



Pedro "Pete" M. Sanchez, Mayor  
Mike Hudson, Mayor Pro-Tem  
Jane Day  
Sam Derting  
Michael A. Segala

First and Third Tuesday  
Every Month

## A G E N D A

### SPECIAL MEETING OF THE SUISUN CITY COUNCIL, REDEVELOPMENT AGENCY AND HOUSING AUTHORITY

TUESDAY, SEPTEMBER 20, 2011

6:00 P.M.

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SUISUN CITY COUNCIL CHAMBERS -- 701 CIVIC CENTER BOULEVARD -- SUISUN CITY, CALIFORNIA

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(Next Ord. No. – 721)  
(Next City Council Res. No. 2011 – 84)  
(Next Redevelopment Agency Res. No. RA2011 – 27)  
(Next Housing Authority Res. No. HA2011 – 05)

#### **ROLL CALL**

Council / Board Members  
Pledge of Allegiance  
Invocation

#### **PRESENTATIONS/APPOINTMENTS**

*(Presentations, Awards, Proclamations, Appointments).*

1. Presentation of Proclamation to Pastor, Dr. Claybon Lea, Jr., Proclaiming October 2011 as "Mount Calvary Baptist Church Month".
2. Presentation of a Proclamation to Fire Chief Mike O'Brien Proclaiming October 9-15, 2011 as "National Fire Prevention Week".
3. Achievement for Excellence in Financial Reporting
  - a. Presentation of Certificate of Achievement for Excellence in Financial Reporting to Finance Department Staff.
  - b. Presentation of Award of Financial Reporting Achievement to Elizabeth Luna, Senior Accountant.

#### **PUBLIC COMMENT**

*(Requests by citizens to discuss any matter under our jurisdiction other than an item posted on this agenda per California Government Code §54954.3 allowing 3 minutes to each speaker).*

#### **CONFLICT OF INTEREST NOTIFICATION**

*(Any items on this agenda that might be a conflict of interest to any Councilmembers / Boardmembers should be identified at this time.)*

**CONSENT CALENDAR**

*Consent calendar items requiring little or no discussion may be acted upon with one motion.*

Joint City Council / Redevelopment Agency

4. Council/Agency Approval of the Minutes of the Regular and Special Meetings of the Suisun City Council and Redevelopment Agency Board held on September 6, 2011– (Hobson).
5. City/Agency File and Receive a Preliminary Draft Recognized Obligation Payment Schedule Pursuant to Part 1.8 of Division 24 of the California Health and Safety Code – (Garben).
6. Adoption of Remittance Agreement Between the Suisun City Redevelopment Agency and the City of Suisun City – (Garben).
  - a. Council Adoption of Resolution No. 2011-\_\_\_: Approving a Remittance Agreement with the Suisun City Redevelopment Agency in Accordance with AB X1 27.
  - b. Agency Adoption of Resolution No. RA 2011-\_\_\_: Approving a Remittance Agreement with the City of Suisun City in Accordance with AB X1 27.
7. Council Approval of the August 2011 Payable Warrants inclusive in the amount of \$1,037,379.20 and Agency Approval of the August 2011 Payable Warrants inclusive in the amount of \$44,235.97 – (Finance).

**GENERAL BUSINESS**

City Council

8. Budget Workshop in Response to State’s Actions to Eliminate Redevelopment – (Bragdon/Anderson).

**PUBLIC HEARINGS:**

**REPORTS:** *(Informational items only.)*

9. City Manager/Executive Director/Staff –
10. Mayor/Council -Chair/Boardmembers

**CLOSED SESSION**

City Council

Pursuant to California Government Code section 54950 the Suisun City Council will hold a Closed Session for the purpose of:

Joint City Council / Redevelopment Agency

11. PERSONNEL MATTERS  
Public Employee Performance Evaluation: City Manager/Executive Director.

**CONVENE OPEN SESSION**

Announcement of Actions Taken, if any, in Closed Session.

**ADJOURNMENT**

A complete packet of information containing Staff Reports and exhibits related to each item is available for public review at least 72 hours prior to a Council /Agency/Authority Meeting. Agenda related writings or documents provided to a majority of the Council/Board/Commissioners less than 72 hours prior to a Council/Agency/Authority meeting regarding any item on this agenda will be made available for public inspection during normal business hours. An agenda packet is available for review in the City Manager's Office during normal business hours.

***PLEASE NOTE:***

1. The City Council hopes to conclude its public business by 11:00 P.M. Ordinarily, no new items will be taken up after the 11:00 P.M. cutoff and any items remaining will be agendized for the next meeting. The agendas have been prepared with the hope that all items scheduled will be discussed within the time allowed.
2. Suisun City is committed to providing full access to these proceedings; individuals with special needs may call 421-7300.
3. City Council agendas are posted at least 72 hours in advance of regular meetings at:

City Hall	Fire Station	Senior Center
701 Civic Center Boulevard	621 Pintail Drive	318 Merganser Drive

Office of the Mayor

Suisun City, California

# Proclamation



WHEREAS, the Mount Calvary Baptist Church was founded by the late Claybon Lea, Sr., in 1963; and

WHEREAS, the church was first located in Suisun City where it has remained for 47 years; and

WHEREAS, Mount Calvary Baptist Church has expanded to include a campus located in Fairfield CA; and

WHEREAS, Mount Calvary Baptist Church continues to provide needed outreach in the community by means of the annual Health and Safety Fair and through its many other outreach ministries.

NOW, THEREFORE, BE IT RESOLVED, THAT I, Pete Sanchez, by virtue of the authority vested in me as Mayor of the City of Suisun City, do hereby proclaim October 2011 as:

**“MOUNT CALVARY BAPTIST CHURCH MONTH”**

in the City of Suisun City.



*In witness whereof I have hereunto set my hand and caused this seal to be affixed.*

Pete Sanchez, Mayor  
ATTEST: *[Signature]*  
DATE: September 20, 2011

Office of the Mayor

Suisun City, California

# Proclamation



WHEREAS, the City of Suisun City is committed to ensuring the safety and security of all those living in and visiting our state; and

WHEREAS, fire is a serious public safety concern both locally and nationally, and homes are the locations where people are at greatest risk from fire; and

WHEREAS, home fires killed more than 2,500 people in the United States in 2009, according to the latest research from the nonprofit National Fire Protection Association (NFPA), and fire departments in the United States responded to more than 360,000 home fires; and

WHEREAS, cooking equipment is the leading cause of home structure fires and associated injuries, and the third leading cause of home fire deaths; and

WHEREAS, heating and electrical equipment and smoking materials are among the leading causes of all reported home fires; and

WHEREAS, home candle fires are reported to a US fire department every 30 minutes, on average; and

WHEREAS, Suisun City first responders are dedicated to reducing the occurrence of home fires and home fire injuries through prevention and protection education; and

WHEREAS, Suisun City residents are responsive to public education measures and are able to take personal steps to increase their safety from fire, especially in their homes; and

WHEREAS, residents who have planned and practiced a home fire escape plan are more prepared and will therefore be more likely to survive a fire; and

WHEREAS, the 2011 Fire Prevention Week theme, "It's Fire Prevention Week. Protect your Family from Fire!" effectively serves to remind us all of the simple actions we can take to keep our homes and families safe from fire during Fire Prevention Week and year-round.

NOW, THEREFORE, I, Pete Sanchez, by virtue of the authority vested in me as Mayor of the City of Suisun City in the State of California, do hereby proclaim October 9<sup>th</sup> through 15<sup>th</sup>, 2011 as:

## "FIRE PREVENTION WEEK"

throughout this state, and I urge all people of Suisun City to protect their homes and families by heeding the potentially life-saving messages of Fire Prevention Week 2011, and to support the many safety activities and efforts of Suisun City fire and emergency services.



*In witness whereof I have hereunto set my hand and caused this seal to be affixed.*

Pete Sanchez, Mayor

ATTEST:

DATE: September 20, 2011

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Suisun City  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director



The Government Finance Officers Association  
of the United States and Canada

presents this

# AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

**Elizabeth N. Luna**  
Senior Accountant  
City of Suisun City, California

*The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.*



Executive Director

Date July 22, 2011

# MINUTES

## REGULAR MEETING OF THE SUISUN CITY COUNCIL AND REDEVELOPMENT AGENCY

TUESDAY, SEPTEMBER 6, 2011

7:00 P.M.

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SUISUN CITY COUNCIL CHAMBERS -- 701 CIVIC CENTER BOULEVARD -- SUISUN CITY, CALIFORNIA

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### ROLL CALL

Mayor / Chairman Sanchez called the meeting to order at 7:09 PM with Council / Board Members, Derting, Hudson, and Segala present. Council / Board Member Day was absent. Pledge of Allegiance was led by Council Member Derting. Invocation was given by City Manager Bragdon.

### PRESENTATIONS/APPOINTMENTS

*(Presentations, Awards, Proclamations, Appointments).*

1. Introduction and Swearing in of new Suisun City Reserve Police Officer Tom Kvamme – (Dadisho).

**Will be done at a later date.**

2. Presentation of Proclamation to Patricia McKnight, Corresponding Secretary of the Chief Solano Chapter of the National Society Daughters of the American Revolution, Proclaiming September 17-23, 2011 as Constitution Week in Suisun City.

**Mayor Sanchez read and Council Member Hudson presented the proclamation to Ms. McKnight.**

3. Presentation of Proclamation Joining the National Moment of Remembrance of the 10<sup>th</sup> Anniversary of September 11<sup>th</sup>.

**Mayor Sanchez read and Council Member Segala presented the proclamation to Fire Chief O'Brien and Police Chief Dadisho. Chief O'Brien invited citizens to attend memorial on Sunday, September 11, 2011, at 12:30 PM.**

### PUBLIC COMMENT

*(Requests by citizens to discuss any matter under our jurisdiction other than an item posted on this agenda per California Government Code §54954.3 allowing 3 minutes to each speaker).*

Billy Gaither expressed concern about the signal at Sunset and Railroad Avenue and stated he was proud of the Council's work throughout the years.

Richard Giddens commented on lack of police and code enforcement in the City.

George Guynn commented on the recall petitions of 2008 and expressed concern about Council expenses to attend Casa Conference.

Chuck Kingeter thanked the Council for the above proclamations and commented on opposing the Redevelopment Agency.

**CONFLICT OF INTEREST NOTIFICATION - None**

*(Any items on this agenda that might be a conflict of interest to any Councilmembers / Boardmembers should be identified at this time.)*

**CONSENT CALENDAR**

*Consent calendar items requiring little or no discussion may be acted upon with one motion.*

**Joint City Council / Redevelopment Agency / Housing Authority**

4. Council/Agency/Commission Approval of the Minutes of the Regular and Special Meetings of the Suisun City Council, Redevelopment Agency Board and Housing Authority Board held on August 16, 2011 and August 23, 2011– (Hobson).

**Motioned by Council / Board Member Derting and seconded by Council/ Board Member Hudson to approve Consent Calendar. Motion carried unanimously by the members present.**

**GENERAL BUSINESS****City Council**

5. Adoption of AB X1 27 Ordinance and Resolution Denouncing State Raids on Local Government – (Garben).
  - a. Council Adoption Ordinance No. 720: Determining that it Will Comply with the Voluntary Alternative Redevelopment Program Pursuant to Part 1.9 of Division 24 of the California Health and Safety Code in Order to Permit the Continued Existence and Operation of the Suisun City Redevelopment Agency.
  - b. Council Adoption of Resolution No. 2011-83: Denouncing the State of California for Stripping the City of Basic Tax Revenues and Spending Authority Required for Provision of Core Services to Local Taxpayers.

George Guynn stated opposition to continuing the Redevelopment Agency and expressed concern about the financial responsibility of the Redevelopment Agency.

Chuck Kingeter suggested a workshop on the pros and cons of keeping the Redevelopment Agency.

**Motioned by Council Member Derting and seconded by Council Member Hudson to adopt Ordinance No. 720. Motion carried by the following vote:**

**AYES: Council Members Derting, Hudson, Segala**

**NOES: Council Member Sanchez**

**ABSENT: Council Member Day**

**Motioned by Council Member Derting and seconded by Council Member Segala to adopt Resolution No. 2011-83. Motion carried by the following vote:**

**AYES: Council Members Derting, Hudson, Segala**

**NOES: Council Member Sanchez**

**ABSENT: Council Member Day**

**PUBLIC HEARINGS:**City Council

6. PUBLIC HEARING (CONTINUED FROM AUGUST 16, 2011)  
Council Adoption of Resolution 2011-84: Approving a Preferred Land Use Alternative for the 2035 General Plan Update – (Wooden).

**7:52 PM - Mayor Sanchez left the Council Chambers.**

**8:02 PM - Mayor Sanchez returned to the Council Chambers.**

**8:25 PM – Council Member Hudson left the Council Chambers**

**8:27 PM – Council Member Hudson returned to the Council Chambers**

**Mayor Sanchez opened the public hearing.**

Robert Schwartz representing the Hoffman Company discussed the zoning of the five-acre site by the Arco Station

Chuck Kingeter commented in favor of Alternative A, commended the Planning Commission for their recommendations and recommended Parcels 14, 15, 16, and 17 be agriculture space in order not to infringe upon Travis, and commented on the decline of retail.

Ted Aksnes suggested a mitigation bank for his property (Parcel 18) which is a conservation easement for endangered species.

**Hearing no further comments, Mayor Sanchez closed the public hearing. After discussing various alternatives, Mayor Sanchez continued the Item to a later meeting.**

**REPORTS:** *(Informational items only.)*

7. City Manager/Executive Director/Staff –
8. Mayor/Council –Chair/Boardmembers
- a. Workshop of Fiscal Issues. Council discussed setting regular dates for budget discussions and decided to meet on September 20.

Council Member Segala suggested making a recommendation to Caltrans to designate Highway 12 between Pennsylvania Avenue and Walters Road that tractor trailers be limited to the right lane.

Council Member Derting commented on the traffic violations at Sunset and Highway 12.

