

City of Brisbane

Agenda Report

To: City Council via City Manager

From: Administrative Services Director

Subject: Separation of the Successor Agency and the City of Brisbane

Date: September 12, 2012

Purpose:

Ensure the finances of the City of Brisbane and the Successor are treated separately so that the liabilities and assets of each are distinguishable.

Recommendation:

Receive the information and provide further direction if needed.

Background:

In June of 2011 when the State Legislature passed their budget they also passed ABX1 26 and ABX1 27. ABX1 26 eliminated Redevelopment Agencies except for the continuation of bond payments. It created a successor agency to ensure obligations of the Agency will be paid. The successor agency could be the agency that created the redevelopment agency. ABX1 26 also created an Oversight Board made up of the various underlying taxing entities of the Agency. ABX1 27 allowed for the continuation of the Redevelopment Agency if the City adopted an ordinance which called for the City to make voluntary payments to underlying districts including schools. The amount of the voluntary payment was based on a formula determined by the State.

On July 18, 2011 the California Redevelopment Association filed a lawsuit against the State stating the Legislature had no authority to pass these bills based upon the California Constitution. On December 29, 2011 the Supreme Court ruled on the lawsuit. Their ruling stated ABX1 26 was legal but ABX1 27 was not. This meant the Redevelopment Agency (RDA) needed to have a successor agency named. On January 9, 2012 the City Council adopted Resolution 2012-01 allowing the City to be the Successor Agency of the Redevelopment Agency.

On June 27, 2012 the Legislature and the Governor signed AB 1484. AB 1484 cleaned up some aspects of ABX1 26 by further clarifying the separation of the Successor Agency and the City while at the same time providing for some penalties which made the City responsible for the actions of the Successor Agency.

While Council was going through the Budget process staff was directed to ensure assets and liabilities of the Successor were separated from and reported differently than the City's assets and liabilities. This would ensure anyone who was reviewing the City's financial could distinguish what is the City's from what is the Successor Agency's.

Discussion:

The City has already completed the following items to ensure the separation between the City and the Successor Agency:

1. Set up a separate bank account in February
 - a. Ordered separate checks in July to ensure all expenditures from the Successor Agency are easily tracked
2. Set up a separate entity within our Financial Software
3. Transferred all cash from the Redevelopment Agency to the Successor Agency
4. Transferred the assets of the Redevelopment Agency to the Successor Agency
5. Provided the Department of Finance a list of all Successor Agency assets
6. Provided the Department of Finance a list of Successor Housing Agency assets
7. Completed the Agreed Upon Procedures audit for the County Auditor-Controller
8. Provided the three required Recognized Obligation Payment schedule to the Oversight Board and Department of Finance
9. Completed audit of RDA through January 2012 although it will need to be redone due to changes required by AB 1484
10. Returned Tax Increment received in December to the County to be distributed to underlying taxing entities. Paid for expenses generated from January to June from reserves as required by ABX1 26
11. Scheduled the Due Diligence of Housing funds and assets from September
12. Set up tour of former RDA and Low/Mod Housing properties with the Oversight Board
13. Provided the City Council with a separate Successor Agency Cash and Investment report beginning in June

City staff has taken every step deemed necessary to ensure the assets of the City and the Successor Agency are kept separate and are easily identifiable.

Fiscal Impact:

There has been no additional cost for taking the actions, although there will be a cost for performing the Due Diligence review. The cost has mostly been in staff time working through these issues internally and with Oversight Board. Staff would conservatively estimate it has spent in excess of 500 hours since last June on this issue.

Measure of Success

The financial information provided regarding the Successor Agency and the City is clear, concise, and accurate.



Stuart Schillinger
Administrative Services Director



Clay Holstine
City Manager