



City of Sunnyvale

Agenda Item-No Attachments (PDF)

File #: 15-1060, Version: 1

REPORT TO COUNCIL

SUBJECT

Approve Budget Modification No. 15 to Appropriate Funds from the General Fund for Payment Pursuant to the Redevelopment Agency Dissolution Law

BACKGROUND AND DISCUSSION

Pursuant to the State law dissolving redevelopment agencies, the Successor Agency to the former Sunnyvale Redevelopment Agency was required to conduct a due diligence review to determine the amount of any unencumbered funds available to remit to the Santa Clara County Auditor-Controller for distribution to the taxing entities, as required by the legislation. The Department of Finance's determination that the Successor Agency had unencumbered funds available for distribution is the subject of litigation between the Successor Agency, City, County and Department of Finance; the matter is currently on appeal in the 3rd District Appellate Court. Under the dissolution law, the Successor Agency cannot obtain a "finding of completion" until the funds owed, as determined by the Department of Finance, are paid to the County Auditor-Controller. The finding of completion allows the Successor Agency to receive certain benefits including the opportunity to obtain approval of repayment of loans made by the City to the former Redevelopment Agency.

The amount of the payment in dispute is \$13,819,358 (plus interest), which is the amount transferred from the former redevelopment agency to the City between the period of time when the dissolution law passed (June 2011) until it became effective (February 1, 2012). When it was determined that the Department of Finance was seeking that amount, the City set the disputed amount aside from the General Fund Budget Stabilization Fund in case repayment was required.

The Department of Finance recently sponsored legislation updating the law governing dissolution. SB 107, signed into law September 22, 2015 and effective immediately, creates additional requirements and deadlines for dissolution. SB 107 provides that if a successor agency does not receive a finding of completion by December 31, 2015, it will never be eligible for a finding of completion. In order to obtain a finding of completion, the successor agency must pay all amounts due on the due diligence review as determined by the Department of Finance, or enter into an installment payment plan agreement to make such payments over time. An installment payment plan agreement must be approved by the Department of Finance, and will only be approved if the successor agency or city does not have the funds necessary to pay the amounts deemed owed. SB 107 additionally provides that if a successor agency pays and subsequently receives a final judicial determination that reduces or eliminates the amount determined to be owed, then an enforceable obligation for the reimbursement of the excess amount paid shall be created.

Based on these circumstances, staff is requesting that Council appropriate the money it has reserved for this purpose, so that payment can be remitted to the County Auditor-Controller and the Successor Agency can receive a finding of completion. If it is subsequently determined through the litigation that

the amounts were not owed, the Successor Agency will be reimbursed.

FISCAL IMPACT

The FY 2015/16 Budget includes a reserve in the General Fund for this payment, which accounts for the original amount plus accrued interest through June 30, 2014. Budget Modification No. 15 has been prepared to move money from this General Fund Reserve and the Budget Stabilization fund, for the estimated interest through the time of payment, to a new expenditure in the Redevelopment Successor Agency Fund. The budget modification amount reflects an estimate that will accommodate interest accrued on this reserve through the time of payment. When the payment is made, staff will calculate and include the actual interest accrued.

BUDGET MODIFICATION NO. 15 FISCAL YEAR 2015/16

	<u>Current</u>	<u>Increase (Decrease)</u>	<u>Revised</u>
General Fund			
<u>Reserves:</u>			
Payment to State – RDA Dissolution	\$14,037,233	(\$14,037,233)	\$0
Budget Stabilization Fund	\$38,941,038	(\$137,767)	\$38,803,271
Redevelopment Successor Agency Fund			
<u>Expenditures:</u>			
New Project – Payment of DDR to Santa Clara County	\$0	\$14,175,000	\$14,175,000

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

RECOMMENDATION

Approve Budget Modification No. 15 to Appropriate \$14,175,000 in Funds from the General Fund Reserves for Payment of former Redevelopment Agency Obligations Pursuant to Redevelopment Agency Dissolution Law.

Prepared by: Brice McQueen, Senior Management Analyst

Reviewed by: Grace K. Leung, Director of Finance

Reviewed by: Kent Steffens, Assistant City Manager

Approved by: Deanna J. Santana, City Manager