**CLOSED SESSION**City Council

Pursuant to California Government Code section 54950 the Suisun City Council will hold a Closed Session for the purpose of:

9. CONFERENCE WITH LEGAL COUNSEL—EXISTING LITIGATION  
Name of case Edmond Dadisho v. City of Suisun City/York  
Electronic Adjudication Management System (EAMS) Case #ADJ7545364

Joint City Council / Redevelopment Agency

## 10. PERSONNEL MATTERS

Public Employee Performance Evaluation: City Manager/Executive Director.

**9:39 PM – Mayor Sanchez recessed the City Council to closed session and stated no decisions would be made in Closed Session.**

**CONVENE OPEN SESSION**

Announcement of Actions Taken, if any, in Closed Session.

**9:52 PM – Mayor Sanchez reconvened the City Council and stated no decisions had been made in Closed Session.**

**ADJOURNMENT**

There being no further business, Mayor Sanchez adjourned the City Council meeting at 9:52 PM.

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Linda Hobson, CMC  
City Clerk

## AGENDA TRANSMITTAL

**MEETING DATE:** August 23, 2011

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**CITY/AGENCY AGENDA ITEM:** File and Receive A Preliminary Draft Recognized Obligation Payment Schedule Pursuant to Part 1.8 of Division 24 of the California Health and Safety Code.

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**FISCAL IMPACT:** None. There are no obligations listed that are not contemplated in the FY 2011-12 budget.

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**STAFF REPORT:** As part of the State's budget bills, the California Legislature has adopted, and the Governor has signed, AB 26 X1 (AB 26) and AB 27 X1 (AB 27) into law. AB 26 requires Redevelopment Agencies to prepare a Preliminary Draft Recognized Obligation Payment Schedule (PDROPS) by September 30, 2011. On August 11, 2011, the California Supreme Court issued a partial stay on the effectiveness of AB 26 and AB 27 until the Court can rule on the constitutionality of the two bills. The stay, issued on August 11, 2011, was updated on August 17, 2011, as the Court issued a revised stay. In light of the pending litigation, adopting a PDROPS is prudent and would only be valid if the Agency were dissolved. Agency legal counsel has advised staff to file the PDROPS with the City by September 30, 2011.

The PDROPS must list the minimum amounts that must be paid by a successor Agency (in the event of dissolution) over a six (6) month period to fulfill its enforceable obligations during that period, with the first schedule covering January 1, 2012 through June 30, 2012. The PDROPS also includes sources of payment for each obligation.

The PDROPS includes the following items:

- Debt Service Payments on Existing Bonds and Loans
- Pass-Through Payments
- Employee Costs
- Audit Costs
- Project Costs
- Administrative Costs

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**RECOMMENDATION:** It is recommended the Agency file and the City receive the attached Preliminary Draft Recognized Obligation Payment Schedule Pursuant to Part 1.8 of Division 24 of the California Health and Safety Code.

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**ATTACHMENTS:**

1. Preliminary Draft Recognized Obligation Payment Schedule

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**PREPARED BY:**

Jason Garben, Economic Development Director

**REVIEWED/APPROVED BY:**

Suzanne Bragdon, Executive Director

**DRAFT RECOGNIZED OBLIGATION PAYMENT SCHEDULE January 1, 2012 TO JUNE 30, 2012**  
 Per AB 26 - Section 34167 and 34169 (\*)

Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	Source of Payment	EOPS Total Aug - Dec	Payments by month						
							Jan	Feb	Mar	April	May	June	Total
1 1998 Tax Exempt Bonds	US Bank	Bonds issue to fund Redevelopment Proj	20,424,242.00	554,080.00	RPTTF	394,540.00			159,540.00				\$ 159,540.00
2 2003 Series A Tax Allocation Bonds	US Bank	Bonds issue to fund Redevelopment Proj	5,265,000.00	515,498.00	RPTTF	257,749.00			257,749.00				\$ 257,749.00
3 2003 Series B Tax Allocation Bonds	US Bank	Refunding of 1993 Tax Alloc Bonds	31,780,000.00	3,044,049.00	RPTTF	2,404,524.00			639,525.00				\$ 639,525.00
4 Marina Expansion Loan	Dept. of Boating & Waterways	Marina Rehabilitation	6,641,762.00	427,070.00	RPTTF	427,070.00							\$ -
5 Marina Expansion Loan	Sheldon Oil	Marina Rehabilitation	2,358,829.00	268,000.00	RPTTF	268,000.00							\$ -
6 Agency owned parcels	County of Solano	Property Taxes & Assessments	-	67,100.00	RPTTF	67,100.00							\$ -
7 Agency owned parcels	Various	Repair & Maint. of Agency Owned Bldgs.	-	75,000.00	RPTTF	45,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	\$ 30,000.00
8 Reimbursement-333 Sunset Lease	City of Suisun City	City made payments on Agency's behalf	373,850.00	48,770.00	RPTTF	-						48,770.00	\$ 48,770.00
9 Employee/Admin Costs/Contract	Various	Employee/Admin Costs	550,000.00	550,000.00	RPTTF	275,000.02	45,833.33	45,833.33	45,833.33	45,833.33	45,833.33	45,833.33	\$ 274,999.98
10 Suisun Harbor Square	Main Street West	Harbor Square Deevlopment	87,840.00	87,840.00	Fund Balanc	87,840.00							\$ -
11 SERAF Payment	LMIHF	SERAF	6,901,505.00	-	RPTTF								\$ -
12 Lease Reimbursement Agreement	City of Suisun City	Agency's share of Civic Center COP	1,654,618.00	-	RPTTF								\$ -
13 Iconic Sign	Earthquake & Structures, Inc.	Gateway Sign Design	11,300.00	11,300.00	Fund Balanc	11,300.00							\$ -
14 Unfunded Liability	City of Suisun City	PERS & Vacation	157,083.00		RPTTF								\$ -
15													
16													
17 <b>TOTAL</b>			<b>76,206,029.00</b>	<b>5,648,707.00</b>			<b>50,833.33</b>	<b>50,833.33</b>	<b>1,107,647.33</b>	<b>50,833.33</b>	<b>50,833.33</b>		\$ 1,310,980.65
18	<b>Pass Through Obligations **</b>												
19 Pass thru Agreement	City of Suisun City	Per section 33401		238,264.00	RPTTF		119,132.00			119,132.00			\$ 238,264.00
20 Pass thru Agreement	Solano County	Per section 33401		2,860,000.00	RPTTF		1,430,000.00			1,430,000.00			\$ 2,860,000.00
21 Pass thru Agreement	County Superintendent of Schools	Per section 33401		62,000.00	RPTTF							62,000.00	\$ 62,000.00
22 Pass thru Agreement	Fairfield-Suisun Unified School	Per section 33401		788,646.00	RPTTF	788,646.00							\$ -
23 Pass thru Agreement	Solano Community College	Per section 33401		103,000.00	RPTTF							103,000.00	\$ 103,000.00
24 Pass thru Agreement	Boating Special Revenue	Boating Taxes		4,451.00	RPTTF							4,451.00	\$ 4,451.00
25 Pass thru Agreement	BAAQMD	Per section 33607.5		232.00	RPTTF	232.00							\$ -
26 Pass thru Agreement	Suisun Resource Conservation	Per section 33607.5		88.00	RPTTF	88.00							\$ -
27 Pass thru Agreement	Solano Irrigation District	Per section 33607.5		294.00	RPTTF	294.00							\$ -
28													\$ -
29 <b>TOTAL</b>				<b>4,056,975.00</b>		<b>5,027,383.02</b>	<b>1,549,132.00</b>						\$ 1,549,132.00
30													\$ -
31	** pass through obligations are estimated and will vary depending upon annual tax increment revenue												
32													\$ -
33 Totals - This Page			\$ 76,206,029.00	\$ 9,705,682.00			##### \$ 50,833.33	##### \$ 50,833.33	##### \$ 50,833.33	##### \$ 50,833.33	##### \$ 50,833.33		\$ 2,860,112.65
34 Totals - Page 2			\$ -	\$ -			\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
35 Totals - Page 3			\$ -	\$ -			\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
Totals - Page 4			\$ -	\$ -			\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
Totals - Other Obligations			\$ -	\$ -			\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
Grand total - All Pages			\$ 76,206,029.00	\$ 9,705,682.00			##### \$ 50,833.33	##### \$ 50,833.33	##### \$ 50,833.33	##### \$ 50,833.33	##### \$ 50,833.33		\$ 2,860,112.65

RPTTF = Redevelopment Property Tax Trust Fund  
 ACA = Administrative Cost Allowance

## AGENDA TRANSMITTAL

**MEETING DATE:** September 20, 2011

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**CITY/AGENCY AGENDA ITEM:** Adoption of Remittance Agreement Between the Suisun City Redevelopment Agency and the City of Suisun City:

- a. **Council** Adoption of Resolution No. 2011-\_\_\_: Approving a Remittance Agreement with the Suisun City Redevelopment Agency in Accordance with AB X1 27; and
- b. **Agency** Adoption of Resolution No. RA 2011-\_\_\_: Approving a Remittance Agreement with the City of Suisun City in Accordance with AB X1 27.

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**FISCAL IMPACT:** Adoption of this Remittance Agreement provides for the Agency to remit funds to the City in order for the City to make payments necessary pursuant to AB X1 27 (AB 27) in order to participate in the Alternative Voluntary Redevelopment Program. The payment is not due until January 15<sup>th</sup>, 2012, and is subject to pending litigation challenging the validity of AB 26 and AB 27 currently under consideration by the California Supreme Court. An AAR will be required prior to remittance of any funding to the City, as the final amount due to the State (which is pending an appeal filed in August with the State Department of Finance) is not known, and pending “clean-up” legislation to AB 27 may impact the sources of Agency funds transferred to the City.

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**BACKGROUND:** As part of the State’s budget bills, the California Legislature has adopted, and the Governor has signed, AB X1 26 (AB 26) and AB 27 into law. AB 26 essentially dissolves Redevelopment Agencies across the State, and AB 27 provides for an Alternative Voluntary Redevelopment Program that essentially allows the Agency to continue normal operations if the City adopts an “opt-in” Ordinance that requires the City to divert local tax increment revenues to the State. On September 6, 2011, an “opt-in” ordinance determining the City will comply with the Voluntary Alternative Redevelopment Program pursuant to AB 27 was adopted, requiring the City to make payments to the State of a \$4,480,454 in FY 2011-12, as published by the State Department of Finance (the “DOF”) on August 1, 2011. In subsequent years, the payments would be calculated based on the Agency’s share of the statewide total of \$400,000,000, with adjustments based on the growth or decline of tax increment revenue, along with additional payments if the Agency were to incur additional debt. Staff estimates the payment based on current information for FY 2012-13 would be approximately \$1,050,000.

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**STAFF REPORT:** As previously noted, the City is responsible for making the payments required to participate in the Alternative Voluntary Redevelopment Program (AVRP) pursuant to AB 27. However, AB 27 provides the Agency may enter into an agreement with the City that authorizes the transfer of Agency funds to the City, which are ultimately utilized to make the payments necessary to participate in the AVRP. The attached resolutions approve a Remittance Agreement that authorizes the Agency to transfer funds to the City pursuant to AB 27.

As previously mentioned, litigation is before the California Supreme Court challenging the validity of AB 26 and AB 27. The Remittance Agreement, if adopted, would become effective only if and

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**PREPARED BY:**  
**APPROVED BY:**

Jason D. Garben, Economic Development Director  
Suzanne Bragdon, City Manager

when the stay ordered by the California Supreme Court in the lawsuit has been lifted or dissolved; provided, however, if the decision on the merits in the lawsuit or any other lawsuit challenging the validity of AB 26 and/or 27 is that provisions of AB 27 authorizing the making payments to participate in the AVRPP are invalid for any reason, the Remittance Agreement would be null and void.

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**RECOMMENDATION:** It is recommended that the:

1. **Council** Adopt Resolution No. 2011-\_\_\_: Approving a Remittance Agreement with the Suisun City Redevelopment Agency in Accordance with AB X1 27; and
2. **Agency** adopt Resolution No. RA 2011-\_\_\_: Approving a Remittance Agreement with the City of Suisun City in Accordance with AB X1 27.

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**ATTACHMENTS:**

1. Resolution No. 2011-\_\_\_: Approving a Remittance Agreement with the Suisun City Redevelopment Agency in Accordance with AB X1 27.
2. Resolution No. RA 2011-\_\_\_: Approving a Remittance Agreement with the City of Suisun City in Accordance with AB X1 27.

