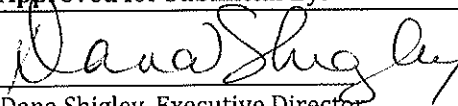
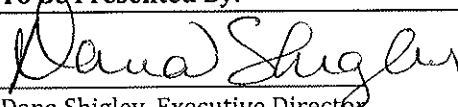


# AGENDA ITEM

February 16, 2010, Anderson Redevelopment Agency



Approved for Submittal By:
 Dana Shigley, Executive Director
To Be Presented By:
 Dana Shigley, Executive Director

To: Honorable Chairman and Members of the Agency Board of Directors

From: Dana Shigley, Executive Director  
Telephone 530-378-6646

Date: February 16, 2010

## SUBJECT

**Shastec and Southwest Project Areas Budget Amendment for State Mandated transfer of Tax Increment Funds**

## RECOMMENDATION

The Executive Director recommends that the Agency Board, by resolution:

**Adopt a Resolution Increasing the Shastec and Southwest Project Areas Budget Appropriations for the 2009-2010 fiscal year for State-Mandated Transfers of Property Tax Increment Funds to the Supplemental Educational Revenue Augmentation Fund (SERAF)**

## FISCAL IMPACT

Shastec: The required transfer amount of \$705,811 will be taken from the Project Area's capital balance, leaving \$2,459,780 available for projects.

Southwest: The required transfer amount of \$240,812 will be taken from the Project Area's tax increment fund balance. The fund balance is only \$89,600 as of June 30, 2009, and the balance of \$151,212 will be paid from a combination of budget reductions and advances from other funds' cash.

## **DISCUSSION and BACKGROUND**

In an effort to solve the State's budget shortfalls in the 2008-2009 fiscal year, the Governor and Legislature adopted a plan to transfer \$350 million from local Redevelopment Agencies to local schools in order to reduce the State's responsibilities for funding local schools. This transfer would have resulted in the Southwest Project Area losing \$49,300 and the Shastec Project Area losing \$145,170 in property tax revenues. However, this transfer was challenged in court and overturned. These transfers were not made.

Again, in their on-going efforts to solve long-term budget problems, the Governor and Legislature adopted additional transfers for the 2009-2010 and 2010-2011 fiscal years, totaling \$1.7 billion and \$350 million, respectively. These transfers will reduce Shastec resources by \$705,811 and \$145,170 (estimated) and Southwest resources by \$240,812 and \$49,300 (estimated) over the two year period. The California Redevelopment Association has again filed suit to prevent these transfers. An initial hearing was held on February 5, but no action was taken by the court at that time.

If the transfers are upheld, the payments must be made to the County Auditor/Controller by May 10, 2010. Additionally, each Redevelopment Agency must advise the County Auditor/Controller no later than March 1, 2010 as to how it intends to make the payment. The Shastec project area has sufficient funds on hand to make this transfer; however, the Southwest project area does not have sufficient fund balance available to make this transfer.

As noted earlier, the Southwest project area transfer amount of \$240,812 can be made using a combination of funds on hand (\$89,600), advances from other funds' cash balances, and reductions to the existing budget. As directed by the Council at an earlier meeting, only essential expenses are being paid from the Redevelopment programs fund (330), and no further cash is being expended on new project development, façade improvement programs, or transfers to other agencies. I anticipate a savings of \$25,000 to \$30,000 in this year's budget as a result of these actions. Future year's budgets may also be impacted by similar reductions if needed to pay back the cash advanced from other funds. However, if future year's tax increment revenues are sufficient, these programs may be restored.

The attached resolution amends both the Shastec and Southwest budgets to provide budget authority to make these transfers, should they be required by May 10.

## **ATTACHMENTS**

1. Report from the SHASTECH Technical Committee.
2. Proposed Resolution

# REPORT FROM THE SHASTEC REDEVELOPMENT PROJECT TECHNICAL COMMITTEE

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**REPORT NO.:** 2010-1

**DATE:** February 4, 2010

**TO:** All SHASTEC Redevelopment Agencies

**SUBJECT:** Budget Amendment Relative to Supplemental Educational Revenue Augmentation Fund

## BACKGROUND

When the two-year budget for the SHASTEC Redevelopment Project Area (SHASTEC) was adopted in June 2009, property tax increment revenue for fiscal years 2009-10 and 2010-11 was based on secured property values increasing by 2% and unsecured by 0%. The Shasta County Auditor-Controller's Office is in the process of verifying assessed property valuations previously provided. Therefore, the percentage of change from last fiscal year to this fiscal year, if any, attributable to secured and unsecured property valuations is not known. However, based on tax increment revenues received in January, it appears that SHASTEC's tax increment projections are tracking according to budget projections. If necessary, further modifications will be made when the 2010-11 budget is brought back to the Member Agencies for adoption as required by Redevelopment Law.

On July 28, 2009, the Governor signed into law Assembly Bill X4-26 to assist in balancing the State's budget. This Bill added Section 33690 to the Health and Safety Code requiring redevelopment agencies, prior to May 10, 2010, and May 10, 2011, to remit to the county auditor an amount of tax revenues, as determined by the State Director of Finance, to be transferred to the Supplemental Educational Revenue Augmentation Fund (SERAF). The amount of the remittance determined due to the SERAF is based on fiscal year 2006-07 gross tax increment revenue. Accordingly, SHASTEC's share of the \$1.7 billion shift for fiscal year 2009-10 is \$705,811 and an estimated \$145,170 toward the \$350 million shift in fiscal year 2010-11.

If an agency does not remit to the county auditor the full amount by May 10<sup>th</sup> of each respective year, Health and Safety Code Section 33691(e) stipulates certain prohibitions that would be in effect until the county auditor certifies to the State Director of Finance that the required SERAF payment has been made.

