2,380,085	\$ 4,960,694
<b>Total Prbvided for Successor Agency Activities</b>	<b>\$ 4,250,775</b>	<b>\$ 7,750,694</b>

	FY 2011-2012 (Prorated Feb-Jun)	FY 2012-2013
<b>Balancing Measures:</b>		
Mayor	\$ 88,136	\$ 221,718
City Council	\$ 254,222	\$ 643,295
City Administrator's Office	\$ 42,844	\$ 824,299
Office of the City Attorney	\$ 886,090	\$ 2,269,034
City Auditor's Office	\$ -	\$ -
Clerk	\$ 69,411	\$ 71,094
Information Technology	\$ 292,127	\$ 453,099
Finance & Management Agency	\$ 193,428	\$ 597,237
Department of Human Resources Management	\$ (91,525)	\$ 197,912
Police	\$ 439,745	\$ 1,111,931
Fire	\$ 204,468	\$ 209,108
Library	\$ -	\$ -
Human Services / Parks & Recreation (Department of Community Services)	\$ 432,870	\$ 1,286,627
CEDA	\$ 4,512,884	\$ 11,326,051
Public Works Agency*	\$ 308,222	\$ 783,797
Non-Departmental	\$ 549,161	\$ 302,248
Other: Internal Service Funds -- repayment plan adjustments and equipment rate charge true-up	\$ 1,544,156	\$ 2,415,656
<b>Total Balancing Measures</b>	<b>\$ 8,182,084</b>	<b>\$ 20,297,450</b>

<b>NET SURPLUS/(DEFICIT):</b>	<b>\$</b>	<b>\$</b>
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\*PWA changes across all funds are detailed in tables below; net reductions total \$1.8m and \$3.2m in FY 11-12, 12-13, respectively

**FY 2011-13 BUDGET AMENDMENTS**

	FY 2011-12 (Feb 6-June 30)		FY 2012-13	
<b>MAYOR'S OFFICE</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
Reduction target equivalent to 40% of Department's Redevelopment Budget	\$ (88,136)	-	\$ (221,718)	-
Mayor's Office balancing subtotal	\$ (88,136)	-	\$ (221,718)	-
<b>CITY COUNCIL</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
Reduction target equivalent to 40% of Department's Redevelopment Budget	(254,222)	-	(643,295)	-
City Council balancing subtotal	\$ (254,222)	-	\$ (643,295)	-



EXHIBIT A

<b>CITY ATTORNEY'S OFFICE</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
Reduction target equivalent to 40% of Department's Redevelopment Budget	(461,205)	-	(1,191,769)	-
Transfer 1.0 FTE to Fund 1710 (Deputy City Attorney IV)	(48,158)	(1.00)	(122,102)	(1.00)
Transfer 0.44 FTE to Fund 2211 (Deputy City Attorney III; Deputy City Attorney IV)	(41,333)	(0.44)	(104,797)	(0.44)
Transfer 0.45 FTE to Fund 223 i (Deputy City Attorney II; Deputy City Attorney IV)	(38,463)	(0.45)	(97,519)	(0.45)
Transfer 2.0 FTE to Fund 2415 (Paralegal; Deputy City Attorney III)	(129,906)	(2.00)	(329,368)	(2.00)
Transfer 2.0 FTE to Fund 3100 (Deputy City Attorney II; Deputy City Attorney V)	(167,024)	(2.00)	(423,479)	(2.00)
<b>City Attorney's Office balancing subtotal</b>	<b>\$ (886,090)</b>	<b>(5.89)</b>	<b>\$ (2,269,034)</b>	<b>(5.89)</b>
<b>CITY AUDITOR'S OFFICE - NO BUDGET CHANGES</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
City Auditor's Office to remain within budgeted appropriation; City Administrator directed to use administrative controls to implement	-	-	-	-
<b>City Auditor's Office balancing subtotal</b>	<b>\$ 0</b>	<b>-</b>	<b>\$ 0</b>	<b>-</b>
<b>CITY CLERK</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
Eliminate Administrative Assistant II	(69,411)	(1.00)	(71,094)	(1.00)
<b>Clerk balancing subtotal</b>	<b>\$ (69,411)</b>	<b>(1.00)</b>	<b>\$ (71,094)</b>	<b>(1.00)</b>

EXHIBIT A

<b>INFORMATION TECHNOLOGY</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
Freeze Director of Information Technology	(175,966)	(1.00)	(179,492)	(1.00)
Transfer Manager Information Systems to Fund 2415 and move to Department of Planning and Neighborhood Preservation	(81,176)	(1.00)	(206,672)	(1.00)
Delete City Administrator Analyst/Add Microcomputer Specialist I; Delete Technical Communications Specialist/Add Microcomputer Specialist II; Delete Project Manager/Add Information Systems Supervisor; Delete Project Manager/Add Telecommunications System Engineer	(20,886)	-	(31,189)	-
Transfer 0.33 FTE Systems Programmer II to Fund 4200	(14,099)	(0.33)	(35,746)	(0.33)
Information Technology balancing subtotal	\$ (292,127)	(2.33)	\$ (453,099)	(2.33)
<b>FINANCE &amp; MANAGEMENT AGENCY</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
<b>REORGANIZATIONS:</b>				
Transfer-Out Risk Management to DHRM	(1,284,225)	(7.00)	(1,304,353)	(7.00)
Transfer-Out Revenue Division in FMA to CAO (Budget)	(3,463,373)	(15.00)	(3,415,323)	(15.00)
Transfer-In Retirement from DHRM	2,518,428	3.10	2,238,803	3.10
Transfer Parking Enforcement to OPD and Repair Operations to PWA; Revenue Division to retain Parking Assistance Center and Fiscal	(4,827,627)	(99.20)	(12,214,382)	(99.20)
Transfer Commercial Lending Program from CEDA (Fund 2105 HUD-EDI) [Account Clerk I and Loan Servicing Specialist]	289,596	2.00	298,969	2.00
<b>BALANCING MEASURES:</b>				
Freeze FMA Agency Director	(65,948)	(1.00)	(268,995)	(1.00)
Eliminate Parking Director; Add ASM II (transfer ASM II to OPD with Parking Enforcement)	(12,911)	-	(38,994)	-
Add Accountant III/Delete Accountant II	2,425		6,716	
Transfer 1.0 FTE to Fund 2105	(68,758)	(1.00)	(173,664)	(1.00)
Transfer 0.25 FTE Budget & Operations Analyst III to Fund 2211	(13,734)	(0.25)	(34,823)	(0.25)
Transfer 0.50 FTE Accountant III to Fund 2415	(23,774)	(0.50)	(60,278)	(0.50)
Transfer 0.25 FTE Accountant III to Fund 3100	(10,728)	(0.25)	(27,199)	(0.25)
Finance & Management balancing subtotal	\$ (193,428)	(3.00)	\$ (597,237)	(3.00)