## **RESOLUTION NO. 2011-\_\_**

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SUISUN CITY APPROVING A REMITTANCE AGREEMENT WITH THE SUISUN CITY REDEVELOPMENT AGENCY IN ACCORDANCE WITH AB X1 27**

**WHEREAS**, the Redevelopment Agency of the City of Suisun (the “Agency”) administers the implementation of various redevelopment projects, programs, and activities within the redevelopment project area in the City of Suisun (the “City”); and

**WHEREAS**, on June 15, 2011, the State Legislature passed Assembly Bill X1 26 (“AB 26”) and Assembly Bill X1 27 (“AB 27”), and on June 29, 2011, Governor Edmund G. Brown Jr. signed AB 26 and AB 27; and

**WHEREAS**, AB 26 generally prevents redevelopment agencies from entering into new or amended obligations or contracts, and eliminates redevelopment agencies and winds down their operations; and

**WHEREAS**, AB 27 allows redevelopment agencies to remain in existence, and to gain an exemption from the provisions of AB 26, in exchange for the payment of substantial sums of money on an annual basis to the Solano County Auditor-Controller (County Auditor); and

**WHEREAS**, AB 27 codified Part 1.9 of Division 24 of the California Health and Safety Code (“Part 1.9”), which now comprises a portion of the California Community Redevelopment Law; and

**WHEREAS**, AB 27 establishes a “voluntary alternative redevelopment program” (“Alternative Program”), whereby the Agency is authorized to continue to exist upon the City’s enactment of an ordinance to comply with the provisions of Part 1.9; and

**WHEREAS**, AB 27 provides that, in order to enable the Agency to be included in the Alternative Program, the City must notify the County Auditor, the State Controller, and the State Department of Finance, on or before November 1, 2011, that the City will comply with the provisions of Part 1.9 by adoption of an ordinance consistent with Part 1.9; and

**WHEREAS**, the City Council adopted an Ordinance on September 6, 2011, to comply with Part 1.9 (“Ordinance”) and notified the County Auditor, the State Controller and the State Department of Finance of its adoption; and

**WHEREAS**, AB 27 requires the City to make specified remittances to the County Auditor in order to continue the existence of the Agency, as prescribed in Part 1.9 and the Ordinance; and

**WHEREAS**, Section 34194.2 of AB 27 authorizes the Agency to enter into an agreement with the City, whereby the Agency will transfer a portion of its tax increment to the City, in an

amount not to exceed the amount of the City's annual remittance to the County Auditor ("Remittance Agreement"), for the purpose of financing activities within the City's redevelopment area that are related to accomplishing the Agency's project goals; and

**WHEREAS**, the purpose of the Remittance Agreement is to provide for the transfer of funds by the Agency to the City in an amount not to exceed the amount of the remittance payments required by Part 1.9, utilizing net available tax increment and other funds in this current fiscal year and forthcoming fiscal years; and

**WHEREAS**, the validity of AB 26 and AB 27 is being challenged in a lawsuit entitled *California Redevelopment Association, et al. v. Matosantos, et al.*, California Supreme Court Case No. S194861 (the "CRA Lawsuit") and other lawsuits challenging the validity of AB 26 and AB 27 may be filed; and

**WHEREAS**, pending a decision on the merits in the CRA Lawsuit, the California Supreme Court has stayed the effectiveness of portions of AB 26 and AB 27, including, but not limited to, Sections 34194, 34194.1 and 34194.2; and

**WHEREAS**, it is the intention of the City for the Remittance Agreement to become effective only if and when the stay ordered by the California Supreme Court in the CRA Lawsuit has been lifted or dissolved; provided, however, if the decision on the merits in the CRA Lawsuit or any other lawsuit challenging the validity of AB 26 and/or 27 is that provisions of AB 27 authorizing the making of remittances to the County Auditor are invalid for any reason, this Agreement shall be null and void and of no effect; and

**WHEREAS**, the City Council has reviewed and duly considered the Staff Report, documents and other evidence presented at the meeting and believes that it will be in the best interest of the City and the health, safety, morals and welfare of its residents, and in accord with the public purpose and provisions of applicable state and local law and requirements, for the City to enter into a Remittance Agreement with the Agency and to allow the Agency to participate in the Alternative Program.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SUISUN AS FOLLOWS:**

**SECTION 1.** The above recitals are true and correct and incorporated herein by this reference.

**SECTION 2.** The City Council hereby approves the Remittance Agreement attached hereto as Exhibit "A" and incorporated herein by this reference.

**SECTION 3.** The City Manager, or designee, is authorized on the City's behalf, to execute the Remittance Agreement.

**SECTION 4.** The City Manager, or designee, is authorized, on the City's behalf, to execute and deliver all other documents and take all actions necessary and appropriate to

facilitate the Agency's continued participation in the Alternative Program, after the City has enacted the Ordinance and while the Ordinance remains in effect.

**PASSED AND ADOPTED** at a regular meeting of the Suisun City Council meeting held on September 20, 2011, by the following vote:

**AYES:** Councilmembers: \_\_\_\_\_  
**NOES:** Councilmembers: \_\_\_\_\_  
**ABSENT:** Councilmembers: \_\_\_\_\_  
**ABSTAIN:** Councilmembers: \_\_\_\_\_

WITNESS my hand and seal of said City this 20th day of September, 2011.

\_\_\_\_\_  
Linda Hobson, CMC  
City Clerk

## **RESOLUTION NO. RA 2011-\_\_**

### **A RESOLUTION OF THE SUISUN CITY REDEVELOPMENT AGENCY APPROVING A REMITTANCE AGREEMENT WITH THE CITY OF SUISUN CITY IN ACCORDANCE WITH AB X1 27**

**WHEREAS**, the Redevelopment Agency of the City of Suisun (the “Agency”) administers the implementation of various redevelopment projects, programs, and activities within the redevelopment project area in the City of Suisun (the “City”); and

**WHEREAS**, on June 15, 2011, the State Legislature passed Assembly Bill X1 26 (“AB 26”) and Assembly Bill X1 27 (“AB 27”), and on June 29, 2011, Governor Edmund G. Brown Jr. signed AB 26 and AB 27; and

**WHEREAS**, AB 26 generally prevents redevelopment agencies from entering into new or amended obligations or contracts, and eliminates redevelopment agencies and winds down their operations; and

**WHEREAS**, AB 27 allows redevelopment agencies to remain in existence, and to gain an exemption from the provisions of AB 26, in exchange for the payment of substantial sums of money on an annual basis to the Solano County Auditor-Controller (“County Auditor”); and

**WHEREAS**, AB 27 codified Part 1.9 of Division 24 of the California Health and Safety Code (“Part 1.9”), which now comprises a portion of the California Community Redevelopment Law; and

**WHEREAS**, AB 27 establishes a “voluntary alternative redevelopment program” (“Alternative Program”), whereby the Agency is authorized to continue to exist upon the City’s enactment of an ordinance to comply with the provisions of Part 1.9; and

**WHEREAS**, AB 27 provides that, in order to enable the Agency to be included in the Alternative Program, the City must notify the County Auditor, the State Controller, and the State Department of Finance, on or before November 1, 2011, that the City will comply with the provisions of Part 1.9 by adoption of an ordinance consistent with Part 1.9; and

**WHEREAS**, the City Council has adopted an ordinance to comply with Part 1.9 (“Ordinance”) and notified the County Auditor, the State Controller and the State Department of Finance of its adoption; and

**WHEREAS**, AB 27 requires the City to make specified remittances to the County Auditor in order to continue the existence of the Agency, as prescribed in Part 1.9 and the Ordinance; and

**WHEREAS**, Section 34194.2 of AB 27 authorizes the Agency to enter into an agreement with the City, whereby the Agency will transfer a portion of its tax increment to the City, in an amount not to exceed the amount of the City’s annual remittance to the County Auditor

("Remittance Agreement"), for the purpose of financing activities within the City's redevelopment area that are related to accomplishing the Agency's project goals; and

**WHEREAS**, the purpose of the Remittance Agreement is to provide for the transfer of funds by the Agency to the City in an amount not to exceed the amount of the remittance payments required by Part 1.9, utilizing net available tax increment and other funds in this current fiscal year and forthcoming fiscal years; and

**WHEREAS**, the validity of AB 26 and AB 27 is being challenged in a lawsuit entitled *California Redevelopment Association, et al. v. Matosantos, et al.*, California Supreme Court Case No. S194861 (the "CRA Lawsuit") and other lawsuits challenging the validity of AB 26 and AB 27 may be filed; and

**WHEREAS**, pending a decision on the merits in the CRA Lawsuit, the California Supreme Court has stayed the effectiveness of portions of AB 26 and AB 27, including, but not limited to, Sections 34194, 34194.1 and 34194.2; and

**WHEREAS**, it is the intention of the Agency for the Remittance Agreement to become effective only if and when the stay ordered by the California Supreme Court in the CRA Lawsuit has been lifted or dissolved; provided, however, if the decision on the merits in the CRA Lawsuit or any other lawsuit challenging the validity of AB 26 and/or 27 is that provisions of AB 27 authorizing the making of remittances to the County Auditor are invalid for any reason, this Agreement shall be null and void and of no effect; and

**WHEREAS**, the Agency Board has reviewed and duly considered the Staff Report, documents and other evidence presented at the meeting and believes that it will be in the best interest of the Agency and the health, safety, morals and welfare of the residents of the City, and in accord with the public purpose and provisions of applicable state and local law and requirements, for the Agency to enter into a Remittance Agreement with the City and for the Agency to participate in the Alternative Program.

**NOW, THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SUISUN AS FOLLOWS:**

**SECTION 1.** The above recitals are true and correct and incorporated herein by this reference.

**SECTION 2.** The Agency Board hereby approves the Remittance Agreement attached hereto as Exhibit "A" and incorporated herein by this reference.

**SECTION 3.** The Executive Director, or designee, is authorized on the Agency's behalf, to execute the Remittance Agreement.

**SECTION 4.** The Executive Director, or designee, is authorized, on the Agency's behalf, to execute and deliver all other documents and take all actions necessary and appropriate to facilitate the Agency's continued participation in the Alternative Program, after the City has enacted the Ordinance and while the Ordinance remains in effect.

**PASSED AND ADOPTED** at a regular meeting of the City of Suisun City Redevelopment Agency held on Tuesday, the 20<sup>th</sup> of September 2011, by the following vote:

<b>AYES:</b>	<b>BOARDMEMBERS:</b>	_____
<b>NOES:</b>	<b>BOARDMEMBERS:</b>	_____
<b>ABSTAIN:</b>	<b>BOARDMEMBERS:</b>	_____
<b>ABSENT:</b>	<b>BOARDMEMBERS:</b>	_____

**WITNESS** my hand and the seal of the City of Suisun City this 20<sup>th</sup> of September, 2011.

\_\_\_\_\_  
Linda Hobson, CMC  
Secretary

## AGENDA TRANSMITTAL

**MEETING DATE:** September 20, 2011

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**CITY AGENDA ITEM:** Budget Workshop in Response to State's Actions to Eliminate Redevelopment

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**FISCAL IMPACT:** No immediate impact.

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**BACKGROUND:** As part of the State's budget bills, the California Legislature has adopted, and the Governor has signed, AB X1 26 (AB 26) and AB X1 27 (AB 27) into law. AB26 calls for the elimination of the Redevelopment Agency. AB27 provides for an alternative voluntary redevelopment program that allows the Agency to continue operations if the City adopts to "opt-in." This legislation enacted by the State results in a budget shortfall of approximately \$1.4 million, no matter if the Agency is dissolved or retained. The staff report from August 16, 2011 that provided analysis on retaining or dissolving the Agency is provided in Attachment 1.

On September 6, 2011, the City Council opted to participate in the Alternative Voluntary Redevelopment Program, which requires payments of approximately \$4.5 Million in FY 2011-12 and approximately \$1.05 Million in subsequent budget years. As a result of retaining the Agency, \$12.6 million in real estate and other assets remain under Agency control, and the budget reductions of approximately \$1.4 million will be delayed until FY 2012-13.

It is important to note the California Redevelopment Association and the League of California Cities have sued the State in the California Supreme Court challenging the constitutionality of AB26 and AB27. If these laws are reversed by the Supreme Court, additional budget reductions will be unnecessary.

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**STAFF REPORT:** At the September 6, 2011, City Council meeting, Mayor Sanchez called for a public workshop to begin considering options and discussing with the community the preferred strategies for reducing the City's overall budget by \$1.4 million. City staff has made a concerted effort to make the community aware of the workshop to bring to the surface as many ideas and perspectives on budget reductions as possible.

In recent years, the City Council has reduced the City's budget by 35%, cut the City workforce by 10% and maintained a 25% General Fund reserve while avoiding significant service reductions, layoffs and furloughs through use of one-time funding, sales of assets and targeted spending reductions. However, due to the State's action regarding Redevelopment and the City's need to reduce spending by \$1.4 million, or another 13% of its overall budget, some impact to service levels are likely.

This workshop will include discussion of these major topic areas:

### 1. FY 2011-12 Budget Perspective

This budget year continued the multi-year trend of budget reductions, including an additional 5% reduction in the General Fund, freezing of all vacant positions and absorbing

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**PREPARED/APPROVED BY:**

Suzanne Bragdon, City Manager

a fourth consecutive year of declining property values. The budget was balanced through continuation of our bridging strategy that assumes a near-term infusion of sales tax proceeds when the Wal-Mart Supercenter project is constructed and operating.

For more detail, see FT 2011-12 Budget Message (Attachment 2) and the complete budget document, which is posted online at <http://www.suisun.com/AdminSrvcs/2011-12Budget.html>

## **2. New Challenge – Redevelopment Legislation (Creates \$1.4 Million Shortfall)**

The State’s enactment of significant changes to Redevelopment law resulted in a projected \$1.4 million shortfall in the City’s budget. This represents another 13% of necessary budget cuts on top of what the City has done in terms of cuts over the past three (3) to four (4) years. The magnitude of this challenge is substantial. For example, a 5% reduction in across-the-board staff costs would generate approximately \$300,000 in savings. Big picture, a reduction in staffing costs of 10% (i.e. furloughs or take-backs) **plus** keeping projected vacancies anticipated over the next six (6) months unfilled, would save the operating budget roughly \$1.3 Million

## **3. Departmental/Revenue Options**

Given the size of the challenge, eliminating certain services or functions within City Departments could be part of the solution to achieve the necessary cost savings. Options for cost savings across each City department will be presented for discussion. These types of cuts, though generally requiring layoffs, could reduce employee compensation concessions.

## **4. Policy Direction**

The Council will be asked to provide policy direction in a number of areas. Based upon that direction, staff will develop strategies and implementation plans for future Council action. Those policy areas include:

- Eliminate or freeze all vacant positions
- Review discretionary programs for possible service level curtailment, including associated staff reductions
- Employee wage and/or benefit concessions
- Eliminating or curtailing service levels in core services
- Revenue enhancements
- Use of General Fund reserves

A draft of the presentation outlining many of the areas is attached.

While these are undoubtedly challenging economic times, the partnership forged between the community, the City Council, and the City management team and employees will allow us to continue to provide the best services possible for Suisun City residents.

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**RECOMMENDATION:** It is recommended that the City Council:

1. Conduct the Workshop: Discussion of Fiscal Issues; and
2. Provide Staff direction on future budget decisions

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**ATTACHMENTS:**

1. City Council Staff report from August 16, 2011, discussing Redevelopment alternatives
2. FY 2011-12 Budget Message
3. Draft Workshop Presentation (work in progress)

## AGENDA TRANSMITTAL

**MEETING DATE:** August 16, 2011

**CITY AGENDA ITEM:** Council Consideration, Introduction of, and Waiver of the Reading of Ordinance No. \_\_: Determining that it Will Comply with the Voluntary Alternative Redevelopment Program Pursuant to Part 1.9 of Division 24 of the California Health and Safety Code in Order to Permit the Continued Existence and Operation of the Suisun City Redevelopment Agency.

