

Orange Countywide Oversight Board

Date: 9/26/2019

Agenda Item No. 10J

From: Successor Agency to the Santa Ana Redevelopment Agency

Subject: Straw Vote of the Countywide Oversight Board Regarding Administrative Budget

Recommended Action:

Hold a straw vote regarding FY 2020-21 Administrative Budget for the Santa Ana Successor Agency

The Santa Ana Successor Agency requests a straw vote of the Administrative Budget for Fiscal Year 2020-21. The Successor Agency shall return in January with a request for final approval of the Administrative Budget with the Recognized Obligation Payment Schedule (ROPS).

The authorized distribution from the Redevelopment Property Tax Trust Fund (RPTTF) for the ROPS 2019-20 period, less administrative costs is \$5,547,075. Pursuant to Section 34171 (b) (3), the administrative allowance for FY 2020-21 is 3% of the adjusted RPTTF distribution from ROPS 19-20 (\$166,412), or the minimum amount of \$250,000. The Santa Ana Successor Agency anticipates that the minimum \$250,000 will be the administrative budget for FY 2020-21 and prepared the budget accordingly.

The administrative cost allowance for the 19-20 period will be used for salaries and benefits for staff involved in successor agency activities, legal and consulting expenses, information technology support, insurance, facility costs, and supplies. Additional descriptions of the various line items are provided in Attachment 1 (a). Please note that this budget is only a draft and subject to change, pending employee labor contract negotiations, increases or decreases in CalPERS employer contribution rates, etc.

Since dissolution of the former RDA, the Santa Ana Successor Agency has never expended the full amount of the administrative cost allowance authorized in any given ROPS period, and makes an effort to minimize the use of these funds. The table below reflects the actual expenditures compared to the authorized budget for the past three years as reported (or to be reported for ROPS 18-19) on the Prior Period Adjustment:

ROPS Period	Authorized	Final Expenditures	Difference	Expenditure as % of Budget
2016-17	\$250,000	\$246,753	\$ 3,247	98.7%
2017-18	564,672	341,955	222,717	60.6%
2018-19	254,742	195,477	59,265	76.7%

Staff Contact(s)

Susan Gorospe, Principal Management Analyst

Phone: (714) 647-5376

E-mail: sgorospe@santa-ana.org

Attachments

1. Draft Administrative Budget for ROPS 20-21
 - a. Descriptions of line items
2. DOF Letter dated April 9, 2019 – approval of Administrative Budget for ROPS 19-20
3. DOF Letter dated October 31, 2018 – approval of Administrative Budget for ROPS 18-19B
4. DOF Letter dated May 17, 2018 – approval of Administrative Budget for ROPS 18-19

ATTACHMENT 1

**City of Santa Ana
 Successor Agency to the former Community Redevelopment Agency
 FY 2020-21
 Administrative Allowance Budget**

<u>Direct Personnel Costs</u>	<u>Department *</u>	<u>Hourly Rate</u>	<u>Successor Agency Hours</u>	<u>SA Administration</u>	<u>% of Time Spent on SA Issues</u>
Executive Director	CDA	\$ 137.34	102	14,009	4.90%
Principal Management Analyst	CDA	87.44	1,140	99,682	54.81%
Management Analyst	CDA	63.14	204	12,881	9.81%
Senior Accounting Assistant	CDA	54.32	204	11,081	9.81%
Community Development Commission Secretary	CDA	47.40	204	9,670	9.81%
Accounting Manager	FMSA	86.02	42	3,613	2.02%
Senior Accountant	FMSA	73.10	204	14,912	9.81%
Senior Accounting Assistant	FMSA	53.08	60	3,185	2.88%
Assistant City Attorney	CAO	108.92	102	11,110	4.90%
Total Direct Personnel Costs			2,262	180,142	
<u>Other Direct Costs</u>					
Building Rental/Maintenance - Shared cost allocation				7,100	
Communications - Shared cost allocation				1,200	
Consultants - Outside legal counsel / Financial / etc.				2,500	
Copier Lease - Shared cost allocation				1,000	
Delivery Charges - Shared cost allocation				280	
Employee parking				1,020	
Insurance Charges - Shared cost allocation				5,810	
IT Maintenance Charge - Shared cost allocation				6,200	
Laserfiche - Shared cost allocation for document management software				1,000	
Legistar - Shared cost allocation for agenda management software				1,800	
Supplies, printing, misc. items				1,279	
Training / Mileage				100	
Unfunded Accrued Liability - Shared cost allocation				25,000	
Total Other Direct Cost				54,289	
<u>Indirect Costs (based on direct salary charges)</u>					
Indirect Costs - 11.16% for FY 19/20; rate for FY 20/21 TBD				15,569	
Includes City Manager's Office, Human Resources, Accounting, Purchasing, Treasury, Management & Support services.					
Total Indirect Cost				15,569	
Total Successor Agency Admin Allowance Cost				\$ 250,000	

