

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Fred Blackwell

SUBJECT: Army Base Budget Modification

DATE: March 6, 2012

City Administrator
Approval

Deanna Santana

Date

3/15/12

COUNCIL DISTRICT: 3

RECOMMENDATION

Staff recommends that the City Council adopt the Resolution amending the City of Oakland's FY 2011-2013 Biennial Budget, which was adopted pursuant to Resolution No. 83693 C.M.S. on January 31, 2012, to use \$873,497 of Army Base Leasing Revenues to reinstate specified staff positions to support Army Base development.

EXECUTIVE SUMMARY

Staff is proposing that the City use net revenue from the Army Base Leasing and Utility Program to cover the costs of key staff positions, which support current Army Base compliance requirements, operations, environmental remediation and development efforts.

The City's budget balancing process subsequent to the dissolution of Redevelopment resulted in the loss of 4.00 full-time equivalent (FTE) staff positions assigned to the Army Base project due to several factors, including the general budget reductions experienced by most City departments, and as a consequence of civil service bumping. Staff is recommending that 2.25 FTE positions be reinstated, including the Project Manager III, the Urban Economic Analyst III, and 25% of the Program Manager.

Staff is also recommending that portions of the staff positions, which support Army Base property management and environmental remediation, be covered by net Leasing and Utility Program revenues, which are restricted for Army Base property reuse and development. This funding source is particularly appropriate since work to develop the former Oakland Army Base has now transferred to the City of Oakland, and not to the post-redevelopment Successor Agency. The total estimated cost of these staff positions at the current annualized rate, fully loaded, is \$174,086 for the fourth quarter of FY 2011-2012 and \$699,411 for FY 2012-2013 (please see *Attachment A* for proposed budget detail).

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OUTCOME

Reinstating 2.25 FTE positions will provide the minimal staff support needed to develop the Army Base site and to meet the City's obligations to the Army and other regulatory agency's.

BACKGROUND/LEGISLATIVE HISTORY

The No-Cost Economic Development Conveyance (EDC) of the former Oakland Army Base property requires that revenue generated from the Army Base site be reinvested in the site to maintain the property, remediate the site per the Remediation Action Plan/Risk Management Program, and promote the economic development of the EDC property. Heretofore, net proceeds from the Army Base Leasing and Utility Program have been saved and subsequently moved into new Funds, specifically the Joint Environmental Remediation Fund (Resolution No. 2010-0049 C.M.S.), and the Joint Infrastructure Development Fund (Resolution No. 2010-0088 C.M.S.).

Staffing costs for the Army Base positions were covered through Army Base Redevelopment Area tax increment revenue. AB26 eliminated that source of revenue. Staff is recommending that those staffing costs be shifted to a source of revenue generated by the Army Base Leasing Program. Under the EDC Agreement with the Department of the Army, the proposed uses of the Leasing Program revenue are allowable to the extent that they fall under one or more of the following general categories, per the EDC Memorandum of Agreement between the Army and the City:

1. Road construction
2. Transportation management facilities
3. Storm and sanitary sewer construction
4. Police and fire protection facilities and other public facilities
5. Utility construction
6. Building rehabilitation
7. Historic property preservation
8. Pollution prevention equipment and facilities
9. Demolition
10. Disposal of hazardous materials generated by demolition
11. Landscaping, grading, and other site or public improvements
12. Planning for or the marketing of redevelopment and reuse of the former OAB site
13. Environmental remediation activities
14. Acquisition of the Subaru Lot
15. Relocation of the Homeless Collaborative

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In addition, the MOA provides that related uses other than the 15 listed above may be considered appropriate if they are directly related to the list of purposes (above) and directly benefit economic development and job generation objectives.¹ Virtually every task staff performs regarding the Army Base is tied to the reuse, remediation, and development of the site.

ANALYSIS

The City's budget balancing process as a result of AB26 had unintended consequences for the Army Base and other major projects. The Army Base project, in particular, was unintentionally hit hard with staffing cuts due to the loss of tax increment revenue and civil service bumping. Of the roughly 5.1 FTE positions assigned to directly support the Army Base project area, one (1.0) FTE was cut February 23, 2012, 1.75 FTE were reassigned to other departments, and another FTE (Project Manager III) is scheduled to be cut July 1, 2012. These cuts would greatly impact staff support for the development of what most Oakland residents believe to be the City's largest and most promising economic development project.

The reductions made to redevelopment-funded work in the aftermath of AB26 were not on a project-by-project basis. Rather, reductions were made based on the entire body of work formerly funded by redevelopment; the number and type of staff retained was designed to be sufficient to implement all enforceable obligations. After those changes were made, and the effects of the bumping and redeployment processes were understood, the result was a significant reduction in staff capacity to implement the Army Base project. It was not possible to know fully ahead of time that the effects would be this severe, given the budget implementation timeline.