**FISCAL IMPACT:** Pursuant to state law, the City Council has two alternatives: 1) Pay to Play, or 2) Dissolve. The fiscal impacts of these two alternatives for this year and next year would be:

Fiscal Impact	FY 2011-12		FY 2012-13	
	Pay to Play	Dissolution	Pay to Play	Dissolution
<b>Operating Budget</b>	<b>\$1,800,000</b>	<b>\$1,800,000</b>	<b>\$1,800,000</b>	<b>\$1,800,000</b>
New General Fund Property Taxes	\$0	(\$380,000)	\$0	(\$380,000)
Ransom Payment to the State	\$0	\$0	\$1,057,852	\$0
Net Tax Increment	(\$1,000,000)	\$0	(\$1,000,000)	\$0
Housing Set-Aside contribution	(\$500,000)	\$0	(\$500,000)	\$0
Use of one-time reserves	(\$300,000)	\$0	\$0	\$0
<b>NET COSTS</b>	<b>\$0</b>	<b>\$1,420,000</b>	<b>\$1,357,852</b>	<b>\$1,420,000</b>

In addition, it would cost \$4.5 million in FY 2011-12 to Pay to Play, which would avoid the loss of \$12.7 million in RDA assets. (Attachments 2 and 3.)

**BACKGROUND:** As part of the State's budget bills, the California Legislature has adopted, and the Governor has signed, AB X1 26 (AB 26) and AB X1 27 (AB 27) into law.

### AB 26 Dissolves the Redevelopment Agency

This is the first half of a two-part scheme to circumvent the will of the voters. Its impact is as follows:

- Has suspended all activities (except enforceable obligations) of the Suisun City Redevelopment Agency as of June 29, 2011.
- Dissolves the Agency as of October 1, 2011.
- Requires the liquidation of Agency assets subsequent to dissolution estimated to be \$12.7 million (Attachment 2).

AB 26 provides that Agency assets will be liquidated in an expeditious manner, and proceeds would be distributed to other taxing entities by the County Auditor-Controller as property tax proceeds.

**PREPARED BY:**  
**APPROVED BY:**

Jason D. Garben, Economic Development Director  
Suzanne Bragdon, City Manager

## **AB 27 Provides an Alternative Voluntary Redevelopment Program**

The second half of the two-part scheme would do the following:

- Establish an Alternative Voluntary Redevelopment Program that essentially allows the Agency to continue normal operations if the City adopts an "opt-in" Ordinance that requires the City to divert local tax increment revenues to the State.
- If the City fails to adopt an "opt-in" ordinance and to make the payments required pursuant to AB 27, the Agency will be subject AB 26, which, in addition to dissolving the Agency on October 1, 2011, provides for a successor agency to take control of the Agency's assets and obligations under the direction of an Oversight Board comprised primarily of members appointed by the County, School District and Community College District.

At this time, AB 27 requires the City to make payments of \$4,480,454 in FY 2011-12, as published by the State Department of Finance on August 1, 2011. In subsequent years, the payments would be calculated based on the Agency's share of the statewide total of \$400,000,000, with adjustments based on the growth or decline of tax increment revenue, along with additional payments if the Agency were to incur additional debt. Staff estimates the payment based on current information for FY 2012-13 would be \$1,050,000. All subsequent payments would be subject to audit by the State Department of Finance.

Pursuant to AB 27, staff is appealing the payment amounts provided by the State, since the percentage of tax increment necessary to pay debt service on bonds has increased more than 10% over the percentage of tax increment used to pay debt service on bonds during the FY 2008-09. This appeal must be submitted to the State by August 15, 2011. The exact amount of the payment for FY 2011-12, if the appeal is successful, is not known due to vague language in the bill that makes the determining the exact calculation for the appeal amount impossible, however staff estimates that it could be in the neighborhood of \$152,600.

## **Writ Filed by LCC and CRA Seeking Stay and Challenging Validity of AB 26 and AB 27**

The League California of Cities (LCC) and the California Redevelopment Association (CRA) have hired special legal counsel that has essentially opined that AB 26 and AB 27, violate Proposition 22 and the State Constitution, and are invalid and unenforceable. A petition for writ of mandate filed by the CRA, the LCC, the cities of San Jose and Union City, and John Shirey, challenging the legality of AB 26 and AB 27 and requesting a stay of the legislation.

On August 11, 2011, the Supreme Court issued a stay that does the following:

- Stays the implementation of AB 26, *except* the provisions of that legislation that preclude the Agency from: incurring new indebtedness, transferring assets, acquiring real property, entering into new contracts or modifying existing contracts, entering into new partnerships, adopting or amending redevelopment plans, etc.
- Stays the implementation of AB 27 in its entirety.

Staff will continue to closely monitor the litigation and legislative developments.

## Maximum Flexibility

It is important to note the City may decide at any time in the future to rescind the “opt-in” Ordinance and allow the Agency to dissolve pursuant to AB 26. There is no additional penalty associated with adopting the Ordinance and subsequently deciding to rescind the ordinance, as long as the Agency acts in good faith and within the current laws. The provisions of AB 26 and its timelines would then apply. In addition, the one-year “look-back” provision would apply at the time of dissolution.

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**STAFF REPORT:** Staff was asked to analyze the impacts of the two alternatives: 1) the Dissolution Alternative or 2) the Pay-to-Play Alternative. Each alternative has been analyzed based on the impacts on the following criteria: operating budget, impact on current projects, RDA assets, ability to pay ransom, future growth in tax revenues, litigation, “clean-up” legislation, appeal of ransom amount, what other cities are choosing to do, etc.

- **Operating Budget** – As shown in the worksheet provided as Attachment 1, if the City Council adopts the “opt-in” ordinance, the City’s budget will need to be cut by \$1.4 million starting in FY 2012-13. If the City decides to allow the Agency to dissolve pursuant to AB 26, \$1.4 million in cuts to the *current* fiscal year budget (FY 2011-12) will need to occur. *Thus, from an ongoing operating budget perspective (assuming that neither revenues nor expenditures change dramatically), the ongoing operating budget impacts of Dissolution versus Pay to Play are virtually identical.*
- **Impact on Current Projects** – The Agency has several projects that are at different stages of completeness. If an “opt-in” ordinance is not adopted, the Agency’s ability to complete any project that has not progressed to a point that has resulted in an “enforceable obligation” would expire. *Thus, projects such as the 30-acre ENA could be lost if the Dissolution alternative is selected.*
- **Agency Assets** – The Agency currently has assets valued at approximately \$12,700,000 (Attachment 2). If the Agency were to dissolve pursuant to AB 26, many of these assets would be liquidated in an expeditious manner pursuant to the direction of an Oversight Board comprised primarily of members appointed by the County, School District and Community College District. For example, real property would be sold and the proceeds would be distributed to the various property tax entities. If these properties could be disposed of at book value, the General Fund would receive about \$1.9 million in one-time moneys. If the City adopts the “opt-in” ordinance, the Agency has an opportunity to maintain control of these assets and use them in the best interest of the City of Suisun City. *Under the Dissolution alternative, the City might gain \$1.9 million at a loss of \$12.7 million in assets, so the Pay-to-Play alternative would appear to be preferable with regard to Agency assets. Further, the City/Agency would retain control of the property to ensure its highest and best use for the community.*
- **Initial Ransom Payment** – Most of the funds used to make the initial “opt-in” (ransom) payment of approximately \$4.5 million would be one-time moneys that are at risk of being lost to the state in the event that the Agency were to dissolve pursuant to AB 26 (Attachment 3). *Thus, the City would lose a very significant portion of this \$4.5 million in either case.*

- **Future Growth in Tax Revenues** – If the City adopts an “opt-in” ordinance, future growth in assessed value due to the ability of the Agency to stay in business will eventually offset the impact of the \$1.4 million in operating reductions. For example, if the assessed values were to grow (through market value increases of existing property and by increases due to new development) by only half of the reduction that has occurred in the past four years, there would be *no fiscal impact* to the City’s budget. Under the Dissolution alternative, the impact in the growth in assessed value would result in about one-fifth the property tax revenue compared with tax increment revenue, and the growth in new development may not be as vigorous without the leverage of the Agency. *Thus, under the Pay-to-Play alternative, the City would enhance its ability to increase future tax revenues.*
- **Ongoing Affordable Housing Program** – By adopting the “opt-in” ordinance, the Agency would retain the ongoing revenue stream of about \$2.2 million per year for senior and affordable housing, such as the Lotz Way and Post Office site projects. *Thus, under the Pay-to-Play alternative, the Agency would continue to have ongoing resources to leverage the creation of affordable and senior housing.*
- **Lawsuit Filed Against State** – As previously mentioned, the petition for writ of mandate filed by the California Redevelopment Association, *et al.* challenging the legality of AB 26 and AB 27 and requesting a stay of the legislation, is currently pending before the California Supreme Court. The Supreme Court has granted the stay, but it is not known how long it will be before the decision is made on the writ. *Keeping the Agency in place until the Supreme Court takes action would be prudent, because attempting to resurrect the Agency in the event of a favorable court ruling after the Agency has been dissolved pursuant to AB 26 would be problematic. The first payment to the State is not due until January 15, 2012, and the City Council could decide to rescind the ordinance prior to making the first payment.*
- **Impact of “Clean-Up” or “Reform” Legislation** – If the law changes through “clean-up” legislation (which is anticipated), if “reform” bills are enacted that are detrimental to the City’s or Agency’s situation, or if other issues surface that compromise the City’s fiscal health as a result of retaining the Agency, as previously mentioned, the City can rescind the “opt-in” ordinance at *any* time in the future and dissolve the Agency pursuant to AB 26 at a later date without additional penalty, if new legislation dramatically alters the impact of paying to play. *Thus, there would be no negative impact associated with the Pay-to Play alternative regarding new legislation.*
- **Appeal of State’s Determination of Ransom Payments** – As directed by Council, staff is submitting an appeal on the payment calculations provided by the State Department of Finance. Due to ambiguous language in AB 27 outlining the calculation of the appeal, it is not possible for the City to determine with certainty the exact amount of the payments due to the State. Estimates calculated by staff indicate the appeal could reduce the figure provided by the State Department of Finance by as much as \$152,600. Pursuant to AB 27, the Department of Finance has until September 15, 2011, to issue a decision on the appeal. However, the Director of the State Department of Finance may extend the appeal decision deadline to October 15, 2011, in which case the date by which the “opt-in” ordinance must be adopted is extended to December 1, 2011 (as opposed to October 1, 2011). *Thus, adopting an “opt-in” ordinance may assist in the effort to minimize the ransom payment.*

- **Look-Back Provision Impacts** – Under AB 26, the state would have the ability to review and reverse actions of the Agency that have occurred within the previous fiscal year. Under the Pay-to-Play alternative, the state would not be able to reverse any Agency actions unless and until the City decides to rescind its “opt-in” ordinance. At that time the state could look back one year. *Thus, under the Pay-to-Play alternative, the Agency could control what actions the state could review, by controlling when and if the Agency chooses to rescind the “opt-in” ordinance.*
- **Survey of Other Cities** – Staff has surveyed a number of cities throughout the state to determine how most cities are proceeding in light of AB 26 and AB 27. Of 32 cities where information was available, 29 intend to adopt the “opt-in” ordinance, two have not yet decided, and one is dissolving its Agency (Attachment 4). *Thus, the Pay-to-Play alternative is what the vast majority of cities are planning to do.*

It should be noted the attached ordinance provides language reflecting the fact that the City understands an action challenging the constitutionality of AB 26 and AB 27 has been filed on behalf of cities, counties and redevelopment agencies, and that although the City currently intends to make “opt-in” payments, **they would be made under protest and without prejudice to the City’s right to recover such amounts and interest thereon, to the extent there is a final determination by the California Supreme Court that AB 26 and AB 27 are unconstitutional.**

Based on the foregoing, staff recommends that the City Council: open the public hearing and receive testimony from the public, consider the item, waive the first reading, and introduce the ordinance. Staff is recommending the City Council introduce the “opt-in” ordinance based on the current legislation and the information available. The language in AB 27 requires that an ordinance be adopted (second reading) by October 1, 2011, if a City desires to retain the activities of the Redevelopment Agency. Attachment 6 provides an outline of the Pay-to-Play process. The dates will change due to the stay issued by the California Supreme Court. The City Attorney’s Office has advised that we should continue to follow the process in spite of the stay, if it is the City Council’s desire to select the Pay-to-Play alternative.

An alternative course of action would be to dissolve the Agency pursuant to AB 26. Attachment 5 provides an outline of the dissolution process. It should be noted that these dates will change due to the stay issued by the California Supreme Court. If the City were to select this alternative, up to \$450,000 in the first year and up to \$250,000 each year thereafter would be available to the Oversight Committee to wind down the affairs of the Agency. The language is vague, but it is anticipated that such expenditures would include: property appraisals, audits, attorneys fees, and other costs associated with the liquidation of assets.

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**RECOMMENDATION:** It is recommended that the City Council:

1. Conduct a Public Hearing; and
2. Introduce and waive first reading of Ordinance No. \_\_: Determining that it Will Comply with the Voluntary Alternative Redevelopment Program Pursuant to Part 1.9 of Division 24 of the California Health and Safety Code in Order to Permit the Continued Existence and Operation of the Suisun City Redevelopment Agency.

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**ATTACHMENTS:**

1. Agency Pay-to-Play vs. Agency Dissolution Analysis.
2. Agency Asset List.
3. Sources of One-Time Funds for FY 2011-12 Ransom Payment.
4. Survey of Cities.
5. Timeline for Actions Pursuant to ABX1 26 (Dissolution Alternative).
6. Timeline for Actions Pursuant to ABX1 27 (Pay-to-Play Alternative).
7. Ordinance No.\_\_\_\_: Determining that it Will Comply with the Voluntary Alternative Redevelopment Program Pursuant to Part 1.9 of Division 24 of the California Health and Safety Code in Order to Permit the Continued Existence and Operation of the Suisun City Redevelopment Agency.

