



City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: April 13, 2010

SUBJECT: Adoption of a City Council Resolution Authorizing Report to County Auditor on Redevelopment Agency's Supplemental Educational Revenue Augmentation Fund (SERAF) Payment

Report in Brief

The Redevelopment Agency of the City of Woodland is required, pursuant to Assembly Bill 26 4x, as amended, to make a contribution in the amount of \$687,424 as determined by the State Department of Finance for Fiscal Year 2009-10 to the County Supplemental Educational Revenue Augmentation Fund (SERAF) by May 10, 2010. Health and Safety Code Section 33690(d) requires the City Council to report to the County Auditor by March 1, 2010 as to how the Agency intends to fund the SERAF payment. The Agency intends to use accumulated, non-housing tax increment funds to satisfy its SERAF obligation for Fiscal Year 2009-10. The attached letter signed by the City Manager was provided already to the County Auditor since there was not sufficient time prior to the March 1 deadline to obtain City Council approval on how the Agency intends to fund the SERAF payment.

Staff recommends that the City Council approve the attached resolution notifying the Yolo County Auditor that the Agency intends to fund the SERAF payment for 2010 with the use of accumulated, non-housing tax increment funds.

Background

On July 28, 2009, the Governor signed into law AB 26 4x (effective October 22, 2009) which, as amended by SB 68, amended certain provisions of the Community Redevelopment Law ("CRL") to require a statewide \$1.7 billion contribution from local redevelopment agency funds over the next two years to help the State balance its budget. Redevelopment agencies are obligated to make these payments in proportion to their relative share of statewide tax increment revenues. The Agency's FY 2009-10 share is \$687,424 to the County Auditor for deposit into a County SERAF for distribution to schools to reduce the State's Proposition 98 obligation to fund education. AB 26 4x stipulates that the City and not the Agency notify the County Auditor how the SERAF payment will be made.

The California Redevelopment Association (CRA) has filed a lawsuit in Sacramento Superior Court claiming that the taking of redevelopment funds required in AB 26 4x is unconstitutional. CRA is hopeful that the Court will render a decision prior to the May 10 deadline. CRA prevailed in court on a similar effort to take redevelopment funds in FY 2008-09.

Finance staff has been investigating the request made by the State because it is based on Fiscal Year 2006-07 and in that year, the County Assessor mistakenly reported an overpayment of \$323,000 to the Agency. Finance staff is investigating whether or not the Assessor can submit a "corrected" report for Fiscal Year 2006-07. This would lower the SERAF payment by approximately \$131,000.

Discussion

As advised by CRA, the City will not make its SERAF payment until shortly before the May 10 deadline in the event that the CRA is successful with its legal challenge to AB 26 4x.

Fiscal Impact

In the event that the City is required to make a SERAF payment, the payment from accumulated, non-housing tax increment funds will be in the amount of \$687,424. This is shown in the 10-year budget for FY '09-'10. There may be an additional amount in FY '10-'11.

Public Contact

This item was posted on the City Council agenda.

Alternative Courses of Action

1. Approve the attached resolution notifying the Yolo County Auditor that the Agency intends to fund the SERAF payment for 2010 with the use of accumulated, non-housing tax increment funds.
2. Do not approve the resolution and provide alternative direction to staff.

Recommendation for Action

Staff recommends that the City Council approve Alternative No. 1.

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(SERAF) Payment

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ITEM:

Prepared by: Dan Sokolow
Senior Planner

Reviewed by: Cynthia Shallit
Redevelopment Manager

Mark G. Deven
City Manager

Attachments:

1. Resolution No. 2010-_____
2. Letter from City of Woodland to Yolo County Auditor on SERAF Payment (March 1, 2010)
3. SERAF Notification from California Department of Finance (November 13, 2009)

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY OF WOODLAND, CALIFORNIA
RATIFYING THE REPORT TO THE YOLO COUNTY AUDITOR
OF THE REDEVELOPMENT AGENCY'S INTENT TO USE
ACCUMULATED TAX INCREMENT TO MAKE THE FISCAL
YEAR 2009-10 SUPPLEMENTAL EDUCATIONAL REVENUE
AUGMENTATION FUND PAYMENT**