EXHIBIT A

<b>HUMAN RESOURCES</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
<b>REORGANIZATIONS:</b>				
Transfer-In Risk Management from FMA and Consolidate Benefits & Risk Divisions	1,284,225	7.00	1,304,353	7.00
Transfer-Out Retirement to FMA	(2,518,428)	(3.10)	(2,238,803)	(3.10)
Transfer-Out Employee Relations to CAO	(282,830)	(4.00)	(649,561)	(4.00)
Transfer-In Equal Access from CAO	229,545	2.00	235,204	2.00
<b>BALANCING MEASURES:</b>				
Eliminate 2.0 Manager, Human Resources	(133,475)	(2.00)	(422,912)	(2.00)
Add Equal Access - Language & Interpretation Contract	150,000	-	150,000	-
Add Staff Training and Development	75,000	-	75,000	-
Human Resources balancing subtotal	\$ 91,525	(2.00)	\$ (197,912)	(2.00)
<b>POLICE SERVICES</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
<b>REORGANIZATIONS:</b>				
Transfer in Parking Enforcement, including Administrative Services Mgr II	1,904,456	66.20	4,860,291	66.20
Transfer Neighborhood Service Coordinators to the Department of Community Services				
<b>BALANCING MEASURES:</b>				
Eliminate Assistant to the Director	(59,181)	(1.00)	(147,106)	(1.00)
Eliminate 4.0 Neighborhood Service Coordinators	(145,468)	(4.00)	(370,323)	(4.00)
Delete Police Records Specialist and Police Services Technician from 1010	(55,046)	(2.00)	(137,020)	(2.00)
Add 20% Police Svcs. Mgr. I (80% to Worker's Comp Fund)	10,969	0.20	27,403	0.20
Transfer 2.0 FTE Police Officers to Fund 2416	(137,223)	(2.00)	(347,920)	(2.00)
Transfer Criminalist III to Fund 2159 (State of California Grants)	(53,797)	(1.00)	(136,965)	(1.00)
Police Services balancing subtotal	\$ (439,745)	(9.80)	\$ (1,111,931)	(9.80)

EXHIBIT A

<b>FIRE SERVICES</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
Eliminate vacant Heavy Equipment Operator (Fund 1720)	(85,887)	(1.00)	(87,653)	(1.00)
Transfer Administrative Services Manager I to Fund 1150 (Worker's Comp)	(118,581)	(0.80)	(121,455)	(0.80)
<b>Fire Services balancing subtotal</b>	<b>\$ (204,468)</b>	<b>(1.80)</b>	<b>\$ (209,108)</b>	<b>(1.80)</b>
<b>LIBRARY SERVICES - NO BUDGET CHANGES</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
No Changes	-	-	-	-
<b>Library balancing subtotal</b>	<b>\$ 0</b>		<b>\$ 0</b>	

EXHIBIT A

DEPARTMENT OF COMMUNITY SERVICES				
Description	Expenditures	FTE	Expenditures	FTE
<b>REORGANIZATIONS:</b>				
Combine the Office of Parks & Recreation and the Department of Human Services into a new Department of Community Services (effective July 1, 2012) :				
Consolidate Two Department Directors (OPR & DHS)	-	-	(242,646)	(1.00)
Add Two Assistant Directors	-	-	362,040	2.00
Transfer Neighborhood Services Division from the CAO and Police Department				
<b>BALANCING MEASURES:</b>				
<b>PARKS AND RECREATION</b>				
<u>Description</u>				
Adjustment of some Rec Center operational hours - no Mondays, but later on other days; Close San Antonio Rec Center as traditional program director site and develop into citywide sports complex; Cease operating Davie Tennis Stadium as subsidized City program [Eliminate 1.0 Rec Program Director; Reduce PT Staffing; Reduced O&M]	(92,870)	(5.77)	(239,355)	(5.77)
Eliminate Marine & Aquatics Program Supervisor	(44,255)	(1.00)	(112,672)	(1.00)
Reduce Subsidy, Zoo (40%)	-	-	(215,958)	-
Reduce Subsidy, Hacienda Peralta (40%)	-	-	(18,360)	-
Eliminate Subsidy, JL Aquatic Center	(53,000)	-	(53,000)	-
Reduce Subsidy, Fairyland (40%)	-	-	(54,600)	-
<b>HUMAN SERVICES</b>				
<u>Description</u>				
Eliminate Subsidy, 211	-	-	(100,000)	-
Eliminate Youth Commission and explore combining with other youth groups [OFCY Planning and Oversight Committee will continue and is constituted of nearly half youth members who have decision making authority over nearly \$10 million in youth service funding and establishing youth priorities and as such constitutes the most powerful youth policy voice for the City of Oakland]	(14,908)	(0.50)	(37,056)	(0.50)
Eliminate Senior Services Administrator	(37,249)	(0.53)	(92,590)	(0.53)
Add Program Analyst II, PPT	22,493	0.50	55,911	0.50
Eliminate Executive Assistant	(38,440)	(1.00)	(95,551)	(1.00)
Add Administrative Assistant II; Delete Administrative Assistant I, PPT in Fund 2251	-	0.20	-	0.20
Transfer Community Housing Staff to Fund 2108	(174,641)	(3.57)	(442,790)	(3.57)
Department of Community Services subtotal	\$ (432,870)	(11.67)	\$ (4,286,627)	(10.67)

EXHIBIT A

<b>FORMER COMMUNITY AND ECONOMIC DEVELOPMENT AGENCY</b>				
<u>Description</u>				
Dissolve the Community and Economic Development Agency:				
Create Department of Housing and Community Development				
Create Department of Planning and Neighborhood Preservation				
Create Office of Economic Development and Office of Neighborhood Investment in City Administrator's Office				
<b>DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT AGENCY</b>				
<b>Fund 2108</b>				
Eliminate Departmental Overhead	(98,423)	-	(244,655)	-
Add 0.60 FTE ASM I and 0.60 Account Clerk III (from 7760)	59,548	1.20	150,401	1.20
Reallocate various FTEs from 7780/ORA to 2108	56,975	0.58	143,904	0.58
<b>Fund 2109</b>				
Eliminate Departmental Overhead	(15,391)	-	(38,262)	-
Add back admin support: 0.25 FTE of ASM i (new) and 0.25 Account Clerk III (from 7760)	24,812	0.50	62,668	0.50
Reallocate various FTEs from 7780/ORA to 2109	155,443	2.73	392,605	2.73
<b>Fund 2413</b>				
Eliminate Departmental Overhead	(45,581)	-	(113,249)	-
Add 0.15 FTE of ASM I and 0.15 Account Clerk III (from 7760)	14,887	0.30	37,599	0.30
Transfer 1.0 Program Analyst I from 7780/ORA	42,531	1.00	107,422	1.00
<b>Fund 7780</b>				
Eliminate Departmental Overhead	(155,258)	-	(385,851)	-
Eliminate 10.0 FTEs from 7780/ORA [1 Mgmt Asst; 1 Receptionist; 2.0 Housing Dev Coordinator III; 1.0 Rehab Supervisor II (ASMI placeholder); 2.0 Student Trainee, PT; 1.0 Home Mgmt Counselor III; 1.0 Monitoring & Evaluation Supervisor; 1.0 Office Asst II]; transfer 4.31 FTEs to other funds; transfer 10.75 FTEs to Successor Agency to complete projects	(1,310,584)	(25.06)	(3,310,160)	(25.06)