## Attachment 1

Fiscal Impact	FY 2011-12		FY 2012-13	
	Pay to Play	Dissolution	Pay to Play	Dissolution
<b>Operating Budget</b>	<b>\$1,800,000</b>	<b>\$1,800,000</b>	<b>\$1,800,000</b>	<b>\$1,800,000</b>
New General Fund Property Taxes	\$0	(\$380,000)	\$0	(\$380,000)
Ransom Payment to the State	\$0	\$0	\$1,057,852	\$0
Net Tax Increment	(\$1,000,000)	\$0	(\$1,000,000)	\$0
Housing Set-Aside contribution	(\$500,000)	\$0	(\$500,000)	\$0
Use of one-time reserves	<u>(\$300,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>NET COSTS</b>	<b><u>\$0</u></b>	<b><u>\$1,420,000</u></b>	<b><u>\$1,357,852</u></b>	<b><u>\$1,420,000</u></b>

The table above illustrates the effects of AB 26 or AB27 to ongoing operations for FY 11-12 and FY 12-13.

The **operating budget** line item consists of ongoing expenditures funded by the Agency (excludes any one-time capital project costs). For FY 2011-12 the amount is based on the adopted budget. For FY 2012-13 the amount is based on the adopted budget for FY 2011-12 assuming no increase in expenditures. These expenditures include personnel costs (across seven different City departments), services and supplies (includes costs like phone and internet service, copying, etc), cost allocation charges (that pay for services provided to the Agency by other City departments) contingency, and funds transferred to the General Fund from the Agency.

The new **General Fund property tax** line item represents the additional property tax revenue to the City if the Agency were to dissolve. Based on current assessed value figures, staff estimates \$380,000 of revenue to the City's General Fund if the Agency is dissolved. This revenue would be offset by a loss of \$1,500,000 in revenue to the Agency from tax increment and housing set-aside dollars utilized to pay ongoing administrative costs (see below).

The **ransom payment to the state** line item is the "opt-in" payment in the event the City Council wished to adopt the AB 27 "opt-in" ordinance. No ongoing monies would be used to make the payment in FY 2011-12, thus the \$4.5 million payment is not reflected in this analysis for FY 2011-12.

The **net tax increment** line item is the amount of tax increment the Agency would receive based on current assessed value estimates. If the Agency were dissolved, this revenue would be replaced by the \$380,000 in new property tax revenue.

The **housing set-aside contribution** line item is additional tax increment dedicated to administrative uses associate with low and moderate income housing. This includes personnel costs across four City departments, services and supplies, and cost allocation charges.

The **use of one-time reserves** line item represents carryover amounts and one-time monies utilized to balance the FY 2011-12 budget for the Agency's component of ongoing operations.

This table illustrates that cuts of approximately \$1,420,000 would be necessary *this fiscal year* if the Agency is dissolved.

If the "opt-in" ordinance is adopted, and one-time funds are used to make the FY 2011-12 "opt-in" payment of \$4.5 million, not cuts are necessary this fiscal year.

Looking ahead to next fiscal year, in the event of the dissolution of the Agency, the cuts of \$1,420,000 would need to be maintained.

If the "opt-in" ordinance is adopted, and if the estimated "opt-in" (or ransom) payment is made from ongoing revenues, cuts of approximately \$1,350,000 would be necessary to balance the budget.

## Attachment 2

Agency Assets at Risk	"Book Value"
Cash and Deposits	\$ 1,490,000
710 Kellogg Note	\$ 75,000
One Harbor Center Equity Participation	\$ 500,000
Library Advance Repayment from County	\$ 1,000,000
Cal Marine Building	\$ 500,000
SW corner of Lotz and Civic Center*	\$ 135,000
Almond Gardens*	\$ 2,000,000
707 Main Street*	\$ 220,000
30-Acre Site NW Corner Hwy 12 and Marina	\$ 4,950,000
9-Acre Site behind Post Office	\$ 1,805,600
<b>Total "Book Value"</b>	<b><u>\$ 12,675,600</u></b>

The list above is a representative list of assets that are at risk of being liquidated or controlled by the successor agency in the event of Agency dissolution.

- \* It is possible that these assets could stay with the Housing Authority for future affordable housing development activities.

### Attachment 3

Initial Ransom Note Funding Sources	Balance Available	Less: Ransom	Residual Balance	Program/Budget Impacts
Net Housing Set-Aside	\$2,200,000	\$1,200,000	\$1,000,000	First-time homebuyer/Neighborhood Reinvestment programs will be suspended for at least FY 2011-12.
Railroad Ave. Extension Project (50%)	\$1,047,100	\$1,047,100	\$0	Project will be delayed; or costs could be transferred to developer of 30-acre site.
Available balance in Almond Gardens	\$1,000,000	\$800,000	\$200,000	20% cash reserve remains for renovations.
Iconic Sign	\$208,000	\$208,000	\$0	Opportunity lost to attract visitors downtown.
Residual Event Funds	\$50,000	\$50,000	\$0	No Christmas events on the Waterfront.
Reverse some of the Civic Center D/S payment	<u>\$2,936,000</u>	<u>\$2,000,000</u>	<u>\$936,000</u>	Loan to Fac. Impact Fund will be paid back over time.
<b>Total</b>	<b><u>\$7,441,100</u></b>	<b><u>\$5,305,100</u></b>	<b><u>\$2,136,000</u></b>	

The table above illustrates approximately \$5,305,100 in one-time funds are available for payment to the State. It is important to note that adopting the ordinance does not lock in how the payment would be made. A decision on how to make the payment must be made by the first City Council meeting in December (December 6, 2011).

#### Attachment 4

Continuing Agency	Dissolving Agency	Undecided
Bakersfield	Lemore	Concord
Baldwin Park		Vallejo
Banning		
Bellflower		
Carson		
Cypress		
Davis		
Fairfield		
Glendale		
Hesperia		
Irwindale		
Lawndale		
Lemon Grove		
Lompoc		
Long Beach		
Lynwood		
Millbrae		
Napa		
Oceanside		
Palmdale		
Perris		
Placerville		
Rio Vista		
Sacramento		
Santa Monica		
Sea Side		
Signal Hill		
Town of Yucca Valley		
Vacaville		

The above table represents a sampling of what other cities in California are doing with regard to AB 26 and AB 27.

**ATTACHMENT 5: TIMELINE FOR ACTIONS PURSUANT TO ABX1 26**

<b>ACTION</b>	<b>DATE</b>
Suspension of RDA powers	6/29/2011
RDA adopts an Enforceable Obligation Payment Schedule for payments due through December 2011 (transmit schedule to County Auditor-Controller, State Controller and Department of Finance, which consist of identifying internet web site location of the posted schedule)	On or before August 28, 2011
No payments may be made by RDA for obligations not listed on an adopted enforceable obligation payment schedule (other than payments required to meet obligations with respect to bonded indebtedness)	The earlier of August 28, 2011 or adoption of enforceable obligation payment schedule
If city will not be successor agency, adopt a resolution so stating	9/1/2011
Determine allowed administrative costs, including staffing	9/1/2011
RDA prepares preliminary draft of the initial Recognized Obligation Payment Schedule and provides it to successor agency	On or before 9/30/2011
MOUs with labor organizations representing RDA employees expire (unless a new agreement is reached prior to deadline)	After 9/30/2011
RDA is dissolved (unless ordinance stating payments will be made pursuant to ABX1 27 has been adopted)	10/1/2011
Determine whether city will retain housing responsibilities or transfer those responsibilities to housing authority	10/1/2011
Successor agency takes over responsibility for payment of enforceable obligations; only payments on a Recognized Obligation Payment Schedule may be made after this date	10/1/2011
Successor agency becomes employer of all RDA employee and is deemed successor employer under labor agreements	10/1/2011
All RDA assets (including cash and cash equivalents and accounts receivable), properties, contracts, leases, books and records, buildings and equipment are transferred by law to the successor agency	10/11/2011

<p>Successor agency creates a Redevelopment Obligation Payment Fund</p>	<p>10/1/2011 (no date specified in legislation, but this deadline applies as a practical matter due to other provisions)</p>
<p>Successor agency to remit unencumbered balances of RDA funds to the County Auditor-Controller, including unencumbered balance of Low and Moderate Income Housing Fund</p>	<p>After 10/1/2011</p>
<p>Successor agency to:</p> <ul style="list-style-type: none"> <li>• Dispose of assets and properties as directed by the oversight board</li> <li>• Enforce all former RDA rights for the benefit of taxing entities (collect loans, rents, other revenues that were due to the RDA)</li> <li>• Effectuate transfer of housing functions and assets to entity designated to accept those functions (city or housing authority)</li> <li>• Wind down the affairs of the RDA pursuant to the legislation and in accordance with the direction of the oversight board</li> <li>• Continue to oversee developer of properties until work has been completed or contractual obligations of RDA can be transferred to other parties</li> <li>• Continue to use bond proceeds until the purposes for which bonds were sold have been achieved; use bond proceeds to defease the bonds if purposes can no longer be achieved</li> </ul>	<p>After 10/1/2011</p>
<p>Successor agency prepared first draft Recognized Obligation Payment Schedule</p>	<p>On or before 11/1/2011</p>
<p>Successor agency submits first Recognized Obligation Payment Schedule to State Controller and Department of Finance for period from 1/1/12 to 6/30/12</p>	<p>On or before 12/15/2011</p>
<p>Successor agency to prepare a proposed administrative budget and submit it to the oversight board for its approval. Budget is to include:</p>	<p>For every six-month fiscal period after 10/1/2011</p>

<p>Estimated amounts for successor agency administrative costs for the upcoming six-month fiscal period</p> <p>Proposed sources of payment for administrative costs</p> <p>Proposals for arrangements for administrative and operations services provided by city, county or other entity</p>	
<p>Successor agency to provide administrative cost estimates that are to be paid from property tax revenues deposited in the Redevelopment Property Tax Trust Fund to the County Auditor-Controller</p>	<p>For every six-month fiscal period after 10/1/2011</p>
<p>Successor agency to prepare a Recognized Obligation Payment Schedule, which must identify a source of payment for each obligation from the following sources:</p> <ul style="list-style-type: none"> <li>• Low and Moderate Income Housing Fund</li> <li>• Bond proceeds</li> <li>• Reserve balances</li> <li>• Administrative cost allowance</li> <li>• Redevelopment Property Tax Trust Fund, but only when no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or other provisions of the legislation</li> </ul>	<p>For every six-month fiscal period after 10/1/2011</p>
<p>Statement of indebtedness no longer has any effect and is superseded by the Recognized Obligation Payment Schedule</p>	<p>1/1/2012</p>
<p>Successor agency has no authority to accelerate payments under Recognized Obligation Payment Schedule to prepay loans unless such accelerated payments were required prior to 10/1/11</p>	<p>1/1/2011 through 7/1/2012</p>

**ATTACHMENT 6: TIMELINE/PROCESS PURSUANT TO AB 27**

<b>ACTION</b>	<b>DATE</b>
Suspension of RDA powers	Signing of bills by Governor (the "Effective Date")
Department of Finance calculates payment amounts and gives notice to all RDAs	On or before 8/1/2011
RDAs may appeal amount of payment only if: <ul style="list-style-type: none"> <li>• Report submitted to State Controller for 2008-2009 fiscal years was wrong, or</li> <li>• The RDA's debt service on bonded indebtedness has increased by more than 10% since 2008-2009 fiscal year</li> </ul>	On or before 8/15/2011
Prepare Enforceable Obligation Schedule (only necessary if ordinance electing to make AB1X 27 payments has not been adopted yet)	8/28/2011
Department of Finance rules on appeals of payment amounts	On or before 9/15/2011, but Department may extend to 10/15/2011
City adopts non-binding resolution saying it will make payments; notify Department of Finance; dissolution of agency is stayed to November 1, 2011 (optional)	On or before 10/1/2011
City adopts ordinance saying it will make payments; prevents dissolution of agency	On or before 10/1/2011; extended to 12/1/2011 if Department of Finance extends time for ruling on appeal of amount of payments
City gives notice of Department of Finance that it has adopted ordinance saying it will make payments	On or before 10/1/2011; presumably extended to 12/1/2011 if Department of Finance extends time for ruling on appeal of amounts of payments
Prepare Statement of Indebtedness	On or before 10/1/2011
City that adopted non-binding resolution adopts ordinance saying it will make payments; notify Department of	On or before 11/1/2011; extended to 12/1/2011 if Department of

Finance; prevents dissolution of agency	Finance extends time for ruling on appeal of amount of payments
City makes first payment due – ½ of amount due (for 2011-2012 and subsequent years)	On or before January 15, (2012)
City makes second payment due – ½ of amount due (for 2011-2012 and subsequent years)	On or before May 15, (2012)

**ORDINANCE NO. \_\_\_\_\_**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SUISUN CITY, CALIFORNIA, DETERMINING IT WILL COMPLY WITH THE VOLUNTARY ALTERNATIVE REDEVELOPMENT PROGRAM PURSUANT TO PART 1.9 OF DIVISION 24 OF THE CALIFORNIA HEALTH AND SAFETY CODE IN ORDER TO PERMIT THE CONTINUED EXISTENCE AND OPERATION OF THE SUISUN CITY REDEVELOPMENT AGENCY**

**WHEREAS**, the City Council of the City of Suisun City (“City”) approved and adopted the Redevelopment Plan for the Suisun City Redevelopment Project (“Redevelopment Plan”) covering certain properties within the City (the “Project Area”); and

**WHEREAS**, the Redevelopment Agency of the City of Suisun City (“Agency”) is engaged in activities to execute and implement the Redevelopment Plan pursuant to the provisions of the California Community Redevelopment Law (Health and Safety Code § 33000, *et seq.*) (“CRL”); and

**WHEREAS**, since adoption of the Redevelopment Plan, the Agency has undertaken redevelopment projects in the Project Area to eliminate blight, to improve public facilities and infrastructure, to renovate and construct affordable housing, and to enter into partnerships with private industries to create jobs and expand the local economy; and

**WHEREAS**, over the next few years, the Agency hopes to implement a variety of redevelopment projects and programs to continue to eliminate and prevent blight, stimulate and expand the Project Area’s economic growth, create and develop local job opportunities and alleviate deficiencies in public infrastructure, to name a few; and