Another key factor relates to the difference between projects taken under the City's auspices versus those being overseen by the Successor Agency. At the time the budget changes were made, the presumption was that financial support for staffing Army Base activities would have to come from allocations allowable for the wind-down of redevelopment projects, subject to the dissolution legislation. However, the former Oakland Army Base property ultimately was transferred directly to the City, and therefore staffing to implement the project needed to come from a different funding source, and not from the Successor Agency.

At the time of the previous decision to sunset the Project Manager III position effective July 1, 2012, the budget assumed that the only available funding would be that subject to AB26 restrictions. The most prudent course then seemed to be the reductions which were enacted, with a corresponding expedited transition of the project from negotiation into implementation.

¹ From the Economic Development Conveyance Memorandum of Agreement with the Department of the Army, dated September 27, 2002.

However, given the unexpected bumping-driven loss of the Development/Redevelopment Project Area Manager position, combined with the reality that Army Base work would continue under City auspices rather than under the Successor Agency, staff are now proposing the use of Leasing Program revenues to retain the Project Manager III position beyond July 1, 2012, and to restore an additional 1.75 FTE for the work, for a total staff capacity restoration of 2.75 FTE. Staff believe this new budget proposal is solidly based on conservative revenue and cost projections, and that the use of net Leasing Program revenue derived from the Army Base site will provide direct benefits for the site, now and into the future.

PUBLIC OUTREACH/INTEREST

There has been extensive public outreach and interest regarding the development of the Oakland Army Base. With the dissolution of the Redevelopment Agency, many stakeholders have expressed concerns about the City's ability to support the development efforts. This budget modification recommendation addresses those concerns.

COORDINATION

In addition to the Budget Office and the City Attorney's Office, staff has coordinated this budget modification recommendation process with the Public Works Agency, Environmental Services Division, which oversees all remediation work on the Army Base.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMENDATION:

A. Fiscal Year 2011-2012

Please refer to *Attachment A*, a proposed budget worksheet. Staff is recommending that the Army Base Leasing and Utility Fund (5671) cover \$174,086 in Army Base direct staffing costs, which are fully loaded with salary, benefit, and overhead estimates.

B. Fiscal Year 2012-2013

Staff is recommending that the Army Base Leasing and Utility Fund (5671) cover \$699,411 in Army Base direct staffing costs, fully loaded.

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2. COST ELEMENTS:

The Army Base staff positions recommended for funding from the Leasing and Utility Program Fund are as follows:

Staff Position	Description	Current Status	Recommended Status	FY 11-12 Costs	FY 12-13 Cost
Project Manager III (100%)	Infrastructure planning, design, construction and negotiations	Scheduled to end June 30, 2012	Maintain at 100%	\$66,549	\$266,195
Program Manager (25%)	Formerly the Army Base Redevelopment Area Manager	Re-Deployed 100% to Workforce Development effective February 23, 2012	Maintain 25% of time and cost for Army Base management	\$12,438	\$49,752
Urban Economic Analyst III (100%)	Program and administrative support for Army Base development	Laid-off effective February 23, 2012	Reinstate at 100%	\$31,874	\$127,563
Staff Position	Description	Current Status	Recommended Status	FY 11-12 Costs	FY 12-13 Cost
Real Estate/Property Manager (50%)	Oversees property management, title, easement and land transactions	Budgeted through other funding source	Switch staff cost to Fund 5671	\$17,399	\$72,596
Student Trainees	Special projects for OAB development	Eliminated from budget	Add three positions	\$11,880	\$47,520
TOTAL:				\$174,086	\$699,411

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3. SOURCE OF FUNDS:

The Army Base Leasing and Utility fund number was recently changed from Fund 9575 to Fund 5671.

4. FISCAL IMPACT

Heretofore, net Army Base Leasing and Utility Program revenues were reserved for the development of the site in compliance with the No-Cost Economic Development Conveyance Memorandum of Agreement with the Department of the Army. These reserved funds were subsequently transferred to the newly established Joint Environmental Remediation Fund (\$5,700,000) and Joint Infrastructure Development Fund (\$16,100,000).

This proposal has no impact on the City's General Fund. When the Army Base Leasing Program ends or winds down due to site preparation and development, the reduction in leasing revenue will need to be taken into account. Carry-forward Fund balance should be sufficient to support staffing one year following phase out of Leasing Program.

SUSTAINABLE OPPORTUNITIES

Economic: The Army Base project is considered by many to be the City's leading economic development priority. The current staffing scenario depleted most of the staff positions assigned to the Army Base project. This proposal is intended to enable the City to support the development of the Army Base project as long as there are leasing revenues to draw upon.

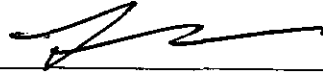
Environmental: This budget proposal ensures funding for overseeing the Army Base Remediation Action Plan/Risk Management Program.

Social Equity: This budget proposal also supports continued support for the development and implementation of Community Benefits associated with the Army Base project.


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For questions regarding this report, please contact Al Auletta, Program Manager, at 510-238-3752.