EXHIBIT A

<b>Successor Agency</b>				
Add back various positions to continue enforceable obligation projects as Successor Agency project staff:[0.85 Admin Analyst I; 0.50 Deputy Dir, Housing; 0.50 Project Mgr II; 0.75 Dev/Redev Pgrm Mgr; 0.65 Housing Dev Coordinator IV; 1.0 Admin Asst I; 2.0 Housing Dev Coordinator III; 3.0 Housing Dev Coordinator IV; 0.50 Loan Serving Administrator; 1.0 Rehab Advisor III]	627,536	10.75	1,584,977	10.75
<b>Department of Housing &amp; Community Development subtotal</b>	<b>\$ (643,505)</b>	<b>(8.00)</b>	<b>\$ (1,612,601)</b>	<b>(8.00)</b>
<b>OFFICE OF ECONOMIC DEVELOPMENT; OFFICE OF NEIGHBORHOOD INVESTMENT</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
<b>Fund 1010</b>				
Eliminate Departmental Overhead	(1,927)	-	(4,792)	-
Add 0.72 FTE for Real Estate Agent to handle ongoing City leases and other real estate issues	35,738	0.72	90,265	0.72
Transfer 4.0 FTEs and O&M for Marketing positions from 7780 to 1010 [ASM II; Public Information Officer (to CAO); Special Events Coord; Graphics Design Specialist]	213,629	4.00	539,567	4.00
Add 4.0 FTEs & O&M for Economic Development positions from 7780 to 1010 [Urban Economic Coordinator; Urban Economic Analyst I; Urban Economic Analyst III, Urban Economic Analyst IV]	212,019	4.00	535,500	4.00
<b>Fund 1710</b>				
Eliminate Departmental Overhead	(6,398)	-	(15,907)	-
<b>Fund 1770</b>				
Eliminate Departmental Overhead	(11,144)	-	(27,707)	-
Change FTE mix based on eliminated 7780/ORA funding	14,028	0.03	35,431	0.03
<b>Fund 2105</b>				
Eliminate Departmental Overhead	(10,013)	-	(25,055)	-
Transfer 0.50 Account Clerk I from 7780 to 2105 & transfer function to FMA/Treasury; Total of 2.0 FTE transfer from CEDA to FMA	11,315	0.50	28,577	0.50
Eliminate Manager position and transfer program to FMA/Treas; Net savings used for FMA/Treasury positions to support program/grant	(68,758)	(1.00)	(173,664)	(1.00)

EXHIBIT A

<b>Fund 2108</b>				
Eliminate Departmental Overhead	(20,831)	-	(51,791)	-
Add 0.25 FTE of ASM II, 0.25 FTE Admin Analyst II and 0.25 FTE Account Clerk III (from 7760)	35,920	0.75	90,724	0.75
Eliminate Admin Analyst II, Admin Asst II; Office Asst II	(52,647)	(1.32)	(132,971)	(1.32)
Eliminate 1.28 UEA IV; add 1.0 UEA III	(35,851)	(0.28)	(90,549)	(0.28)
<b>Fund 2195</b>				
Eliminate Departmental Overhead	(41,383)	-	(102,844)	-
Eliminate 0.38 FTE Office Assistant II	(11,124)	(0.38)	(28,097)	(0.38)
Add back admin support: 0.25 ASM II and 0.25 Admin Analyst II (from 7780) and 0.25 Account Clerk III (from 7760)	35,921	0.75	90,725	0.75
<b>Fund 5505</b>				
Eliminate Departmental Overhead	(7,939)	-	(19,739)	-
Transfer 0.25 FTE Program Analyst III from 7780/ORA	12,310	0.25	31,093	0.25
<b>Fund 7780</b>				
Eliminate Departmental Overhead	(329,407)	-	(818,904)	-
Eliminate 22.91 FTEs [Mgr, Real Estate Services; 1.25 Real Estate Agent; 1.64 Admin Analyst II; Executive Asst; 2.50 Student Trainee, PT; 5.0 UEA III; 3.72 UEA IV, Projects; Program Analyst III; 2.0 Urban Economic Coordinator; 0.25 Admin Asst II; 0.55 Office Asst II; 2.0 Dev/Redev Prgm Mgr]; transfer 9.36 FTEs to other funds; add back/transfer 21.50 FTEs to Successor Agency to complete projects	(3,044,836)	(53.77)	(7,638,237)	(53.77)
<b>Successor Agency</b>				
Add back various positions to continue enforceable obligation projects as Successor Agency staff [Program Analyst I, Program Analyst III, Deputy Director, 2.0 Dev/Redev Program Manager, 2.0 Urban Economic Coord, 2.0 UEA IV, 2.0 UEA III, 4.0 UEA II, 2.0 UEA I, Admin Asst I]	1,153,106	18.00	2,912,416	18.00
End-date Army Base PM III to July 1, 2012	107,487	1.00	-	-
Add back admin support: 1.0 Office Asst II; 0.50 ASM II and 0.50 Admin Analyst II (from 7780); 0.50 Account Clerk III (from 7760)	114,452	2.50	287,398	2.50
<b>Office of Economic Development &amp; Office of Neighborhood Investment subtotal</b>	<b>\$ (1,696,333)</b>	<b>(24.25)</b>	<b>\$ (4,488,561)</b>	<b>(25.25)</b>

EXHIBIT A

DEPARTMENT OF PLANNING & NEIGHBORHOOD PRESERVATION				
Description	Expenditures	FTE	Expenditures	FTE
<b>Fund 7780</b>				
Eliminate Departmental Overhead	(18,775)	-	(46,816)	-
Eliminate Planning Intern	(12,734)	(0.80)	(32,162)	(0.80)
Transfer FTEs to 2415 [0.40 Deputy Director, Community & Econ Dev, 1.5 Planner III, 0.5 PSR, PPT]	(142,818)	(2.40)	(360,718)	(2.40)
<b>Fund 7760</b>				
Eliminate 7.00 FTEs [Director of Development; Administrative Assistant I; ASM II; Principal Financial Analyst; 2.0 Management Assistant; Payroll Personnel Clerk III] and transfer remaining 7.00 FTEs to other funds	(1,653,552)	(14.00)	(4,110,514)	(14.00)
<b>Fund 1010</b>				
Add 0.50 Executive Assistant to Agency Director and transfer to CAO	26,206	0.50	66,190	0.50
Transfer Payroll Clerk III from CEDA fiscal (7760) and move to FMA	15,863	0.50	40,067	0.50
<b>Fund 2415</b>				
Transfer .25 Exec Asst to the Agency Director and move to CAO	13,103	0.25	33,095	0.25
Transfer Payroll Clerk III from CEDA fiscal (7760) and move to FMA	15,863	0.50	40,067	0.50
Eliminate Departmental Overhead	(732,425)	-	(1,820,386)	-
Transfer FTEs from 7780 [0.40 Deputy Director, Community & Econ Dev, 1.50 Planner III, 0.50 PSR, PPT]	142,818	2.40	360,718	2.40
Add back admin support: 0.50 ASM I and 1.00 Account Clerk III (from 7760), 1.00 Admin Analyst II (from 1770/7780)	117,025	2.50	295,572	2.50
Eliminate Deputy Director of Building (July 1, 2012)	-	-	(269,213)	(1.00)
<b>Successor Agency</b>				
Add 0.75 Agency Admin Manager	69,645	0.75	175,903	0.75
Department of Planning & Neighborhood Preservation subtotal	\$ (2,159,781)	(9.80)	\$ (5,628,197)	(10.80)
<b>TOTAL NET CEDA CHANGES</b>	<b>\$ (4,499,619)</b>	<b>(42.05)</b>	<b>\$ (11,729,359)</b>	<b>(44.05)</b>