* CDA = Community Development Agency
 FMSA = Finance & Management Services Agency
 CAO = City Attorney's Office

ATTACHMENT 1 (a)

**City of Santa Ana Successor Agency
FY 2020-21
Administrative Allowance
Description of Personnel Positions and Functions**

<u>Position</u>	<u>Department</u>	<u>Summary of Job Duties Pertaining to Successor Agency</u>	<u>Hours</u>	<u>Frequency (Months)</u>	<u>Total</u>
Executive Director	CDA	Oversees the entire dissolution process as City Manager's designee. Attends Successor Agency, Oversight Board and Meet and Confer meetings and updates City management on RDA dissolution. Meets weekly with staff to review wind down activities.	8.5	12	102
Principal Management Analyst	CDA	Prepares all staff reports and attachments for, and attends all Successor Agency and Oversight Board meetings. Administers all enforceable obligations on a daily basis. Approves all invoices. Prepares journal entries as needed. Reconciles projects expenses. Prepares ROPS & PPA and works with other departments.	95	12	1140
Management Analyst	CDA	Backup to the Principal Management Analyst. Provides assistance in reconciliation, analysis, and oversight of enforceable obligations. Assists with document management of former RDA records.	17	12	204
Senior Accounting Assistant	CDA	Posts attendance for payroll charges to Successor Agency accounts for 24 pay periods. Sets up projects and activities in financial system. Prepares and processes any travel related requests. Assists in preparation of journal entries.	17	12	204
Community Development Commission Secretary	CDA	Assists in the preparation, submission, and tracking of Successor Agency staff reports to Clerk of the Council. Assists with filing, scanning, and other records retention related tasks for former RDA and current Successor Agency files on an on-going basis.	17	12	204
Total Community Development Agency					1854
Accounting Manager	FMSA	Review final ROPS cash balance worksheet. Reconciles monthly bank statements related to Successor Agency transactions. Reviews and makes final approval of all journal entries for monthly closing. Additional hours during July - December for financial statements, addressing audit questions, and CAFR preparation.	3.5	12	42
Senior Accountant	FMSA	Prepares ROPS Cash Balance worksheet. Approves direct payment vouchers for payment of invoices. Reviews monthly fund balance and analyzes for month end closing. Reviews and processes journal entries as needed. Approves set up of projects and activities in financial system. Prepares all fiscal year end transactions. Additional hours during July - December for financial statements, addressing audit questions, and CAFR preparation.	17	12	204
Senior Accounting Assistant	FMSA	Processes direct payment vouchers for Successor Agency invoices.	5	12	60
Total Finance & Management Services Agency					306
Assistant City Attorney	CAO	Provides legal guidance on Dissolution Act and former RDA agreements/issues. Drafts and reviews Successor Agency resolutions. Attends Successor Agency meetings as necessary.	8.5	12	102
Total City Attorney's Office					102

ATTACHMENT 1 (a)

**City of Santa Ana Successor Agency
 FY 2020-21
 Administrative Allowance
 Description of Other Direct and Indirect Costs**