Respectfully submitted,



FRED BLACKWELL
Assistant City Administrator

Reviewed by: Gregory D. Hunter 
Deputy Director, Office of Neighborhood Investment

Prepared by: Al Auletta
Office of Neighborhood Investment

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OAKLAND ARMY BASE LEASING UTILITY PROGRAM BUDGET

Fund 9575/5671

REVENUE	FY 11-12	FY 12-13	Comments
	(Q4 11-12)		
Lease & Utility Payments	\$ 700,000	\$ 3,000,000	
Interest Income	\$ 30,000	\$ 120,000	
Operating Transfer In	\$ 2,750,000		One-time/restricted
Carry Forward Fund Balance		\$ 1,524,302	
Total Revenues:	\$ 3,480,000	\$ 4,644,302	
EXPENSES			
Personnel	(Q4 11-12)		
Project Manager III	\$ 66,549	\$ 266,195	
Program Manager (25%)	\$ 12,438	\$ 49,752	
Urban Economic Analyst III	\$ 31,874	\$ 127,563	
Environmental Services (60%)	\$ 33,946	\$ 135,785	
Real Estate Property Manager (50%)	\$ 17,399	\$ 72,596	
Student Trainees	\$ 11,880	\$ 47,520	
Total Personnel:	\$ 174,086	\$ 699,411	
Operations & Maintenance	(Q4 11-12)		
Supplies and Equipment	\$ 1,063	\$ 4,250	
Utilities	\$ 200,500	\$ 850,000	
Fiscal and Audit Fees	\$ 7,688	\$ 30,750	
City Attorney and Outside Counsel	\$ 62,500	\$ 350,000	
Police and Fire	\$ 112,250	\$ 450,000	
Security	\$ 46,500	\$ 250,000	
Property Maintenance/Services	\$ 12,750	\$ 55,000	
Professional Services	\$ 31,250	\$ 250,000	
Demolition/Site Preparation	\$ 1,000,000	\$ 250,000	One-time Q4 11-12 project costs
Internal Work Orders	\$ 300,000	\$ 100,000	
Miscellaneous Operating Costs	\$ 7,113	\$ 30,000	
Total O & M:	\$ 1,781,613	\$ 2,620,000	
Total Personnel and O&M:	\$ 1,955,699	\$ 3,319,411	
NET INCOME/LOSS:	\$ 1,524,302	\$ 1,324,891	



 City Attorney

 FILED
 OFFICE OF THE CITY CLERK
 OAKLAND

OAKLAND CITY COUNCIL

2012 MAR 16 AM 9:04

RESOLUTION NO. _____ C.M.S.

RESOLUTION AMENDING THE CITY OF OAKLAND'S FY 2011-13 BIENNIAL BUDGET, WHICH WAS ADOPTED PURSUANT TO RESOLUTION NO. 83693 C.M.S. ON JANUARY 31, 2012, TO USE \$873,497 OF ARMY BASE LEASE REVENUES TO REINSTATE SPECIFIED STAFF POSITIONS TO SUPPORT ARMY BASE DEVELOPMENT

WHEREAS, the City Council adopted Resolution No. 83693 C.M.S. on January 13, 2012 to amend the FY 2011-13 biennial budget in response to the dissolution, pursuant to State law, of redevelopment agencies, and specifically the Redevelopment Agency of the City of Oakland ("Redevelopment Agency"), effective February 1, 2012; and

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

WHEREAS, the City had to make significant staffing reductions and reassignments effective February 23, 2012 in order to balance the City's budget by January 31, 2012; and

WHEREAS, among the staffing reductions and re-assignments was the dissolution of the former Oakland Army Base ("Army Base") staffing team that oversaw the maintenance and potential development of the Army Base; and

WHEREAS, the Redevelopment Agency initially acquired the Army Base from the United States Department of the Army pursuant to an agreement known as a "No-Cost Economic Development Conveyance Memorandum of Agreement" (EDC MOA) that requires revenue generated from the Army Base site to be reinvested in the site to maintain the property, remediate the site per the State-approved Remediation Action Plan/Risk Management Program, and to promote the economic development of the property; and

WHEREAS, the Army Base property generated leasing revenue to the Redevelopment Agency from leasing various portions of the Army Base to tenants (the "Army Base Leasing and Utility Program"); and

WHEREAS, prior to dissolution, the Redevelopment Agency transferred most of the Army Base, including the right to receive leasing revenues, to the City under its own auspices (not as Successor Agency to the Redevelopment Agency); and

WHEREAS, the Army Base Leasing and Utility program generates net revenues sufficient to support staff costs for activities that comply with the restricted uses of said funds as imposed by the Department of the Army by way of the No-Cost Economic Development Conveyance Memorandum of Agreement; now, therefore, be it

RESOLVED: That the City's FY 2011-13 Policy Budget is hereby amended to include adjustments reinstating staff positions presented by the City Administrator in **Exhibit A**, in the total amount of \$873,497 for FY 2011-2013.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

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

OAKLAND ARMY BASE LEASING UTILITY PROGRAM BUDGET

Fund 9575/5671

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