EXHIBIT A

<b>PUBLIC WORKS AGENCY</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
<b>REORGANIZATIONS:</b>				
Transfer ADA from CAO (all funds)	415,087	2.75	422,549	2.75
Transfer Parking Repair Operations to PWA: 7.00 Parking Meter Repair Workers	253,828	7.00	642,348	7.00
<b>BALANCING MEASURES:</b>				
<b>Fund 7760</b>				
Transfer 1.5 FTE from 7760 to 1150 (Program Analyst I; ASM II; Support Services Supervisor)	(157,164)	(1.50)	(160,946)	(1.50)
Transfer ADA (Fund 1010 portion) to Fund 7760	117,438	1.72	292,689	1.72
Eliminate Management Intern	(82,643)	(1.00)	(84,481)	(1.00)
Eliminate Microcomputer Specialist	(122,392)	(1.00)	(125,116)	(1.00)
Eliminate O&M	(50,000)	-	(50,000)	-
Eliminate 0.50 FTE Office Assistant I	(11,234)	(0.50)	(27,925)	(0.50)
Transfer 0.50 Administrative Assistant to Fund 3100	(20,929)	(0.50)	(53,351)	(0.50)
Eliminate Administrative Assistant I	(41,857)	(1.00)	(106,702)	(1.00)
Reduce Chief of Party	(12,221)	(0.20)	(31,154)	(0.20)
<b>Fund 4400</b>				
Eliminate Student Trainee/Intern	(26,088)	(1.00)	(26,088)	(1.00)
Reduce O&M			(90,146)	
Eliminate Admin Assist I PT	(29,906)	(0.50)	(29,906)	(0.50)
Eliminate Administrative Assistant I	(41,857)	(1.00)	(106,702)	(1.00)
Eliminate Facilities Complex Manager	(75,200)	(1.00)	(191,000)	(1.00)
Eliminate Maintenance Mechanic	(102,000)	(1.00)	(104,000)	(1.00)
Eliminate Construction and Maintenance Supervisor	(163,000)	(1.00)	(166,000)	(1.00)
Shift to 3100 (0.40 FTE Environmental Program Manager, 1.0 FTE Environmental Specialist)	82,108	(1.40)	209,000	(1.40)
<b>Fund 4100</b>				
Eliminate Auto Equipment Painter and Heavy Equipment Supervisor	(111,814)	(2.00)	(284,617)	(2.00)
Freeze 1.00 Auto Equipment Mechanic	(45,771)	(1.00)	(115,581)	(1.00)
Freeze 3.00 Heavy Equipment Service Worker	(118,053)	(3.00)	(298,107)	(3.00)
Freeze 1.00 Equipment Parts Technician	(39,064)	(1.00)	(98,644)	(1.00)



EXHIBIT A

<b>Fund 1710</b>				
Eliminate Administrative Assistant I	(36,936)	(1.00)	(93,271)	(1.00)
<b>Fund 7780</b>				
Eliminate total ORA funding (2 Street Maintenance Leaders; 3 Public Works Maintenance Workers; 2 Traffic Painters)	(308,222)	(7.00)	(783,797)	(7.00)
<b>Fund 1750</b>				
Reduce O&M	(50,000)		(50,000)	
<b>Fund 1720</b>				
Eliminate Program Analyst	(119,000)	(1.00)	(122,000)	(1.00)
Eliminate Clean Community Supervisor	(61,200)	(1.00)	(156,000)	(1.00)
<b>Fund 2211</b>				
Eliminate Student Trainee, PT	(24,756)	(1.00)	(61,891)	(1.00)
Reduce Civil Engineer	(18,906)	(0.25)	(47,266)	(0.25)
<b>Fund 2230</b>				
Reduce asphalt and quarry supplies	(118,204)		(107,873)	
Traffic Painter - Transfer from 2416	223,263	2.00	237,419	2.00
Sign Maintenance Worker - Transfer from 2416	94,427	1.00	92,546	1.00
<b>Fund 2416</b>				
Traffic Painter - transfer to 2416	(223,263)	(2.00)	(237,419)	(2.00)
Sign Maintenance Worker - Transfer to 2416	(94,427)	(1.00)	(92,546)	(1.00)
Eliminate Sign Maintenance Worker	(94,427)	(1.00)	(92,546)	(1.00)
<b>TOTAL NET PWA CHANGES (outside of transfers)</b>	<b>\$ (1,787,315)</b>	<b>(26.73)</b>	<b>\$ (3,158,124)</b>	<b>(26.73)</b>
<b>NON-DEPARTMENTAL</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
Reduce Subsidy, Symphony in the Schools (40%)	-	-	(10,200)	-
Reduce Art Grants (40%)	(270,594)	-	(292,048)	-
Reduction in Central Service Overhead	(278,567)	-	-	-
<b>Non-Departmental Balancing subtotal:</b>	<b>\$ (549,161)</b>	<b>-</b>	<b>\$ (302,248)</b>	<b>-</b>

# **Attachment D**

## Redevelopment Agency Dissolution Under ABx1 26

### Frequently Asked Questions

#### **Q. What are the enforceable obligations for projects partially underway?**

Many agencies and parties interested in various projects have asked about instances in which a "project" may have been defined very broadly and within it are various actual or potential land acquisitions, site remediation, site improvements, building construction or reconstruction, and other work. Some contracts may exist for portions of this broadly defined project but other components may not yet be fully obligated by contract with other parties. Work components may be completed or in progress. These questions revolve around what, if any, portions of these projects can be considered enforceable obligations under ABx1 26.

A. Generally, Finance believes ABx1 26 provides that written contracts for specific performance with parties that are not the sponsoring agency are what qualify as enforceable obligations. Plans, statements of intent, statements of intent to award, designations of project areas, descriptions or lists of projects, or commitments by the agency without any counter party (other than the local agency that formed the redevelopment agency) will not be considered enforceable obligations. Contracts too vague to be enforceable are also not enforceable obligations. Contracts to develop future proposals or future contracts are limited to the work that is specified sufficiently so that it could be enforced. A contract to design something does not imply or become a contract to construct unless such extension or inclusion is specifically called out in the contract and compensation is specified for it, such as in a design-build contract.

Specific situations involving bonds that have been sold but for which the specific things to be done with the bond proceeds are not obligated through contracts for performance will have to be reviewed to see if obligations to bond holders require such contracts to be made by successor agencies or whether bonds must be defeased.

While this may result in some work being completed that has little apparent current value, ABx1 26 provides that the oversight board may terminate contracts and provide compensation to avoid wastage of funds. Department of Finance encourages successor agencies and oversight boards to review opportunities to do this as they are constructing and approving Recognized Obligation Payment Schedules.

There are many different fact situations that will arise that we cannot anticipate or provide advance guidance on. Finance encourages parties that are concerned about specific situations to bring them to our attention by submitting questions and information regarding the specific situation to the Redevelopment Administration website. While we cannot promise to provide a quick or definitive answer, we will endeavor to do so whenever possible. We will try to provide a fairly early indication that we think the situation requires further information and review. Please provide the name, phone number and e-mail address of a principal contact person with whom we can follow up.

In those cases where Finance and the Controller do not initially come to a conclusion or need further review time, we are prepared to approve the Recognized Obligation Payment Schedule (ROPS) without the questioned item, if that is a practical option. If

timing issues require an earlier decision with regard to a Recognized Obligation Payment Schedule, we may or may not forgo objection at that time but reserve the right to take action under Sec. 34177 or object to the inclusion of the items in a future ROPS. Finance and the Controller are prepared to make commitments with regard to future actions on specific situations once our review is completed.