<u>Line Item</u>	<u>Description</u>
Building Rental / Maintenance	Shared cost allocation of City Hall building maintenance, janitorial services, utilities, and security guard services
Communications	Monthly telephone charges for (1) direct line, and allocation for shared telecommunication lines and system maintenance
Consultants	Outside legal counsel, financial consultants, appraisers, etc. on an as-needed basis
Copier Lease	Shared cost allocation of Sharp copier leases
Delivery Charges	Shared cost allocation of mail delivery services by Central Services Division
Employee Parking	Monthly parking fees for Successor Agency staff
Indirect Costs	Charges for City general overhead expense (City Manager's Office, Human Resources, Accounting, Purchasing, Treasury, Management and Support)
Insurance Charges	Shared cost allocation of premiums for Liability and Property Insurance, employee Group Insurance and Workers Compensation Insurance
IT Maintenance Charges	Shared cost allocation of computer services, maintenane of software, and a reserve for equipment replacement
Laserfiche	Shared cost allocation for document management software license and maintenance
Legistar	Shared cost allocation for agenda management software license and maintenance
Supplies, Printing, Misc.	Direct office supplies, materials, non-consumable items, computer-related hardware/peripherals less than \$5,000, duplication costs, postage, etc. for Successor Agency staff
Training / Mileage	Registration fees and travel related expenses for Succesor Agency staff
Unfunded Accrued Liability	Shared cost allocation of liability payment to CalPERS (employer's contribution) for former employees and current employees assigned to the former RDA

ATTACHMENT 2



GAVIN NEWSOM • GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

April 9, 2019

Ms. Susan Gorospe, Principal Management Analyst
City of Santa Ana
60 Civic Center Plaza, M-25
Santa Ana, CA 92701

Dear Ms. Gorospe:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Santa Ana Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 30, 2019. Finance has completed its review of the ROPS 19-20.

Based on a sample of line items reviewed and application of the law, Finance is approving all of the items listed on the ROPS 19-20 at this time. However, Finance notes the following:

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in Redevelopment Property Tax Trust Fund (RPTTF) are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 3 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items that are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available on our website:

[http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/](http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$5,836,773 as summarized in the Approved RPTTF Distribution table on Page 3 (see Attachment).

ATTACHMENT 2

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Alexander Watt, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Steven A. Mendoza, Executive Director of Community Development, City of Santa Ana
Mr. Israel M. Guevara, Administrative Manager, Property Tax Section, Orange County

ATTACHMENT 2

Attachment

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 4,240,980	\$ 1,355,380	\$ 5,596,360
Administrative RPTTF Requested	144,849	144,849	289,698
Total RPTTF Requested	4,385,829	1,500,229	5,886,058
RPTTF Authorized	4,240,980	1,355,380	5,596,360
Administrative RPTTF Authorized	144,849	144,849	289,698
Total RPTTF Authorized for Obligations	4,385,829	1,500,229	5,886,058
Prior Period Adjustment	(49,285)	0	(49,285)
Total RPTTF Approved for Distribution	\$ 4,336,544	\$ 1,500,229	\$ 5,836,773



October 31, 2018

Ms. Susan Gorospe, Principal Management Analyst
City of Santa Ana
60 Civic Center Plaza, M-25
Santa Ana, CA 92701

Dear Ms. Gorospe:

Subject: Amended 2018-19 Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1) (E), the City of Santa Ana Successor Agency (Agency) submitted an amended Recognized Obligation Payment Schedule for the period January 1, 2019 through June 30, 2019 (Amended ROPS 18-19B) to the California Department of Finance (Finance) on September 26, 2018. Finance has completed its review of the Amended ROPS 18-19B.

Based on our review, Finance is approving all of the adjustments requested on the Amended ROPS 18-19B.

Since Finance is approving an adjustment of \$250,000 to Reserve Balances, and no adjustments were requested for Redevelopment Property Tax Trust Funds (RPTTF), the Agency's maximum approved RPTTF distribution for the ROPS 18-19B period remains \$2,633,098 as summarized in the Approved RPTTF Distribution table on Page 3 (see Attachment).

Please refer to the ROPS 18-19B schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's determination related to the funding of enforceable obligations reported on your Amended ROPS 18-19B. Please note there is no Meet and Confer option for the Amended ROPS process, so Finance's determination is final. This determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this Amended ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Alexander Watt, Analyst, at (916) 322-2985.

Sincerely,



ERIKA LI
Program Budget Manager

cc: Mr. Steven A. Mendoza, Executive Director of Community Development, City of Santa Ana
Mr. Israel M. Guevara, Administrative Manager, Property Tax Section, Orange County

ATTACHMENT 3

Attachment

Approved RPTTF Distribution	
For the period of January 2019 through June 2019	
Authorized RPTTF on ROPS 18-19B	\$ 2,505,727
Authorized Administrative RPTTF on ROPS 18-19B	127,371
Total Authorized RPTTF on ROPS 18-19B	2,633,098

ATTACHMENT 4



EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 17, 2018

Ms. Susan Gorospe, Senior Management Analyst
City of Santa Ana
60 Civic Center Plaza, M-25
Santa Ana, CA 92701

Dear Ms. Gorospe:

Subject: 2018-19 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 13, 2018. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Santa Ana Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19) to Finance on January 31, 2018. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 26, 2018.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer, Finance has completed its review of the specific determination being disputed.