The Governor signed similar legislation into law on September 30, 2008, which equated to a \$350 million shift in fiscal year 2008-09, with SHASTEC's portion being \$145,170. The California Redevelopment Association (CRA) filed a lawsuit challenging the legislation's constitutionality. In April 2009, a Sacramento County Superior Court ruled the State's proposed take of redevelopment funds to be unconstitutional. It was, however, necessary for these funds to remain reserved for such a purpose pending the State's appeal of the decision. In September 2009, the California Attorney General's office notified the court and CRA that the State was abandoning its appeal. Given the \$145,170 previously allocated in fiscal year 2008-09, it is recommended that the necessary budget amendment be adopted appropriating an additional \$560,650 to ensure the timely payment of the 2009-10 SERAF payment.

It should be noted that CRA filed a similar lawsuit relative to Assembly Bill X4-26. A hearing on the merits of the lawsuit has been set for February 5, 2010. Whatever the outcome of this lawsuit, it will still be

necessary to ensure that adequate funding is available for payment before May 10, 2010, or set aside pending any possible appeal.

## ISSUE

Should each SHASTEC Member Agency approve the attached budget amendment and authorize the transfer of tax increment revenues to the SERAF?

## ALTERNATIVES AND IMPLICATIONS OF ALTERNATIVES

Alternatives are as follows:

1. ***Approve the attached budget amendment.*** The required payment of tax increment will be sent to the County for deposit in the SERAF.
2. ***Do not approve the attached budget amendment.*** Without the budget amendment, the funds will not be allocated to the County as required and certain prohibitions will be in effect until such time as the required payment is made.

## FISCAL IMPACT

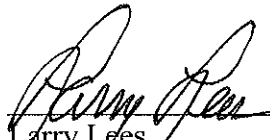
The proposed budget amendment will reduce the estimated 2009-10 year-end capital balance to \$2,459,780.

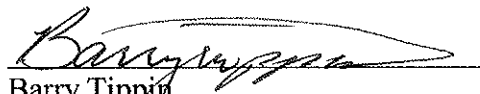
## CONCLUSION AND RECOMMENDATION

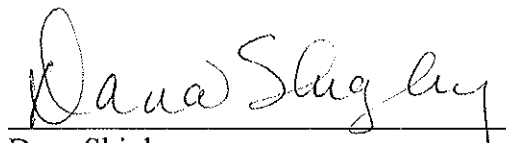
The shift of tax increment from SHASTEC to SERAF is mandated by State law. Failure to transmit to the County Auditor the full amount by May 10, 2010, would impose certain prohibitions as set forth in Health and Safety Code Section 33691(e). The attached budget amendment must be approved before the funds can be transmitted to the County Auditor for payment to the SERAF. It is, therefore, recommended that the attached budget amendment be approved, allocating additional tax increment in the amount of \$560,650 for the 2009-10 SERAF payment totaling \$705,811.

Respectfully Submitted,

SHASTEC Technical Committee

  
Larry Lees  
Shasta County Redevelopment Agency

  
Barry Tippin  
Redding Redevelopment Agency

  
Dana Shigley  
Anderson Redevelopment Agency

**ARA RESOLUTION NO. 10-\_\_****A RESOLUTION OF THE CITY OF ANDERSON REDEVELOPMENT  
AGENCY AMENDING THE 2009/2010 SHASTEC AND SOUTHWEST PROJECT AREA  
BUDGETS**

WHEREAS, on July 28, 2009, the Governor signed into law Assembly Bill X4-26 amending Section 33690 of the Health and Safety Code and requiring redevelopment agencies to remit funds to the County Auditor-Controller no later than May 10, 2010 and May 10, 2011; and

WHEREAS, as a result of this legislation, the Southwest Project Area will be required to transfer \$240,812 in the 2009-2010 fiscal year and the Shastec Project Area will be required to transfer \$705,811 in the 2009-2010 fiscal year; and

WHEREAS, these local property tax dollars will be transferred into the Supplemental Educational Revenue Augmentation Fund in order to reduce the State's obligation to fund local schools.

NOW, THEREFORE, BE IT RESOLVED that the Redevelopment Agency of the City of Anderson finds as follows:

1. The 2009-2010 Southwest Project Area adopted budget is amended as follows:

Account	Description	Current	Change	Amended
223-5155-5310	Special Departmental Expense – SW Debt Service Fund	\$231,700	\$240,800	\$472,500

2. The SHASTEC budget for the 2009-2010 fiscal year is amended as shown on Exhibit A.

PASSED AND ADOPTED by the City Council of the City of Anderson this 16th day of February, 2010, by the following vote:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

\_\_\_\_\_  
Norma Comnick, Chairman

ATTEST:

\_\_\_\_\_  
Juanita Barnett, Secretary

ANDERSON REDEVELOPMENT AGENCY  
SHASTEC BUDGET AMENDMENT NO. 2  
FISCAL YEAR 2009-10

<u>LINE ITEM</u>	<u>CURRENT BUDGET</u>	<u>AMENDMENT</u>	<u>AMENDED AMOUNT</u>
<b>Source:</b>			
<b>SHASTEC Capital</b>			
197-965-0001-01 Estimated Year-End Balance 2009-10 (Based on Actual Beginning Cash Balance)	\$3,020,430	(\$560,650)	\$2,459,780
<b>Use:</b>			
<b>SHASTEC Capital</b>			
197-965-4850-01 State Mandated Payment	\$ 145,170	\$ 560,650	\$ 705,820

\_\_\_\_ Approved by Anderson Redevelopment Agency  
at its meeting of February \_\_\_\_, 2010.

\_\_\_\_ Not Approved.

\_\_\_\_\_  
Juanita Barnett, Secretary