**Q. Can interagency loans be enforceable obligations? Agencies have been the recipients of funds provided by sponsoring agencies. In some instances these have been described as loans. In some instances there have been specified repayment schedules and terms, in other cases no repayment schedule was specified before the operative date of ABx1 26. In some instances the repayment schedules have not been adhered to. ABx1 26 provides that until oversight boards are established, no new repayment schedules can be established. Questions have been raised about a variety of these types of situations with regard to whether the repayment is prohibited by Sec. 34171 (d) (2).**

**A. Except for loan agreements made within the first two years of the life of the agency, or loans that relate to issued securities, the act does not recognize such loans to be enforceable obligations. Instead effectively it treats them as contributions of funds.**

**Q. Does AB x1 26 or other law require successor agencies to retain all redevelopment agency employees, maintain their current contractual compensation indefinitely, or transfer the employees into city or county jobs unrelated to successor activities?**

**A. ABx1 26 and labor law generally do not require the retention by the successor of any redevelopment employees. The laying off of represented employees is governed by the applicable memorandum of understanding, if there is one in force. ABx1 26 does require the MOU to pass to the successor agency until it would expire under its own terms and provides some authority to transition employees to jobs within the entity that is also the successor entity.**

**Q. Does the successor agency merge with or become a part of the city or county that chooses to perform the duties of the successor agency?**

**A. Finance views the successor agency as separate employer from the city or county for labor law purposes. ABx1 26 provides that the liability of the successor agency only extend as far as the money available from tax increment and former assets of the agency will fund. Thus redevelopment employees do not become city employees unless they already were or if they are hired to do a city job at the discretion of the city.**

**Finance expects that successor agencies will promptly release any employees who no longer have work to do, consistent with the terms of their employment contracts, and retain those employees necessary for the wind down activities. The successor agencies are authorized however, to use any employees they wish to use for this work.**

**Q. Does the 5 percent limitation on administrative expenses in Sec. 34171 (b) force the reduction of staff and related support expenses to this level immediately?**

**A. No. The limitation applies only to administrative staff and related expenses funded with property tax. Employees funded with bond proceeds or other project funds do not**

count against this limit, nor do employees funded from rents or other revenues or grants. Generally employees working on specific project implementation activities such as construction inspection, project management or actual construction would not be viewed by Finance as "administrative." The ability to fund project oversight work from bond funds may be restricted by the terms of each bond.

Additionally we view this as a limit on the amount of property tax that may be retained by the successor from each distribution of property taxes. Thus administrative costs funded from retained balances also will not count against this limitation. It is our expectation that oversight boards will exercise prudence in determining administrative budgets and project budgets and determining what funding sources to use so as to preserve the revenues to taxing agencies.

**Q. Are unfunded liabilities for pensions and other employee benefits enforceable obligations that must be paid immediately upon dissolution?**

A. Finance is exploring issues related to this with PERS. We hope to have further guidance on this soon. We expect that many of these costs will be determined to be enforceable obligations up to the date the employees are separated. We expect some reasonable payment schedule or reserving schedule can be arranged. The specific requirements of MOUs or other contractual agreements will have to be specifically reviewed. ABx1 26 provides that successor agencies are only liable up to the limit of the total of property tax allocable to the former redevelopment agency.

**Q. Are successor agencies responsible for costs of site remediation or environmental damages beyond the funds available to the successor agency from redevelopment revenues and assets?**

A. Sec. 34173 (e) states that the liability of a successor agency is limited to the funds transferred to it by ABx1 26.

**DRAFT**

City Attorney

12 JAN 23 AM 11:02

# OAKLAND CITY COUNCIL

RESOLUTION No. \_\_\_\_\_ C.M.S.

## RESOLUTION AMENDING THE CITY OF OAKLAND'S FY 2011-13 BIENNIAL BUDGET, WHICH WAS ADOPTED PURSUANT TO RESOLUTION NO. 83444 C.M.S. ON JUNE 30, 2011

**WHEREAS**, the City Council adopted Resolution No. 83444 C.M.S. on June 30, 2011 adopting the FY 2011-13 biennial budget, and appropriating certain funds to provide for the expenditures proposed by the said budget; and

**WHEREAS**, this action is required in light of the California Supreme Court ruling in which the Court upheld ABx1 26 (the redevelopment elimination bill), but struck down ABx1 27, the bill that would have allowed agencies to remain in operation as long as they made a payment to the state; and

**WHEREAS**, the Court's ruling essentially eliminates redevelopment effective February 1, 2012, and leaves no mechanism for reinstatement; and

**WHEREAS**, the decision regarding the elimination of redevelopment agencies has a broad impact on the City of Oakland, not only related to our Redevelopment Agency activity, but also on the City's operating budget since City staff will no longer be funded through the City's redevelopment funds; now, therefore be it

**RESOLVED:** That the City's FY 2011-13 Policy Budget is hereby amended to include adjustments presented in Exhibit A; and be it

**FURTHER RESOLVED:** That Exhibit A is hereby amended to include adjustments adopted by Council on January 31, 2012.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 20\_\_\_\_

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, SCHAAF, and PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_

LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland, California

**FY 2011-13 BUDGET AMENDMENTS**

	FY 2011-12 (Feb 6-June 30)		FY 2012-13	
<b>MAYOR'S OFFICE</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
Reduction target equivalent to 40% of Department's Redevelopment Budget	\$ (88,136)	-	\$ (221,718)	-
Mayor's Office balancing subtotal	\$ (88,136)	-	\$ (221,718)	-
<b>CITY COUNCIL</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
Reduction target equivalent to 40% of Department's Redevelopment Budget	(254,222)	-	(643,295)	-
City Council balancing subtotal	\$ (254,222)	-	\$ (643,295)	-





EXHIBIT A

<b>CITY ATTORNEY'S OFFICE</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
Reduction target equivalent to 40% of Department's Redevelopment Budget	(461,205)	-	(1,191,769)	-
Transfer 1.0 FTE to Fund 1710 (Deputy City Attorney IV)	(48,158)	(1.00)	(122,102)	(1.00)
Transfer 0.44 FTE to Fund 2211 (Deputy City Attorney III; Deputy City Attorney IV)	(41,333)	(0.44)	(104,797)	(0.44)
Transfer 0.45 FTE to Fund 2231 (Deputy City Attorney II; Deputy City Attorney IV)	(38,463)	(0.45)	(97,519)	(0.45)
Transfer 2.0 FTE to Fund 2415 (Paralegal; Deputy City Attorney III)	(129,906)	(2.00)	(329,368)	(2.00)
Transfer 2.0 FTE to Fund 3100 (Deputy City Attorney II; Deputy City Attorney V)	(167,024)	(2.00)	(423,479)	(2.00)
City Attorney's Office balancing subtotal	\$ (886,090)	(5.89)	\$ (2,269,034)	(5.89)
<b>CITY AUDITOR'S OFFICE - NO BUDGET CHANGES</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
City Auditor's Office to remain within budgeted appropriation; City Administrator directed to use administrative controls to implement	-	-	-	-
City Auditor's Office balancing subtotal	\$ 0		\$ 0	
<b>CITY CLERK</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
Eliminate Administrative Assistant II	(69,411)	(1.00)	(71,094)	(1.00)
Clerk balancing subtotal	\$ (69,411)	(1.00)	\$ (71,094)	(1.00)

