

OAKLAND OVERSIGHT BOARD

MEMORANDUM

TO: Oakland Oversight Board

FROM: Sarah T. Schlenk

SUBJECT: Status of Administrative Budget

DATE: April 15, 2013

ITEM: #3

PURPOSE

This report provides the status of the administrative budget for the ROPS III period and actual administrative expenditures from January 1, 2013 to March 31, 2013.

BACKGROUND

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

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

During the February 25, 2013 Oversight Board meeting, staff alerted the Board that the spending for outside legal counsel had exceeded the approved administrative budget. Staff brought back a resolution to increase the budget for Oversight Board outside legal counsel by \$60,000 based on projected costs. The Oversight Board approving increasing the budget to pay for expenditures incurred to date and requested staff to bring back this informational report on the status of the administrative budget and expenditures to date.

ANALYSIS

The chart below shows a summary of the administrative budget approved by the Board for the ROPS III period, as well as expenditures through March 31. Through half of the ROPS III period, expenditures have exceeded the administrative allowance by over \$0.50 million. The period-end projection is estimated to be approximately \$2.6 million or \$1.8 million over the administrative cap. Modest savings are anticipated from underspending on various operating accounts (O&M), as well as some personnel savings due to vacancies.

DEPARTMENT PERSONNEL	FTE	Jan 1 - June 30 Adopted Budget	Actual Through 3-31-13
Personnel	22.71	\$1,777,734	\$775,498
O&M		1,058,244	469,130
Oversight Board Support		32,500	71,051
<i>Clerical/Admin Support</i>		2,500	See note *
<i>Legal Counsel</i>		30,000	71,051
TOTAL SUCCESSOR ADMIN BUDGET		\$2,868,478	\$1,315,679
Administrative Allowance (Jan-June 2013)		\$771,503	\$771,503
TOTAL SHORTFALL		(\$2,096,975)	(\$544,176)

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

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

Additionally, board members asked to explain the City's strategy for covering the City's personnel costs that exceed the administrative allowance, and the housing project staff costs that were also denied during the ROPS III review. During a April 2nd presentation to the City Council on the budget, City administration indicated it was factoring in both of these disallowed costs in the projected year-end General Purpose Fund (GPF) balance.

RECOMMENDATION

Staff is asking the Board to determine how to proceed for the balance of the ROPS III period with regard to outside legal counsel funding. As stated during previous meetings, an adjustment between two operating accounts is mechanically possible; however any additional costs for legal services will result in more administrative expenses being funded from the City's GPF.

Respectfully submitted,

/s/

SARAH T. SCHLENK
Agency Administrative Manager