**WHEREAS**, as part of the 2011-12 State budget bill, the California Legislature has recently enacted and the Governor has signed, companion bills AB 1X 26 and AB 1X 27, requiring that each redevelopment agency be dissolved unless the community that created it enacts an ordinance committing it to making certain payments; and

**WHEREAS**, specifically, AB 1X 26 prohibits agencies from taking numerous actions, effective immediately and purportedly retroactively, and additionally provides that agencies are deemed to be dissolved as of October 1, 2011; and

**WHEREAS**, AB 1X 27 provides that a community may participate in an “Alternative Voluntary Redevelopment Program,” in order to enable a redevelopment agency within that community to remain in existence and carry out the provisions of the CRL, by enacting an ordinance agreeing to comply with Part 1.9 of Division 24 of the Health and Safety Code; and

**WHEREAS**, the Alternative Voluntary Redevelopment Program requires that the community agree by ordinance to remit specified annual amounts to the county auditor-controller; and

**WHEREAS**, under the threat of dissolution pursuant to AB 1X 26, and upon the contingencies and reservations set forth herein, the City shall make the Fiscal Year 2011-2012 community remittance, currently estimated to be Four Million Four Hundred Eighty Thousand Four Hundred Fifty Four Dollars (\$4,480,454), as well as the subsequent annual community remittances as set forth in the CRL; and

**WHEREAS**, the City reserves the right to appeal the California Director of Finance’s determination of the Fiscal Year 2011-12 community remittance, as provided in Health and Safety Code Section 34194; and

**WHEREAS**, City understands an action challenging the constitutionality of AB 1X 26 and AB 1X 27 has been filed on behalf of cities, counties and redevelopment agencies; and

**WHEREAS**, while the City currently intends to make these community remittances, they shall be made under protest and without prejudice to the City’s right to recover such amounts and interest thereon, to the extent there is a final determination that AB 1X 26 and AB 1X 27 are unconstitutional; and

**WHEREAS**, the City reserves the right, regardless of any community remittance made pursuant to this Ordinance, to challenge the legality of AB 1X 26 and AB 1X 27; and

**WHEREAS**, to the extent a court of competent jurisdiction enjoins, restrains, or grants a stay on the effectiveness of the Alternative Voluntary Redevelopment Program’s payment obligation of AB 1X 26 and AB 1X 27, the City shall not be obligated to make any community remittance for the duration of such injunction, restraint, or stay; and

**WHEREAS**, all other legal prerequisites to the adoption of this Ordinance have occurred.

**THE CITY COUNCIL OF THE CITY OF SUISUN CITY, CALIFORNIA, DOES ORDAIN AS FOLLOWS:**

**Section 1.** **Recitals.** The Recitals set forth above are true and correct and incorporated herein by reference.

**Section 2.** **Participation in the Alternative Voluntary Redevelopment Program.** In accordance with Health and Safety Code Section 34193, and based on the Recitals set forth above, the City Council hereby determines that the City shall, to the extent required by law, comply with the provisions of Part 1.9 of Division 24 of the Health and Safety Code, as enacted by AB 1X 27.

**Section 3.** **Payment Under Protest.** Except as set forth in Section 4, below, the City Council hereby determines that the City shall make the community remittances set forth in Health and Safety Code section 34194 *et seq.*

**Section 4. Effect of Stay or Determination of Invalidity.** City shall not make any community remittance in the event a court of competent jurisdiction either grants a stay on the enforcement of AB 1X 26 and AB 1X 27 or determines that AB 1X 26 and AB 1X 27 are unconstitutional and therefore invalid, and all appeals therefrom are exhausted or unsuccessful, or time for filing an appeal therefrom has lapsed. Any community remittance shall be made under protest and without prejudice to the City's right to recover such amount and interest thereon in the event that there is a final determination that AB 1X 26 and AB 1X 27 are unconstitutional. If there is a final determination that AB 1X 26 and AB 1X 27 are invalid, this Ordinance shall be deemed to be null and void and of no further force or effect. This Ordinance shall not effect or give rise to any waiver of rights or remedies that the City may have, whether in law or in equity, to challenge ABX1 26 or ABX1 27. This Ordinance shall not be construed as the City's willing acceptance of, or concurrence with, either ABX1 26 or ABX1 27; nor does this Ordinance evidence any assertion or belief whatsoever on the part of the City that said bills are constitutional or lawful.

**Section 5. Implementation.** The City Council hereby authorizes and directs the City Manager to take any action and execute any documents necessary to implement this Ordinance, including but not limited to notifying the Solano County Auditor-Controller, the Controller of the State of California, and the California Department of Finance of the adoption of this Ordinance and the City's agreement to comply with the provisions of Part 1.9 of Division 24 of the Health and Safety Code, as set forth in AB 1X 27.

**Section 6. Additional Understandings and Intent.** It is the understanding and intent of the City Council that, once the Agency is again authorized to enter into agreements under the CRL, the City will enter into an agreement with the Agency as authorized pursuant to Section 34194.2, whereby the Agency will transfer annual portions of its tax increment to the City in amounts not to exceed the annual community remittance payments to enable the City, directly or indirectly, to make the annual remittance payments. The City Council does not intend, by enactment of this Ordinance, to pledge any of its general fund revenues or assets to make the remittance payments. The City reserves the right to withdraw from making the payments required by ABX1 27 should the amount of such payments (as will be determined by the State Department of Finance) prove to be in excess of the City's available funds not otherwise obligated for other uses.

**Section 7. CEQA.** The City Council finds, under Title 14 of the California Code of Regulations, Section 15378(b)(4), that this Ordinance is exempt from the requirements of the California Environmental Quality Act ("CEQA") in that it is not a "project," but instead consists of the creation and continuation of a governmental funding mechanism for potential future projects and programs, and does not commit funds to any specific project or program. The City Council, therefore, directs that a Notice of Exemption be filed with the County Clerk of the County of Solano in accordance with CEQA Guidelines.

**Section 8. Custodian of Records.** The documents and materials that constitute the record of proceedings on which these findings are based are located at the City Clerk's office located at 701 Civic Center Boulevard, Suisun City, California. The custodian for these records is Donna Pock.

**Section 9. Severability.** If any provision of this Ordinance or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Ordinance which can be given effect without the invalid provision or application, and to this end the provisions of this Ordinance are severable. The City Council hereby declares that it would have adopted this Ordinance irrespective of the invalidity of any particular portion thereof.

**Section 10. Certification; Publication.** The City Clerk shall certify to the adoption of this Ordinance and cause it, or a summary of it, to be published once within 15 days of adoption in a newspaper of general circulation printed and published within the City of Suisun City, and shall post a certified copy of this Ordinance, including the vote for and against the same, in the Office of the City Clerk in accordance with Government Code § 36933.

**Section 11. Effective Date.** This Ordinance shall become effective thirty (30) days from its adoption.

**PASSED AND ADOPTED** at a regular meeting of the City Council on the \_\_\_\_ day of \_\_\_\_\_ 2011, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
\_\_\_\_\_, Mayor

ATTEST:

\_\_\_\_\_  
\_\_\_\_\_, City Clerk

CITY COUNCIL

Pedro "Pete" M. Sanchez, Mayor  
Michael J. Hudson, Mayor Pro-Tem  
Jane Day  
Sam Derting  
Michael A. Segala



CITY COUNCIL MEETING

First and Third Tuesday  
Every Month

## CITY OF SUISUN CITY

701 Civic Center Blvd.  
Suisun City, California 94585

Incorporated October 9, 1868

June 14, 2011

Honorable Mayor and Members of the City Council:

We are pleased to submit to you the proposed Fiscal Year 2011-12 Annual Budget, which begins on July 1, 2011. As we transition from the current fiscal year into the new fiscal year, there are a number of important themes to keep in mind:

- We continue to live through historic economic times that cause both tremendous challenges and unique opportunities.
- The County Assessor has indicated an "expectation" that average, county-wide assessed values will decline by 3%; the fourth straight year of property value declines.
- Our short- and long-term priority continues to be fiscal stability, which means we need to:
  - Be prudent in the use of one-time monies that have been used to "bridge" operations until known economic development efforts come on-line (e.g., the Wal-Mart Supercenter); the proposed budget includes \$3.3 million or three years of "bridging-revenue" comparable to what will be backfilled once Wal-Mart comes on line.
  - Continue to trim our operating budgets while utilizing alternative approaches to filling vacancies to trim our operating costs even further (i.e., cross-management, cross-training and contracting out); the proposed budget assumes that a total of eight positions vacated over the past three years or so remain vacant, which is roughly 10% of our workforce.
  - Position ourselves for new development opportunities when the economy does turn around.
  - Maintain a strong eye on reserves as we look into the future; for Fiscal Year 2011-12, GF reserves are at roughly 25%, which is 5% or \$500,000 over the Council's adopted Emergency Reserve policy of 20%.

DEPARTMENTS: AREA CODE (707)

ADMINISTRATION 421-7300 ■ PLANNING 421-7335 ■ BUILDING 421-7310 ■ FINANCE 421-7320  
FIRE 425-9133 ■ RECREATION & COMMUNITY SERVICES 421-7200 ■ POLICE 421-7373 ■ PUBLIC WORKS 421-7340  
REDEVELOPMENT AGENCY 421-7309 FAX 421-7366

- Continue to provide the business community and our residents with the highest level and quality of services possible.
- Our service focus is on all segments of our community – services and programs that support long-term economic vitality, strong and safe neighborhoods, and a community that is a desirable place to visit, live, work and raise a family.

In spite of the challenging times facing us on so many fronts, the proposed FY 2011-12 Annual Budget continues us on this path consistent with the City Council's commitments and goals. We are largely able to do so because of the successful opening of the new Hampton Inn & Suites on the Waterfront and the aggressive marketing efforts that are paying off with the opening of the first key element of Main Street West: Harbor Square. This past year we had the pleasure of celebrating the one-year anniversary of each of these projects, while welcoming new eating establishments to the area.

Another major project on the horizon is The Salvation Army Kroc Community Center; a \$22 million facility that will provide a broad array of services to the community.

Looking further ahead, we are closing in on the finish line with our Wal-Mart Supercenter. The Solano Land Trust is working closely with the RWQCB for a project that addresses the final required mitigation on the project site. Concurrently, Wal-Mart is working closely with the Army Corps of Engineers and the Fish & Wildlife Service to finalize legally enforceable mitigation measures to address wetlands, uplands and the same for critical habitat. In addition, opportunities for development continue to be explored including the thirty-acre site controlled by the City, and property controlled by private interests within the City's sphere-of-influence.

Finally, our efforts to move forward on so many of the Council's objectives despite significantly reduced resources rests with the partnership that has been forged between the City Council and the dedication and leadership of our management team and employees. I would be remiss for not recognizing the sacrifices that all of our employees have made over the past years in order to serve our community. This includes:

- Reduction of General Fund Base Budget operating expenditures by 20% to 25% over the past three years, and another 5% or \$530,000 for FY 2011-12.
- Expansion of roles and responsibilities of Executive Management staff as vacant positions have not been refilled including:
  - Assistant City Manager and Financial Services Manager (along with Deputy City Clerk) assuming responsibilities of the Management Analyst for Human Resources & Risk Management.
  - Economic Development Director and Community Development Director (along with Housing Manager) assuming responsibilities for Project Manager, RDA.
  - Building and Public Works Director assuming responsibilities of former Public Works Director/City Engineer, with professional engineering support through a contract.

- Expansion of roles and responsibilities of Management, Professional and Supervisory staff as vacant positions have not been refilled including:
  - Police Sergeant has assumed responsibility for vacant Police Support Services Manager.
  - Detectives will be assuming responsibility for aspects of Youth Services Specialist.
  - School Resource Officer and School Training Officer will be assuming responsibility for aspects of Youth Services Specialist.
  - Recreation Supervisor, Administrative Assistant and part-time Recreation Staff will be assuming responsibility for aspects of vacated Recreation Supervisor for Joe Nelson Center/ATOD.
  - Recreation & Community Services Director position has been filled on a part-time basis by the former incumbent.
  - Marketing Manager and Administrative Assistant, Economic Development/Community Development have assumed expanded responsibilities including Special Events due to under-filling of the Recreation & Community Services Director position.
  - Senior Building Inspector has assumed expanded responsibilities due to merging of the Chief Building Official and Public Works Director into one position.
  - Building Inspector has assumed capital project construction inspection responsibilities.
  - Broader front counter and Corp Yard coverage by other office staff to support interim coverage of Management Analyst for Public Works.
- Zero cost-of-living adjustments for SCPOA since July 2010, and management and all other employees since January 2010, as well as the elimination of performance bonuses for the City Manager since June 2009.
- Reduction of travel and training, memberships and dues, goal-setting/team-building and the employee awards banquet (this past year, the Executive Management team cooked and served for the banquet rather than hiring a caterer).

These are only highlights of how our management team and employees have stepped up to the plate and pulled together to address these challenging economic times. At the same time, the Council's policies that have resulted in *no layoffs of permanent staff, no furloughs and limited service reductions* is something for which the employees are proud and thankful – especially given the situation that so many of our neighboring communities are experiencing.

We continue to stretch limited resources through renewed operating efficiencies, while taking advantage of grant and other new revenue opportunities available through the Federal stimulus program and other grant programs. For the upcoming year alone, we have a capital improvement program that includes roughly \$7.3 million for a broad range of projects, \$5.3 million of which are grant funded.

As we pull this budget together under the guidance and policy directives of the City Council, the one big unknown that we face is the Governor's proposal to eliminate redevelopment. The impacts of such an outcome are significant for our community – both short- and long-term. From a short-term perspective, the General Fund would experience losses in the range of 10% or \$1 million annually. Longer-term, there would be no resources available for economic development efforts such as we have seen during the last couple of years – think: hotel, Harbor Square, Cast Iron Grill & Bar, Dimitri's Lounge by the Bay and Eco Delight as examples.

