

# **OAKLAND OVERSIGHT BOARD**

## **MEMORANDUM**

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<b>TO:</b>	Oakland Oversight Board	<b>FROM:</b>	Sarah T. Schlenk
<b>SUBJECT:</b>	Administrative Budget & Oversight Board Legal Counsel	<b>DATE:</b>	June 17, 2013
		<b>ITEM:</b>	#3

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### **PURPOSE**

This report provides the status of the administrative budget for the ROPS III period and actual administrative expenditures from January 1, 2013 to June 10, 2013.

This item also requests the adoption of a resolution of the Oversight Board of the Successor Agency to the dissolved Redevelopment Agency of the City of Oakland, approving an adjustment in the administrative budget of the Successor Agency to increase the budget for Oversight Board outside counsel by \$20,000 and decrease the duplicating account by that same amount

### **BACKGROUND**

On August 6, 2012 the Oversight Board voted to retain the services of Stein & Lubin, LLC as their legal counsel. On August 20, 2012, the Oakland Redevelopment Successor Agency (ORSA) board and Oakland Oversight Board approved the administrative budget for the ROPS III period beginning January 1, 2013 through June 30, 2013. This included an estimated amount allocated toward independent legal counsel for the Oversight Board totaling \$30,000 for the period. The total administrative budget approved exceeded the three percent administrative allowance by \$2.1 million, which was to be funded with ORSA cash reserves. The understanding of the City at that time, based on the statute and DOF guidance, was that the three percent cap only applied to administrative funds paid out of Real Property Tax Trust Fund money, not out of reserves. The funding of additional administrative costs from reserve balances had been approved in both ROPS I and II.

However in December 2012, following ORSA's meet and confer with the Department of Finance (DOF) on other ROPS items, the DOF disallowed the payment of administrative costs above the three percent administrative allowance for the ROPS III period, even if paid out of reserves. ORSA has documented and communicated with DOF the flaws with this determination, and its disagreement with DOF's position; however, to date the disallowance stands.

During the February 25, 2013 Oversight Board meeting, staff alerted the Board that the spending for outside legal counsel had exceeded the approved administrative budget. On March 18<sup>th</sup>, staff brought back a resolution to increase the budget for Oversight Board outside legal counsel by \$60,000 based on projected costs. The Oversight Board approved increasing the budget to pay for expenditures incurred to date, and invoices have been paid through March 2013.

Invoices for April and May 2013 were received by the Successor Agency totaling \$798 and \$171, respectively for expenses incurred and services provided by Stein & Lubin and remains unpaid pending board action.

## **ANALYSIS**

The chart below shows a summary of the administrative budget approved by the Board for the ROPS III period, as well as expenditures through June 10, 2013. So far expenditures have exceeded the administrative allowance by nearly \$1.50 million. The period-end projection is estimated to be approximately \$2.5 million or approximately \$1.7 million over the administrative cap. Modest savings are anticipated from under spending on various operating accounts (O&M), as well as some personnel savings due to vacancies.

DEPARTMENT PERSONNEL	FTE	Jan 1 - June 30 Adopted Budget	Actual Through 6-10-2013
<b>Personnel</b>	<b>22.71</b>	<b>\$1,777,734</b>	<b>\$1,433,461</b>
<b>O&amp;M</b>		<b>1,058,244</b>	<b>739,514</b>
<b>Oversight Board Support</b>		<b>32,500</b>	<b>71,051</b>
<i>Clerical/Admin Support</i>		2,500	See note *
<i>Legal Counsel</i>		30,000	71,051
<b>TOTAL SUCCESSOR ADMIN BUDGET</b>		<b>\$2,868,478</b>	<b>\$2,244,025</b>
Administrative Allowance (Jan-June 2013)		\$771,503	\$771,503
<b>TOTAL SHORTFALL</b>		<b>(\$2,096,975)</b>	<b>(\$1,472,522)</b>

\* Costs in the City Clerk's Office cannot be segregated between general support of ORSA, and support of the OB; however the City Clerk spending is projected to be within budget.

Outside legal costs for the Oversight Board total \$71,051 from January-March 2013, which includes invoices from November and December due to the timing of receiving and paying those invoices. Expenditures for Stein & Lubin, LLC for FY 2012-13 total \$99,208.50.