EXHIBIT A

<b>INFORMATION TECHNOLOGY</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
Freeze Director of Information Technology	(175,966)	(1.00)	(179,492)	(1.00)
Transfer Manager Information Systems to Fund 2415 and move to Department of Planning and Neighborhood Preservation	(81,176)	(1.00)	(206,672)	(1.00)
Delete City Administrator Analyst/Add Microcomputer Specialist I; Delete Technical Communications Specialist/Add Microcomputer Specialist II; Delete Project Manager/Add Information Systems Supervisor; Delete Project Manager/Add Telecommunications System Engineer	(20,886)	-	(31,189)	-
Transfer 0.33 FTE Systems Programmer II to Fund 4200	(14,099)	(0.33)	(35,746)	(0.33)
Information Technology balancing subtotal	\$ (292,127)	(2.33)	\$ (453,099)	(2.33)
<b>FINANCE &amp; MANAGEMENT AGENCY</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
<b>REORGANIZATIONS:</b>				
Transfer-Out Risk Management to DHRM	(1,284,225)	(7.00)	(1,304,353)	(7.00)
Transfer-Out Revenue Division in FMA to CAO (Budget)	(3,463,373)	(15.00)	(3,415,323)	(15.00)
Transfer-In Retirement from DHRM	2,518,428	3.10	2,238,803	3.10
Transfer Parking Enforcement to OPD and Repair Operations to PWA; Revenue Division to retain Parking Assistance Center and Fiscal	(4,827,627)	(99.20)	(12,214,382)	(99.20)
Transfer Commercial Lending Program from CEDA (Fund 2105 HUD-EDI) [Account Clerk I and Loan Servicing Specialist]	289,596	2.00	298,969	2.00
<b>BALANCING MEASURES:</b>				
Freeze FMA Agency Director	(65,948)	(1.00)	(268,995)	(1.00)
Eliminate Parking Director; Add ASM II (transfer ASM II to OPD with Parking Enforcement)	(12,911)	-	(38,994)	-
Add Accountant III/Delete Accountant II	2,425		6,716	
Transfer 1.0 FTE to Fund 2105	(68,758)	(1.00)	(173,664)	(1.00)
Transfer 0.25 FTE Budget & Operations Analyst III to Fund 2211	(13,734)	(0.25)	(34,823)	(0.25)
Transfer 0.50 FTE Accountant III to Fund 2415	(23,774)	(0.50)	(60,278)	(0.50)
Transfer 0.25 FTE Accountant III to Fund 3100	(10,728)	(0.25)	(27,199)	(0.25)
Finance & Management balancing subtotal	\$ (193,428)	(3.00)	\$ (597,237)	(3.00)

EXHIBIT A

<b>HUMAN RESOURCES</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
<b>REORGANIZATIONS:</b>				
Transfer-In Risk Management from FMA and Consolidate Benefits & Risk Divisions	1,284,225	7.00	1,304,353	7.00
Transfer-Out Retirement to FMA	(2,518,428)	(3.10)	(2,238,803)	(3.10)
Transfer-Out Employee Relations to CAO	(282,830)	(4.00)	(649,561)	(4.00)
Transfer-In Equal Access from CAO	229,545	2.00	235,204	2.00
<b>BALANCING MEASURES:</b>				
Eliminate 2.0 Manager, Human Resources	(133,475)	(2.00)	(422,912)	(2.00)
Add Equal Access - Language & Interpretation Contract	150,000	-	150,000	-
Add Staff Training and Development	75,000	-	75,000	-
Human Resources balancing subtotal	\$ 91,525	(2.00)	\$ (197,912)	(2.00)
<b>POLICE SERVICES</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
<b>REORGANIZATIONS:</b>				
Transfer in Parking Enforcement, including Administrative Services Mgr II	1,904,456	66.20	4,860,291	66.20
Transfer Neighborhood Service Coordinators to the Department of Community Services				
<b>BALANCING MEASURES:</b>				
Eliminate Assistant to the Director	(59,181)	(1.00)	(147,106)	(1.00)
Eliminate 4.0 Neighborhood Service Coordinators	(145,468)	(4.00)	(370,323)	(4.00)
Delete Police Records Specialist and Police Services Technician from 1010	(55,046)	(2.00)	(137,020)	(2.00)
Add 20% Police Svcs. Mgr. I (80% to Worker's Comp Fund)	10,969	0.20	27,403	0.20
Transfer 2.0 FTE Police Officers to Fund 2416	(137,223)	(2.00)	(347,920)	(2.00)
Transfer Criminalist III to Fund 2159 (State of California Grants)	(53,797)	(1.00)	(136,965)	(1.00)
Police Services balancing subtotal	\$ (439,745)	(9.80)	\$ (1,111,931)	(9.80)

EXHIBIT A

<b>FIRE SERVICES</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
Eliminate vacant Heavy Equipment Operator (Fund 1720)	(85,887)	(1.00)	(87,653)	(1.00)
Transfer Administrative Services Manager I to Fund 1150 (Worker's Comp)	(118,581)	(0.80)	(121,455)	(0.80)
<b>Fire Services balancing subtotal</b>	<b>\$ (204,468)</b>	<b>(1.80)</b>	<b>\$ (209,108)</b>	<b>(1.80)</b>
<b>LIBRARY SERVICES - NO BUDGET CHANGES</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
No Changes	-	-	-	-
<b>Library balancing subtotal</b>	<b>\$ 0</b>		<b>\$ 0</b>	

EXHIBIT A

DEPARTMENT OF COMMUNITY SERVICES				
Description	Expenditures	FTE	Expenditures	FTE
<b>REORGANIZATIONS:</b>				
Combine the Office of Parks & Recreation and the Department of Human Services into a new Department of Community Services (effective July 1, 2012) :				
Consolidate Two Department Directors (OPR & DHS)	-	-	(242,646)	(1.00)
Add Two Assistant Directors	-	-	362,040	2.00
Transfer Neighborhood Services Division from the CAO and Police Department				
<b>BALANCING MEASURES:</b>				
<b>PARKS AND RECREATION</b>				
<u>Description</u>				
Adjustment of some Rec Center operational hours - no Mondays, but later on other days; Close San Antonio Rec Center as traditional program director site and develop into citywide sports complex; Cease operating Davie Tennis Stadium as subsidized City program [Eliminate 1.0 Rec Program Director; Reduce PT Staffing; Reduced O&M]	(92,870)	(5.77)	(239,355)	(5.77)
Eliminate Marine & Aquatics Program Supervisor	(44,255)	(1.00)	(112,672)	(1.00)
Reduce Subsidy, Zoo (40%)	-	-	(215,958)	-
Reduce Subsidy, Hacienda Peralta (40%)	-	-	(18,360)	-
Eliminate Subsidy, JL Aquatic Center	(53,000)	-	(53,000)	-
Reduce Subsidy, Fairyland (40%)	-	-	(54,600)	-
<b>HUMAN SERVICES</b>				
<u>Description</u>				
Eliminate Subsidy, 211	-	-	(100,000)	-
Eliminate Youth Commission and explore combining with other youth groups [OFCY Planning and Oversight Committee will continue and is constituted of nearly half youth members who have decision making authority over nearly \$10 million in youth service funding and establishing youth priorities and as such constitutes the most powerful youth policy voice for the City of Oakland]	(14,908)	(0.50)	(37,056)	(0.50)
Eliminate Senior Services Administrator	(37,249)	(0.53)	(92,590)	(0.53)
Add Program Analyst II, PPT	22,493	0.50	55,911	0.50
Eliminate Executive Assistant	(38,440)	(1.00)	(95,551)	(1.00)
Add Administrative Assistant II; Delete Administrative Assistant I, PPT in Fund 2251	-	0.20	-	0.20
Transfer Community Housing Staff to Fund 2108	(174,641)	(3.57)	(442,790)	(3.57)
Department of Community Services subtotal	\$ (432,870)	(11.67)	\$ (4,286,627)	(10.67)