Given the huge uncertainties around redevelopment, the budget before you assumes that we will continue to collect tax increment through June 30, 2012, however, because of the decision to pay debts owed by the Agency to the General Fund and Public Facilities Fund all at once (rather than over time as had been in our longer-range plan), we have very limited redevelopment funds available to do projects and marketing campaigns. For example, Special Events is funded only through December 31, 2011. Once the status of redevelopment is established, we recommend that staff come back with alternative proposals to fund redevelopment activities of interest to the Council/Agency Board.

### **THE ECONOMY AND THE CITY'S OVERALL FISCAL HEALTH**

At the national level, the country is beginning to show positive signs. The recent jobs report indicated almost 300,000 new jobs were created, and prior month estimates were revised upwards. Job growth is a lagging indicator; meaning that it is the last thing to improve before a recovery is in full swing. This is not to suggest that we are on the verge of a strong recovery; most experts feel the recovery will be slow, and there are still several elements that can upset the apple cart. For example, the debt concerns in Europe set off a major sell-off on Wall Street at the beginning of this year. The "Arab Spring" triggered rising oil prices, which also upset the market. Event "Mother Nature" has begun to influence the economy (e.g., the earthquake in Japan, hurricanes and tornadoes in the southern United States).

On March 8, 2011, the City/Agency/Authority restructured the resources and assets for the RDA in response to the Governor's proposal to eliminate the Redevelopment Agencies throughout the state. Although the State has closed about half of its budget gap, the proposal remains a key portion of the Governor's "May Revise" budget.

At the local level, we are still experiencing the same problems as other communities in California. Fortunately, many of the investments made by the Council/Agency, particularly in the Waterfront District, are beginning to pay off: the Hampton Inn & Suites, Cast Iron Grill & Bar, Dimitri's Lounge by the Bay, Subway and Eco Delight just to name a few. New boating related ventures are also popping up with Island Gypsy Cruises and Eco-Tours. The Council's planned synergy is beginning to take hold.

Furthermore, the resolution of the appeal of the Wal-Mart EIR has been decided in the City's favor, and mitigation issues raised by the RWQCB and the Fish & Wildlife Service are being addressed. Favorable decisions would position this project to work its way through the permitting process through spring 2012, with construction beginning shortly thereafter. Assuming a 9- to 12-month construction schedule, sales tax and Community Facilities District (CFD) fees would be generated benefitting the General Fund by FY 2013-14, as well as increased tax increment benefitting the Redevelopment Agency. Recognizing the significant revenues that the Wal-Mart project is projected to generate for the City, the proposed FY 2011-12 budget strategy plans for multiple contingencies regarding this project, which are discussed in more detail below.

Finally, the City's strong cash reserves have positioned us well to weather the current economic downturn without service reductions, layoffs or staff furloughs. Our General Fund reserves have been augmented by strategic property sales (i.e., Community Center/TSA), repayment by the RDA of monies advanced by the General Fund tied to the Harbor Center Street Extension project, as well as the YMCA settlement payment. In addition, to mitigate a small portion of the potential catastrophe that would result from the Governor's proposed elimination of the Redevelopment Agency, the City, Agency and Authority restructured resources and assets. All of these actions, which have been taken by the Council/Agency/Authority facilitate a continuation of a "bridging" strategy that ensures our ability to meet service level needs of the community until major development comes to fruition and/or the economy recovers in earnest.

#### **OVERVIEW OF PROPOSED FY 2011-12 BUDGET: KEY ASSUMPTIONS, FINDINGS AND CONCLUSIONS**

This section covers the two major funding sources that make up our day-to-day operations: General Fund and Redevelopment Agency. The information covered includes goals, strategy and assumptions, as well as major cuts and reductions recommended by departmental staff to continue our efforts to manage through the next couple of years while maintaining, at a minimum, our emergency reserve levels (targeted at 25%) until either Wal-Mart ultimately comes on line and/or the economy stabilizes and begins to turn around. In the event that Wal-Mart does not come on line as anticipated, or the economy takes another dive, we are positioning ourselves to have a two-year period of time to systematically work with the Council and community to identify a "new normal" for the mix of services and service levels that match available resources.

It is worth repeating, however, that given our strong reserves and the promise of increased sales tax and transient occupancy tax tied to our ongoing economic development efforts, we are positioned to continue through the next fiscal year *without cutting permanent staff, reducing compensation, instituting furloughs, or significantly modifying service levels*. All while maintaining strong reserves.

## Proposed FY 2011-12 General Fund

Before getting into the specific assumptions and strategies behind the development of the proposed FY 2011-12 General Fund budget, it is worth recounting some of the decisions that have been made over the past couple of years that directly impact our current fiscal health. While we have not had to go through the painful cuts and reductions that virtually every agency around us experienced over the past two or so years, we have still been prudent in managing our limited resources.

For example, for all vacancies that have occurred over the past three or so years, an assessment is completed to determine whether or not workload requires us to fill the position or, alternatively, whether or not there are other means of covering the workload. These efforts have resulted in ongoing savings of \$475,000, of which \$370,000 or roughly 78% is from the General Fund. Looking forward, Council at the budget workshop has formalized this approach by recommending a Hiring Freeze.

### The Goals

Continuing with the direction set by Council over the past couple of years following the disintegration of the economy, we began this budget season with the following goals in mind:

- Maintain as many services and service levels as possible.
- Employ the use of “holds” to temporarily cut expenditures which may be added back in the future as the economy improves.
- Take advantage of vacancies without cutting permanent positions.
- Develop a General Fund budget that is balanced.
- Maintain strong reserves in recognition of slow economic turnaround.

When these goals were first established a couple of years ago, our read of the economic picture anticipated two years of significant declines in assessed values in recognition of the foreclosure crisis, followed by a third year of stabilized values (no growth, but no further declines). Assessed values not only impact our property tax and “triple flip” receipts, but also tax increment for the RDA.

In November, the County Assessor indicated an “expectation” that average, county-wide assessed values would likely decline further for a fourth year in a row. In response to this news, the proposed budget for FY 2011-12 anticipates a 3% decline in General Fund property taxes and “triple flip” revenues. Although average, county-wide assessed value drops of 3% to 5% have been heard, it is likewise anticipated that a significant portion of this county-wide drop is driven by commercial values. In that Suisun City has a limited commercial tax base, the thinking is that the resulting overall impact to us will be less than what other cities will see, making the assumption of a 3% drop a conservative figure. This appears to be borne out by a comparison of residential property sales from October – March, 2011 against assessed values. In aggregate, the residential sales in Suisun City reflected only a 1.6% decrease over assessed values set in 2010. Ultimately, we will not truly know until the County Assessor’s Office releases its numbers. An early estimate is expected out in June, with final figures locked down by August.

## The Assumptions

The key assumptions that have been incorporated in the proposed FY 2011-12 Annual Budget include the following:

- A slower economic recovery than anticipated three years ago. Instead of a leveling off of tax revenues, we are assuming a 3% reduction in property-related revenues. For the General Fund, this includes property tax and the “triple flip”.
- In response, Departments targeted an overall 5% reduction in their operating budgets through a combination of reduced spending and/or increased department-driven revenues.
- No salary adjustments in the coming fiscal year. (Note: SCPOA’s MOU was approved by the Council on June 7, 2011, with no COLA. Negotiations are underway with SCEA and SCMPEA for successor agreements to those that expired on December 31, 2010.)
- The only employee group that has enhanced retirement benefits currently is the SCPOA. They employees continue to pay 4% of their salary in exchange for this benefit. (This is not a “change”; however, it is noted because of the heightened public interest in enhanced retirement systems.)
- Emergency Reserves, targeted at 25% of operations, maintained over next two to three years (with all things being equal).
- The “bridging” strategy will be continued until the Wal-Mart project status is clarified. Sources of “bridge funds” include the reimbursement of funds advanced to the RDA by the General Fund, as well as the YMCA settlement.

## FY 2011-12 General Fund Recommended Budget

Section B of the budget document provides a detailed summary of the General Fund and Redevelopment Agency funds, with operating budget detail in the Section C. Highlights of the FY 2011-12 Recommend General Fund budget are provided below in the following sections. The comparisons are to the Base Budget. The Base Budget is derived by starting with the FY 2010-11 budget, removing one-time expenditures, adding in known adjustments such as health insurance or retirement premiums and outside contract changes such as Animal Control or Police vehicle costs. Base Expenditures are compared with Base Revenues and any shortfall must be addressed. In the case of the General Fund that shortfall for FY 2011-12 was \$530,000, and it was addressed as follows:

### **FY 2011-12 General Fund Revenues**

- **Property Tax** estimates were adjusted based on preliminary projections from the County Auditor’s Office, showing a 3% decline. Because we assumed a lower estimate in the current year, the FY 2011-12 number is actually higher than we originally used in the Request Budget. The current year estimate includes various credits and adjustments that make a straight comparison difficult. **Property Taxes** are up \$48,400 from the Request.

- **Sales Tax** estimates have been misleading, because there is a reporting issue relating to one of our larger businesses. The Recommended Sales Tax includes our sales tax consultant's estimate, assuming the reporting issue is resolved satisfactorily in next year's budget. The FY 2011-12 budget includes a one-time catch up of approximately \$100,000. Beyond the one irregularity, we are projecting a 15% increase in Fuel and Gas Station revenues, and modest increases in other categories.
- **Other Taxes**, such as **Franchise Fees**, **Transient Occupancy Tax** and **Property Transfer Tax** are assumed to remain fairly stable.
- **Interest Earnings** are up \$30,000, based on a larger cash balance (due to one-time transfers in from the RDA last March 2011).
- **Intergovernmental Revenues** are up \$41,100, reflecting a \$15,000 increase in SB 90 Reimbursements, and a \$26,100 increase in **SSWA Payments** (this figure will fluctuate with the costs of our Utility Billing & Collection Division and Public Works engineering support).
- **Service Charges** are up \$46,800 from the Request Budget. Most of this is from increases in **Recreation Fees** and **Room Rental Charges** (\$47,800). The other adjustments reflect a reduction in **Special Event Fees** and an increase in administrative fees for the Humphrey Place oversight committee.
- **Intragovernmental Fees** are up \$30,000 over the Base, because we expect to recover more staff costs for services provided to several capital projects expected to be completed in the coming year.
- **Transfers In** are up a net of \$25,500. The breakout is listed below:
  - One-time transfer in of \$45,000 from Recycling Fund 132, to pay for a small street sweeper, which will be used to maintain our many miles of bike/pedestrian trails.
  - A reduction of \$27,000 in Traffic Towing revenues. Court cases have made it more difficult to tow and store vehicles, therefore reducing the revenue to the City.
  - \$7,500 in additional revenues as a result of cost-of-living-adjustments from our MAD's and CFD's.
- Overall, **Revenues** are projected to be up by \$173,400.

#### FY 2011-12 General Fund Expenditures

Overall, **Expenditures** were cut almost \$400,000. \$29,900 was used to restore our Emergency Reserves to the 25% level. Highlights of cuts proposed by department are presented below.

- **Police**
  - \$37,000 cut in vehicle maintenance. This includes taking two vehicles out of service, one of which is the K-9 vehicle, and eliminating the K-9 unit.
  - \$10,000 cut in overtime in Dispatch.

- \$28,000 shift in staffing the Boat Safety Grant. Historically, overtime and temporary help was used. We will now assign regular employees to the grant whenever possible.
- \$42,000 reduction in temporary help.
- \$136,600 savings by holding one vacant Police Officer open until next fiscal year.
- \$26,000 in other operating costs.
- Total reduction: \$279,600.
- **Building & Public Works**
  - \$20,000 savings by charging a portion of the Contract City Engineer to Sewer and SSWA, instead of the General Fund
  - \$56,600 in savings in Landscaping, either by shifting work from the General Fund to Streets and other areas (\$42,600) and to Highway 12 landscaping (\$14,000).
  - \$31,900 reduced Information Technology (IT) charges, by using cash reserves and cutting temporary help.
  - \$10,000 in other operating costs.
  - Total reduction: \$118,500 (this does not include revenue increases noted above).
- **Recreation & Community Services**
  - \$18,000 publish the Recreation Guide online.
  - \$55,300 leave the vacant Recreation Supervisor open until the next fiscal year.
  - Total reduction: \$73,300 (this does not include revenue increases noted above).
- **Fire**
  - \$4,500 dropped a request for three laptop computers (they will be financed through IT charges already in effect).
- **Community Development**
  - \$23,700 shifts in labor costs; assigning staff more to the Housing Authority or to grants.
- **Administration**
  - \$7,300 cuts in travel and memberships for City Council, City Manager and Finance.
  - \$18,500 reduction in legal services and litigation expense.
  - Total Reduction: \$25,800.
- As can be seen, the cuts total over \$520,000. However, there were several unexpected increases, including the following:
  - \$43,000 increased staffing costs by shifting indirect labor from RDA to the General Fund.
  - \$27,000 reduced Traffic Towing revenue, noted above.
  - \$30,000 to maintain the 25% Emergency Reserve.

## **FY 2011-12 General Fund Reserves**

- At June 30, 2012, we expect to carryover \$5,928,800. These carryover funds are allocated as follows:
  - \$2,472,800 Emergency Reserves.
  - \$1,197,100 Capital Projects Reserve.
  - \$2,259,000 Available for future “bridging”.

## **General Fund Cash-Flow Analysis**

A cash-flow analysis evaluates a fund’s ability to sustain itself over time. Specifically, do ongoing revenues cover projected expenditures? If ongoing revenues do not cover projected expenditures, that results in a structural operating deficit; though the overall budget is still balanced because of the use of one-time monies to cover ongoing expenditures. The General Fund’s cash-flow deficit is in the range of \$1.1 million per year. Given the availability of \$2,259,000 “bridging” funds at the end of FY 2011-12, the General Fund has the resources necessary to sustain the proposed level of expenditures through June 30, 2014 – which is one year beyond the estimated opening date of the Wal-Mart Supercenter – a project that is projected to generate \$1.1 million in ongoing revenues with sales tax and Community Facility District revenues.

## **Worst-Case Scenario Analysis**

While staff feels that the budget strategy used to balance the budget is both fiscally prudent and based on the most likely scenarios that can be anticipated at this point in time, it is a good idea to look at what could happen if the worst case gets even worse. Two examples should be looked at:

- What if Wal-Mart does not pull building permits during FY 2011-12?
- What if the assessed values plummet even further than the 3.0% estimate included in the FY 2011-12 Recommended budget for both the General Fund and RDA Tax Increment?