Stein and Lubin, LLC estimates expenditures from April through June 2013 will total no more than \$20,000. This amount is based on work on the following four matters:

1. Meeting June 17th
  - Administrative Budget
  - 2013 Refunding Bonds
2. Meeting July 1st
  - Long Range Property Management Plan, Phase I – Army Base/Parcel E (10 day notice)
3. Meeting July 15th
  - LRPMP, Phase II – All remaining former redevelopment parcels (10 day notice)

The work to prepare for #1, #2 and part of #3 is anticipated to be done during June 2013.

### **RECOMMENDATION**

Adoption of a resolution of the Oversight Board of the Successor Agency to the dissolved Redevelopment Agency of the City of Oakland, approving an adjustment in the administrative budget of the Successor Agency to increase the budget for Oversight Board outside counsel by \$20,000 and decrease the duplicating account by that same amount.

Respectfully submitted,

/s/

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SARAH T. SCHLENK  
Agency Administrative Manager

# OAKLAND OVERSIGHT BOARD

RESOLUTION No. 2013 - \_\_\_\_\_

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**A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, APPROVING AN ADJUSTMENT IN THE ADMINISTRATIVE BUDGET OF THE SUCCESSOR AGENCY TO INCREASE THE BUDGET FOR OVERSIGHT BOARD LEGAL COUNSEL FOR THE FISCAL YEAR 2012-2013 BY \$20,000 AND DECREASE THE DUPLICATING ACCOUNT BY THAT SAME AMOUNT**

**WHEREAS**, the Oversight Board to the Successor Agency of the dissolved Redevelopment Agency of the City of Oakland (the "Oversight Board") has been appointed pursuant to the provisions of Health & Safety Code Section 34179;

**WHEREAS**, Health & Safety Code Section 34177(j) requires a successor agency to prepare a proposed administrative budget for submission to the oversight board for approval;

**WHEREAS**, the Oakland Redevelopment Successor Agency (the "Successor Agency") previously prepared and submitted to the Oversight Board the Administrative Budget for Fiscal Year 2012-2013, and the Oversight Board approved that Administrative Budget;

**WHEREAS**, the Administrative Budget for Fiscal Year 2012-2013 included a budget of \$60,000 for Oversight Board Legal Counsel for the year;

**WHEREAS**, over the past ten months, the Successor Agency and City of Oakland have brought numerous substantial and complex matters before the Oversight Board that have required in-depth legal and factual analysis by Oversight Board Legal Counsel;

**WHEREAS**, as a result, the budget for Oversight Board Legal Counsel needed to be increased for the Fiscal Year 2012-2013;

**WHEREAS**, the Successor Agency Staff previously recommended that an additional \$60,000 be moved from the duplicating account on the Administrative Budget to the Oversight Board Legal Counsel account;

**WHEREAS**, at a meeting on March 18, 2013, the Oversight Board approved the transfer of an amount sufficient to pay the fees and costs of Oversight Board Legal Counsel incurred through that date;

**WHEREAS**, the invoices of Oversight Board Legal Counsel have been paid through March 2013 totaling \$71,050.50 for the ROPS III period;

**WHEREAS**, the Oversight Board Legal Counsel incurred fees and costs in April and May of 2013 totaling approximately \$1,000, and anticipates additional fees and costs to be incurred during June 2013, totaling no more than \$19,000; now therefore be it:

**RESOLVED:** That the Oakland Oversight Board hereby approves the transfer of \$20,000 from the duplicating account on the Administrative Budget for Fiscal Year 2012-2013 to the Oversight Board Legal Counsel account; and be it:

**FURTHER RESOLVED:** That, pursuant to California Health and Safety Code Section 34179(h), this action by the Oakland Oversight Board shall be effective five business days from the date of this Resolution, pending a request for review by the California Department of Finance.

**ADOPTED**, at a regular meeting held on June 17, 2013, by the members of the Oversight Board of the Successor Agency for the Dissolved Redevelopment Agency of the City of Oakland with the following vote:

AYES- CARSON, GERARD, LEVIN, ORTIZ, QUAN, SMITH, TUCKER

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_  
SECRETARY, OAKLAND  
OVERSIGHT BOARD