EXHIBIT A

<b>FORMER COMMUNITY AND ECONOMIC DEVELOPMENT AGENCY</b>				
<u>Description</u>				
Dissolve the Community and Economic Development Agency:				
Create Department of Housing and Community Development				
Create Department of Planning and Neighborhood Preservation				
Create Office of Economic Development and Office of Neighborhood Investment in City Administrator's Office				
<b>DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT AGENCY</b>				
<b>Fund 2108</b>				
Eliminate Departmental Overhead	(98,423)	-	(244,655)	-
Add 0.60 FTE ASM I and 0.60 Account Clerk III (from 7760)	59,548	1.20	150,401	1.20
Reallocate various FTEs from 7780/ORA to 2108	56,975	0.58	143,904	0.58
<b>Fund 2109</b>				
Eliminate Departmental Overhead	(15,391)	-	(38,262)	-
Add back admin support: 0.25 FTE of ASM i (new) and 0.25 Account Clerk III (from 7760)	24,812	0.50	62,668	0.50
Reallocate various FTEs from 7780/ORA to 2109	155,443	2.73	392,605	2.73
<b>Fund 2413</b>				
Eliminate Departmental Overhead	(45,581)	-	(113,249)	-
Add 0.15 FTE of ASM I and 0.15 Account Clerk III (from 7760)	14,887	0.30	37,599	0.30
Transfer 1.0 Program Analyst I from 7780/ORA	42,531	1.00	107,422	1.00
<b>Fund 7780</b>				
Eliminate Departmental Overhead	(155,258)	-	(385,851)	-
Eliminate 10.0 FTEs from 7780/ORA [1 Mgmt Asst; 1 Receptionist; 2.0 Housing Dev Coordinator III; 1.0 Rehab Supervisor II (ASMI placeholder); 2.0 Student Trainee, PT; 1.0 Home Mgmt Counselor III; 1.0 Monitoring & Evaluation Supervisor; 1.0 Office Asst II]; transfer 4.31 FTEs to other funds; transfer 10.75 FTEs to Successor Agency to complete projects	(1,310,584)	(25.06)	(3,310,160)	(25.06)

EXHIBIT A

<b>Successor Agency</b>				
Add back various positions to continue enforceable obligation projects as Successor Agency project staff:[0.85 Admin Analyst I; 0.50 Deputy Dir, Housing; 0.50 Project Mgr II; 0.75 Dev/Redev Pgrm Mgr; 0.65 Housing Dev Coordinator IV; 1.0 Admin Asst I; 2.0 Housing Dev Coordinator III; 3.0 Housing Dev Coordinator IV; 0.50 Loan Serving Administrator; 1.0 Rehab Advisor III]	627,536	10.75	1,584,977	10.75
<b>Department of Housing &amp; Community Development subtotal</b>	<b>\$ (643,505)</b>	<b>(8.00)</b>	<b>\$ (1,612,601)</b>	<b>(8.00)</b>
<b>OFFICE OF ECONOMIC DEVELOPMENT; OFFICE OF NEIGHBORHOOD INVESTMENT</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
<b>Fund 1010</b>				
Eliminate Departmental Overhead	(1,927)	-	(4,792)	-
Add 0.72 FTE for Real Estate Agent to handle ongoing City leases and other real estate issues	35,738	0.72	90,265	0.72
Transfer 4.0 FTEs and O&M for Marketing positions from 7780 to 1010 [ASM II; Public Information Officer (to CAO); Special Events Coord; Graphics Design Specialist]	213,629	4.00	539,567	4.00
Add 4.0 FTEs & O&M for Economic Development positions from 7780 to 1010 [Urban Economic Coordinator; Urban Economic Analyst I; Urban Economic Analyst III, Urban Economic Analyst IV]	212,019	4.00	535,500	4.00
<b>Fund 1710</b>				
Eliminate Departmental Overhead	(6,398)	-	(15,907)	-
<b>Fund 1770</b>				
Eliminate Departmental Overhead	(11,144)	-	(27,707)	-
Change FTE mix based on eliminated 7780/ORA funding	14,028	0.03	35,431	0.03
<b>Fund 2105</b>				
Eliminate Departmental Overhead	(10,013)	-	(25,055)	-
Transfer 0.50 Account Clerk I from 7780 to 2105 & transfer function to FMA/Treasury; Total of 2.0 FTE transfer from CEDA to FMA	11,315	0.50	28,577	0.50
Eliminate Manager position and transfer program to FMA/Treas; Net savings used for FMA/Treasury positions to support program/grant	(68,758)	(1.00)	(173,664)	(1.00)

EXHIBIT A

<b>Fund 2108</b>				
Eliminate Departmental Overhead	(20,831)	-	(51,791)	-
Add 0.25 FTE of ASM II, 0.25 FTE Admin Analyst II and 0.25 FTE Account Clerk III (from 7760)	35,920	0.75	90,724	0.75
Eliminate Admin Analyst II, Admin Asst II; Office Asst II	(52,647)	(1.32)	(132,971)	(1.32)
Eliminate 1.28 UEA IV; add 1.0 UEA III	(35,851)	(0.28)	(90,549)	(0.28)
<b>Fund 2195</b>				
Eliminate Departmental Overhead	(41,383)	-	(102,844)	-
Eliminate 0.38 FTE Office Assistant II	(11,124)	(0.38)	(28,097)	(0.38)
Add back admin support: 0.25 ASM II and 0.25 Admin Analyst II (from 7780) and 0.25 Account Clerk III (from 7760)	35,921	0.75	90,725	0.75
<b>Fund 5505</b>				
Eliminate Departmental Overhead	(7,939)	-	(19,739)	-
Transfer 0.25 FTE Program Analyst III from 7780/ORA	12,310	0.25	31,093	0.25
<b>Fund 7780</b>				
Eliminate Departmental Overhead	(329,407)	-	(818,904)	-
Eliminate 22.91 FTEs [Mgr, Real Estate Services; 1.25 Real Estate Agent; 1.64 Admin Analyst II; Executive Asst; 2.50 Student Trainee, PT; 5.0 UEA III; 3.72 UEA IV, Projects; Program Analyst III; 2.0 Urban Economic Coordinator; 0.25 Admin Asst II; 0.55 Office Asst II; 2.0 Dev/Redev Prgm Mgr]; transfer 9.36 FTEs to other funds; add back/transfer 21.50 FTEs to Successor Agency to complete projects	(3,044,836)	(53.77)	(7,638,237)	(53.77)
<b>Successor Agency</b>				
Add back various positions to continue enforceable obligation projects as Successor Agency staff [Program Analyst I, Program Analyst III, Deputy Director, 2.0 Dev/Redev Program Manager, 2.0 Urban Economic Coord, 2.0 UEA IV, 2.0 UEA III, 4.0 UEA II, 2.0 UEA I, Admin Asst I]	1,153,106	18.00	2,912,416	18.00
End-date Army Base PM III to July 1, 2012	107,487	1.00	-	-
Add back admin support: 1.0 Office Asst II; 0.50 ASM II and 0.50 Admin Analyst II (from 7780); 0.50 Account Clerk III (from 7760)	114,452	2.50	287,398	2.50
<b>Office of Economic Development &amp; Office of Neighborhood Investment subtotal</b>	<b>\$ (1,696,333)</b>	<b>(24.25)</b>	<b>\$ (4,488,561)</b>	<b>(25.25)</b>