Item Nos. 63 through 65 and 119 – Unfunded Liabilities for Employee Pensions, Other Post-Employment Benefits, Actuarial Studies, and Employee Layoffs/Terminations, outstanding obligation amounts totaling \$1,355,997 are not allowed. Finance continues to deny these items. The Agency requested \$37,697 for Item No. 119 and did not request any funding for Item Nos. 63, 64, or 65 for the ROPS 18-19 period. It is our understanding the \$37,697 requested is the Agency's projection of the accrued leave balances for a former Redevelopment Agency (RDA) employee planning to retire in November 2018. The denial of these items is associated with the agreement originally entered into on July 1, 1947, along with several amendments thereafter, between the City of Santa Ana (City) and the California Public Employees' Retirement System; the former RDA is not identified as a party to the original contract nor the amendments and were determined not enforceable obligations.

The Agency is requesting funding for an employee termination or retirement. However, it is our understanding the Agency is not currently obligated to pay leave balances for a retired or terminated former RDA employee.

During the Meet and Confer, the Agency continued to contend it is obligated to reimburse the City for any City employee costs for employees who work full-time or part-time on former RDA activities pursuant to the Reimbursement Agreement (Agreement) dated September 15, 1980, along with subsequent amendments between the City and RDA, and a Cooperative Agreement dated April 2, 2012.

ATTACHMENT 4

However, HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable unless the agreements are loan agreements entered into within the first two years of the RDA's existence. Furthermore, HSC section 34171 (d) (1) (B) defines a loan as a loan of money that is legally required to be repaid pursuant to a repayment schedule or other mandatory repayment terms. The Agreement and subsequent amendments were not executed within the first two years of the RDA's existence, nor are they considered loan agreements under dissolution law, as there was no exchange of money.

Therefore, these items are not enforceable obligations and the requested amount of \$37,697 for Item No. 119 is ineligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

In addition, per Finance's letter dated April 13, 2018, we continue to make the following determination not contested by the Agency during the Meet and Confer:

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$9,911,347 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2018 through December 31, 2018 period (ROPS A period) and one distribution for the January 1, 2019 through June 30, 2019 period (ROPS B period) based on Finance's approved amounts. Since this determination is for the entire ROPS 18-19 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Pursuant to HSC section 34186 (c), beginning October 1, 2018, the Agency will be required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2016 through June 30, 2017 period (ROPS 16-17) to the Orange County Auditor-Controller for review. The Agency will report actual payments for ROPS 16-17 on ROPS 19-20. A prior period adjustment may be applied to the Agency's ROPS 19-20 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF from the ROPS 16-17 period.

This is our final determination regarding the obligations listed on the ROPS 18-19. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be deemed denied until the matter is resolved.

The ROPS 18-19 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

ATTACHMENT 4

This determination is effective for the ROPS 18-19 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Cindie Lor, Supervisor, or Jeremy Bunting, Lead Analyst, at (916) 322-2985.

Sincerely,



ERIKA LI
Program Budget Manager

cc: Mr. Francisco Gutierrez, Executive Director of Finance and Management Services Agency,
City of Santa Ana
Ms. Cindy Wong, Property Tax Manager, Orange County

ATTACHMENT 4

Attachment

Approved RPTTF Distribution For the period of July 2018 through June 2019			
	ROPS A Period	ROPS B Period	ROPS 18-19 Total
RPTTF Requested	\$ 7,188,575	\$ 2,505,727	\$ 9,694,302
Administrative RPTTF Requested	127,371	127,371	254,742
Total RPTTF Requested	7,315,946	2,633,098	9,949,044
RPTTF Requested	7,188,575	2,505,727	9,694,302
<u>Adjustment</u>			
Item No. 119	(37,697)	0	(37,697)
RPTTF Authorized	7,150,878	2,505,727	9,656,605
Administrative RPTTF Authorized	127,371	127,371	254,742
Total RPTTF Approved for Distribution	\$ 7,278,249	\$ 2,633,098	\$ 9,911,347