## **Assume Wal-Mart Does Not Pull Permits:**

When Wal-Mart pulls building permits, it will pay a total of about \$1.4 million in one-time fees. The General Fund portion would be about \$233,900 and the impact fee portion would be about \$1,119,000. The impact on the General Fund Bridging Reserve would be to reduce it from \$2,259,000 to \$2,025,100. The loss of the impact fees would result in delaying the need for and construction of capital improvements such as Railroad Avenue improvements or Petersen Road widening. The need for these improvements is driven by increased traffic generated by the project.

## **Assessed Value Reduction Impacts**

Each one percent drop in assessed value (AV) reduces General Fund revenues by about \$23,700, while each one percent drop in AV reduces RDA Tax Increment by about \$130,000.

## FY 2011-12 Redevelopment Agency Recommended Budget

As indicated earlier, Section B of the budget document provides a comprehensive overview of the General Fund and Redevelopment Agency Funds, with the detail in the Section C. The following provides highlights for the FY 2011-12 RDA budget (non-housing and housing):

### **FY 2011-12 Redevelopment Agency Revenues**

- **Tax Increment** was increased from \$10.9 million to \$11.0 million. We are projecting a 3% decline in Assessed Valuation, but it is now based on the current fiscal year's \$11.5 million estimate, rather than \$11.2 million. That 3% decline in AV translates to a 4% cut in actual revenues.
- **Interest Earnings** are up slightly, by \$5,000, based on a better projection of cash flow.
- **Service Charges** are up \$21,300, due to the improved rental income, as noted in the current year estimate.
- **Transfers In** are down by \$140,700. This reflects the fact that we originally assumed the General Fund would be responsible for Agency assets. In the Recommended Budget, we are assuming the Agency will continue to pay.
- Overall, revenues are almost static, with a small drop of \$14,400 from the Base.

### **FY 2011-12 Redevelopment Agency Expenditures**

- **Personnel Costs** were substantially reduced, from \$782,200 to \$591,200, or a drop of \$191,000. Major reasons for the decline:
  - \$138,000-The vacant Project Manager position. The actual savings are greater than the position, because of the overall redistribution of work between the now vacant position and the remaining staff (the Department Head, for example).
  - \$43,000-Shifting indirect costs back to the General Fund.
  - \$10,000-Shifting some of the indirect staffing costs in Code Enforcement to the General Fund.
- **Services & supplies** are down by \$32,500. This is mainly the result of eliminating Cleanup days (\$20,000) and the rest were cuts in legal and office costs.
- **Interdepartmental Charges** are down by \$156,300, because the Base charges from Special Events were left in the Request budget, pending a resolution of reallocating the costs. Ultimately, there was enough money from the original transfer to the General Fund to cover a partial year's worth of charges. There was also a small savings of \$1,700 due to reductions in IT charges.
- **Non-Recurring Costs** are up \$32,000, but that is because there is an Operating Contingency of \$43,500 in the RDA Asset Management Fund. Overall, the Base budget was cut \$11,500, mainly in the areas of Travel and Memberships, and professional studies.
- **Pass-Through's** are up because of the increased estimate of **Tax Increment**.

- Other **Transfers Out** are down mainly because we made a one-time reduction in the Transfer to Marina Operations (\$171,900), to reduce that fund's large ending balance.
- The bottom line is that expenditures were cut over \$500,000 compared to the original budget.

#### **FY 2011-12 Redevelopment Agency Reserves**

- There is a modest ending balance of \$27,500 in Fund 950. This is due to a slightly better current year estimated carryover.

#### **FY 2011-12 Housing Set-Aside Revenues**

- **Interest earnings** are up slightly (\$2,100), reflecting a growing cash balance from the current fiscal year.
- **Transfers In** are up by \$20,000 due to the higher **Tax Increment** estimate.

#### **FY 2011-12 Housing Set-Aside Expenditures**

- **Personnel costs** are up slightly, based on reallocating staff due to the vacant Project Manager position.
- **Transfers Out** are up slightly as well.
- The two Capital Projects for Housing are Neighborhood Revitalization program for \$100,000 and the First-Time Homebuyer Program at \$1,070,300.

#### **FY 2011-12 Housing Set-Aside Reserves**

- The large ending balance of \$1,044,300 is primarily in Almond Gardens Fund 907.

#### **Five-Year Capital Improvement Plan**

Section D provides a listing of major capital projects proposed for both the City and the Agency. The only new projects being proposed are those with outside funding. For example, Grizzly Island Trail, Senior Center improvements, asphalt overlay of Pintail and a number of energy-efficient improvements all funded through grants, and the Lawler Park Falls repair, which is funded through Park Development Funds. Other projects are carryovers or ongoing projects such as Main Street Rehab and vehicle replacements.

## CONCLUSION

The Recommended FY 2011-12 Annual Budget assumptions and strategy continue to be conservative as can be seen below:

- Reserves in both the General Fund and RDA continue to be strong.
- The use of “bridging” is linked to the anticipation of specific project-related outcomes.
- Assumptions related to reductions in property-related revenues continue to be conservative in both the proposed FY 2011-12 and the two years following.
- Institution of a Hiring Freeze, so that Council has control over staffing levels.
- Costs are assumed for litigation (known and anticipated), but not for damage awards.
- Going into the next fiscal year, we will continue to use a proactive approach to monitoring our financial condition, including the use of quarterly reviews with Council.

For more detailed and expanded information on what is been presented in this budget message, key sections of the budget document to consider spending more time with include:

- **Section B – Budget Overview**, which provides an Executive Summary of the FY 2011-12 Annual Budget with an emphasis on the General Fund and Redevelopment Agency. A comprehensive summary of revenue and expenditure trends is presented, as well as a summary of major service refinements to the departmental operating budgets. This section ends with an outline of all ten sections of the budget document and what’s contained in each.
- **Section C - Department Operating Budgets**, which includes program and staffing organization charts; departmental accomplishments, goals, work programs and service refinements; and supporting expenditure, staffing and funding data.
- **Section D – Major Capital Improvement Program**, which includes a listing of major capital improvement projects for both the City and Agency, the same listing of projects cross sorted by funding source and project category, and a more detailed description and timing schedule for each individual project.

With the focus on next year and so many programs and projects that are happening because of the effort made over the past several years, it would be remiss to overlook the significant accomplishments of the past year. Despite the continued challenges of falling revenues and resources while still needing to address the service needs of our community, we have enjoyed a number of successes over the past year, including:

- Our crime rates continue to decline, while our police and fire response times remain strong.
- We completed the Sunset Avenue rehab street project and are wrapping up street and sidewalk improvements along Main Street – pending delays due to weather. Both projects were funded with grants.

- We have welcomed a number of new businesses to town, while celebrating the one year anniversary for the waterfront hotel, Dimitri's Lounge by the Bay and Cast Iron Grill & Bar, to mention only a few.

Looking forward, we have roughly \$7.3 million of capital projects in the works, as already mentioned, and a number of new enterprises popping up around town. This brief summation of the accomplishments of the past year barely does justice to the efforts of our Team. I encourage you to all delve into the individual departmental budgets (Section C), where staff has identified departmental accomplishments and goals, as well as the specific department/division work programs for the coming year.

In closing, special thanks to Ron Anderson, Assistant City Manager/Administrative Services Director, and Mark Joseph, Financial Services Manager, for taking the lead on pulling this year's budget together. Other staff members that warrant special thanks and appreciation include Elizabeth Luna, Senior Accountant; Alysa Majer, Management Analyst (former); Amanda Dun, Administrative Assistant; Donna Pock, Deputy City Clerk/Executive Assistant; and Sheila Jones, Office Assistant.

I also want to thank our Management Team Members and their staffs. I have said it for each of the last five budgets that I have been involved with since I came to the City in 2005 and I will say it again: Given the financial constraints that we work under, we all understand that we still have a significant distance to travel before we are able to provide the highest level of service that we know we are capable of providing. But regardless, it is refreshing to work with a team that understands the big picture and is willing to be patient in addressing pent-up demands and needs until the City's financial position stabilizes and solidifies. Once again, "Staff gets it." I continue to be personally honored to be a part of this organization.

We look forward to your review and consideration of this budget.

Respectfully submitted,

  
Suzanne Bragdon  
City Manager



Budget Workshop,  
September 20, 2011:

## The State's At It Again!

1

## FY 2011-12: We dodged the bullet so far!

- No Reduction in Services
- No Layoffs
- No Furloughs
- No Tax increases
- Prudent use of Reserves to “weather the storm” but still keep over 20%

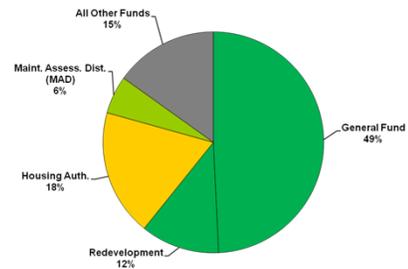
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## Big Picture: Strategies

- Budgetary cuts year to year of roughly 35% in the GF; 45% in RDA ops; 98% RDA projects
- On top of 10% reduction in workforce to date; existing vacancies:
  - PW Director/City Engineer
  - Construction Inspector
  - Management Analyst
  - FT to PT Community Services Director
  - Recreation Supervisor
  - Police Officer
  - Public Safety Admin Supervisor
  - Youth Services Officer

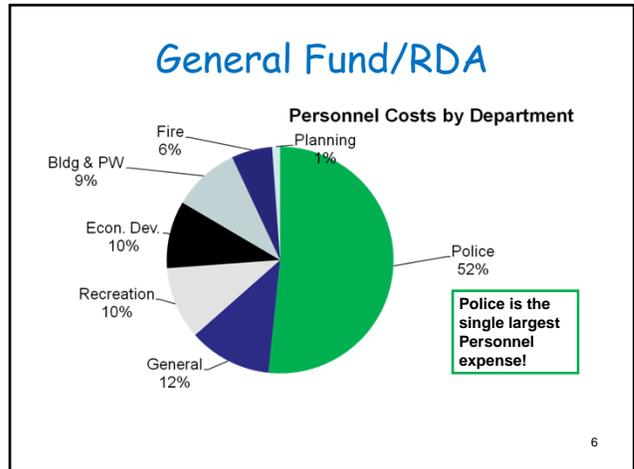
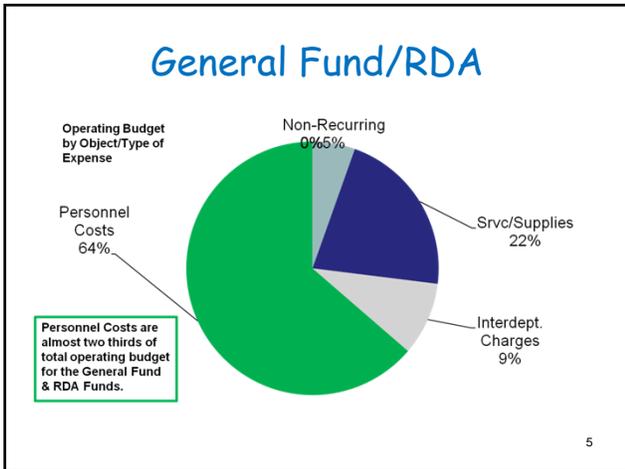
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## Budget 101: The Basics!



The General Fund and Redevelopment Agency Funds are over 60% of the entire operating budget for the City!

4



### The World Changed: AB1X 26 and AB1X 27

- The State budget assumes \$1.7B from local governments to balance its budget
- Two Pieces of Legislation Joined at the Hip
  - AB1X 26: RDA's eliminated
  - AB1X 27: Just kidding... If you 'voluntarily' pay the ransom we are extorting from you

7

### Whether we Play or Fold, the cost is the same!

<u>Pay to Play</u>	<u>Fold</u>
• \$4.5 million Year 1	• Budget hole of \$1.4 m Year 1
• \$1.05 million beginning FY 2012-13	• Assets of \$12.6 m at risk
• Year 2+: \$2.2 m in Housing set aside	• Ongoing RDA/HSG loss of \$2.9 m
• Year 2+: \$700k of other RDA monies	• New Property tax of \$380k

**REGARDLESS OF CHOICE: BUDGET IMBALANCE OF \$1.4 million**

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## Our INTERESTS, in no order of priority

- Find \$1.4 million
- Stay together as a team; we're all in this together!
- Avoid lay-offs
- Continue to serve the community... why we are in business!

THIS TEAM, OUR TEAM – SUISUN CITY – IS UNIQUE... REVEL IN IT!!!

9

## Employee Compensation

- Council goal to improve our market position
- Since 2005--
  - Police (SCPOA): 23% increase
  - SEIU & Management: 18% increase

10

## Putting \$1.4m in Perspective

- 5% reduction (comp or furlough) = \$365K
- Health costs = \$20k for family; \$15k for two
- PERS: 19% (misc); 42% (safety)
- Assessed Valuation (AV) recover 50% of loss = no gap
- 1% AV increase = \$75K RDA
- New development opportunities....

Projected Vacancies + 10% Furlough/Employee

Take-backs = \$1.3 million

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## Optional Cuts

- (To be prepared)

12

## Revenue Options

- Fee Enhancements (ensuring the cost of services are fully recovered, subject to market conditions)
- Consider charging for certain police & fire department responses
- Explore new General Revenues, such as Utility User Tax, Parcel Tax, Consolidated Citywide Assessment District.

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## Policy Choices: How do we reduce the gap?

- Do we adjust service levels?
- Do we ask for employee concessions/take-backs? Across the Board?
- Do we fill vacancies or leave open?
- Should we reduce staff, either through furloughs or direct layoffs?
- What role should revenue enhancements play?

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## Conclusions/Questions Silver Linings

- We could prevail in Court!
- We have until next July 2012 before the \$1.4 million takes effect
- We could use some of our savings this fiscal year to pay for any one-time costs for the "New Normal." (Re-training, new software/equipment)
- As property values go up, the gap dissolves (1% increase in AV equals \$75,000 net to RDA; 20% would raise \$1.5 million)—Tax Increment already dropped over 35%!

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