EXHIBIT A

DEPARTMENT OF PLANNING & NEIGHBORHOOD PRESERVATION				
Description	Expenditures	FTE	Expenditures	FTE
<b>Fund 7780</b>				
Eliminate Departmental Overhead	(18,775)	-	(46,816)	-
Eliminate Planning Intern	(12,734)	(0.80)	(32,162)	(0.80)
Transfer FTEs to 2415 [0.40 Deputy Director, Community & Econ Dev, 1.5 Planner III, 0.5 PSR, PPT]	(142,818)	(2.40)	(360,718)	(2.40)
<b>Fund 7760</b>				
Eliminate 7.00 FTEs [Director of Development; Administrative Assistant I; ASM II; Principal Financial Analyst; 2.0 Management Assistant; Payroll Personnel Clerk III] and transfer remaining 7.00 FTEs to other funds	(1,653,552)	(14.00)	(4,110,514)	(14.00)
<b>Fund 1010</b>				
Add 0.50 Executive Assistant to Agency Director and transfer to CAO	26,206	0.50	66,190	0.50
Transfer Payroll Clerk III from CEDA fiscal (7760) and move to FMA	15,863	0.50	40,067	0.50
<b>Fund 2415</b>				
Transfer .25 Exec Asst to the Agency Director and move to CAO	13,103	0.25	33,095	0.25
Transfer Payroll Clerk III from CEDA fiscal (7760) and move to FMA	15,863	0.50	40,067	0.50
Eliminate Departmental Overhead	(732,425)	-	(1,820,386)	-
Transfer FTEs from 7780 [0.40 Deputy Director, Community & Econ Dev, 1.50 Planner III, 0.50 PSR, PPT]	142,818	2.40	360,718	2.40
Add back admin support: 0.50 ASM I and 1.00 Account Clerk III (from 7760), 1.00 Admin Analyst II (from 1770/7780)	117,025	2.50	295,572	2.50
Eliminate Deputy Director of Building (July 1, 2012)	-	-	(269,213)	(1.00)
<b>Successor Agency</b>				
Add 0.75 Agency Admin Manager	69,645	0.75	175,903	0.75
Department of Planning & Neighborhood Preservation subtotal	\$ (2,159,781)	(9.80)	\$ (5,628,197)	(10.80)
<b>TOTAL NET CEDA CHANGES</b>	<b>\$ (4,499,619)</b>	<b>(42.05)</b>	<b>\$ (11,729,359)</b>	<b>(44.05)</b>

EXHIBIT A

<b>PUBLIC WORKS AGENCY</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
<b>REORGANIZATIONS:</b>				
Transfer ADA from CAO (all funds)	415,087	2.75	422,549	2.75
Transfer Parking Repair Operations to PWA: 7.00 Parking Meter Repair Workers	253,828	7.00	642,348	7.00
<b>BALANCING MEASURES:</b>				
<b>Fund 7760</b>				
Transfer 1.5 FTE from 7760 to 1150 (Program Analyst I; ASM II; Support Services Supervisor)	(157,164)	(1.50)	(160,946)	(1.50)
Transfer ADA (Fund 1010 portion) to Fund 7760	117,438	1.72	292,689	1.72
Eliminate Management Intern	(82,643)	(1.00)	(84,481)	(1.00)
Eliminate Microcomputer Specialist	(122,392)	(1.00)	(125,116)	(1.00)
Eliminate O&M	(50,000)	-	(50,000)	-
Eliminate 0.50 FTE Office Assistant I	(11,234)	(0.50)	(27,925)	(0.50)
Transfer 0.50 Administrative Assistant to Fund 3100	(20,929)	(0.50)	(53,351)	(0.50)
Eliminate Administrative Assistant I	(41,857)	(1.00)	(106,702)	(1.00)
Reduce Chief of Party	(12,221)	(0.20)	(31,154)	(0.20)
<b>Fund 4400</b>				
Eliminate Student Trainee/Intern	(26,088)	(1.00)	(26,088)	(1.00)
Reduce O&M			(90,146)	
Eliminate Admin Assist I PT	(29,906)	(0.50)	(29,906)	(0.50)
Eliminate Administrative Assistant I	(41,857)	(1.00)	(106,702)	(1.00)
Eliminate Facilities Complex Manager	(75,200)	(1.00)	(191,000)	(1.00)
Eliminate Maintenance Mechanic	(102,000)	(1.00)	(104,000)	(1.00)
Eliminate Construction and Maintenance Supervisor	(163,000)	(1.00)	(166,000)	(1.00)
Shift to 3100 (0.40 FTE Environmental Program Manager, 1.0 FTE Environmental Specialist)	82,108	(1.40)	209,000	(1.40)
<b>Fund 4100</b>				
Eliminate Auto Equipment Painter and Heavy Equipment Supervisor	(111,814)	(2.00)	(284,617)	(2.00)
Freeze 1.00 Auto Equipment Mechanic	(45,771)	(1.00)	(115,581)	(1.00)
Freeze 3.00 Heavy Equipment Service Worker	(118,053)	(3.00)	(298,107)	(3.00)
Freeze 1.00 Equipment Parts Technician	(39,064)	(1.00)	(98,644)	(1.00)

EXHIBIT A

<b>Fund 1710</b>				
Eliminate Administrative Assistant I	(36,936)	(1.00)	(93,271)	(1.00)
<b>Fund 7780</b>				
Eliminate total ORA funding (2 Street Maintenance Leaders; 3 Public Works Maintenance Workers; 2 Traffic Painters)	(308,222)	(7.00)	(783,797)	(7.00)
<b>Fund 1750</b>				
Reduce O&M	(50,000)		(50,000)	
<b>Fund 1720</b>				
Eliminate Program Analyst	(119,000)	(1.00)	(122,000)	(1.00)
Eliminate Clean Community Supervisor	(61,200)	(1.00)	(156,000)	(1.00)
<b>Fund 2211</b>				
Eliminate Student Trainee, PT	(24,756)	(1.00)	(61,891)	(1.00)
Reduce Civil Engineer	(18,906)	(0.25)	(47,266)	(0.25)
<b>Fund 2230</b>				
Reduce asphalt and quarry supplies	(118,204)		(107,873)	
Traffic Painter - Transfer from 2416	223,263	2.00	237,419	2.00
Sign Maintenance Worker - Transfer from 2416	94,427	1.00	92,546	1.00
<b>Fund 2416</b>				
Traffic Painter - transfer to 2416	(223,263)	(2.00)	(237,419)	(2.00)
Sign Maintenance Worker - Transfer to 2416	(94,427)	(1.00)	(92,546)	(1.00)
Eliminate Sign Maintenance Worker	(94,427)	(1.00)	(92,546)	(1.00)
<b>TOTAL NET PWA CHANGES (outside of transfers)</b>	<b>\$ (1,787,315)</b>	<b>(26.73)</b>	<b>\$ (3,158,124)</b>	<b>(26.73)</b>
<b>NON-DEPARTMENTAL</b>				
<u>Description</u>	<u>Expenditures</u>	<u>FTE</u>	<u>Expenditures</u>	<u>FTE</u>
Reduce Subsidy, Symphony in the Schools (40%)	-	-	(10,200)	-
Reduce Art Grants (40%)	(270,594)	-	(292,048)	-
Reduction in Central Service Overhead	(278,567)	-	-	-
<b>Non-Departmental Balancing subtotal:</b>	<b>\$ (549,161)</b>	<b>-</b>	<b>\$ (302,248)</b>	<b>-</b>