WHEREAS, pursuant to the California Community Redevelopment Law (Health & Safety Code Sections 33000, *et seq.*) ("CRL"), the City Council of the City of Woodland ("City") approved and adopted a Redevelopment Plan ("Redevelopment Plan") for the redevelopment Project Areas known as the Woodland Project Area ("Project Area"); and

WHEREAS, the Governing Board of the Woodland Redevelopment Agency ("Agency") is engaged in activities to implement the Redevelopment Plan for the Project Area pursuant to the provisions of the CRL; and

WHEREAS, the State legislature passed AB 26 4x, as amended by Senate Bill 68, as a budget balancing measure, which requires redevelopment agencies statewide to make payments totaling \$1,700,000,000 to county Supplemental Educational Revenue Augmentation Funds ("SERAF") during Fiscal Year 2009-10; and

WHEREAS, by March 1, 2010, the legislative body, City Council, must report to the County Auditor how the Agency intends to fund the required SERAF payment for Fiscal Year 2009-10; and

WHEREAS, the Agency's required SERAF contribution for Fiscal Year 2009-10 is \$687,424, which, unless the SERAF obligation is overturned by pending litigation, the Agency must pay to the County Auditor for deposit in the County's SERAF fund prior to May 10, 2010; and

WHEREAS, the Agency has sufficient accumulated tax increment funds to make the SERAF payment.

WHEREAS, on behalf of the City, the City Manager forwarded the attached letter to the County Auditor identifying the City's intent to use accumulated tax increment funds; and

WHEREAS, the City Council is now asked to ratify this action.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Woodland as follows:

Section 1. The facts set forth in the recitals above are true and correct and hereby incorporated into the City' Council's findings and determinations.

Section 2. The City Council hereby authorizes, ratifies and approves reporting to the County Auditor the Agency's intention to use accumulated tax increment funds in order to pay the Agency's SERAF payment.

Section 3. The City Council hereby authorizes and directs the City Manager to take any additional action and execute any documents necessary to implement this Resolution.

Section 4. The City Clerk shall certify to the passage and adoption of this resolution and the same shall thereupon take effect and be in force immediately upon its adoption.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Woodland, on the 13th day of April, 2010.

Marlin H. Davies, Mayor

ATTEST:

APPROVED AS TO FORM:

Sue Vannucci, Director of
Administrative Services

Andrew J. Morris, City Attorney

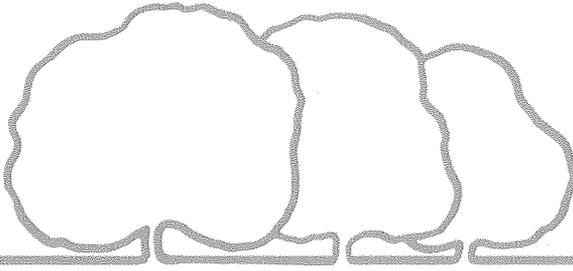
STATE OF CALIFORNIA)
COUNTY OF YOLO) SS.
CITY OF WOODLAND)

I, Sue Vannucci, City Clerk of the City of Woodland, do hereby certify that the above and foregoing is a true and correct copy of Resolution No. _____ introduced and adopted by the City Council of the City of Woodland on the 13th day of April, 2010, by the following roll call vote:

AYES: Councilmembers:
NOES: Councilmembers:
ABSENT: Councilmembers:
ABSTAIN: Councilmembers:

Witness my hand and the official seal of the City of Woodland this 13th day of April, 2010.

Sue Vannucci, City Clerk



City of Woodland

CITY MANAGER

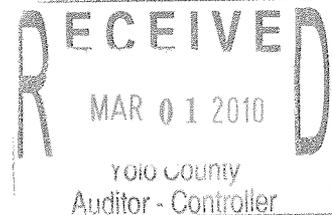
300 FIRST STREET

WOODLAND, CALIFORNIA 95695

(530) 661-5800

FAX: (530) 661-5813

March 1, 2010



Howard Newens, County Auditor
Yolo County Auditor-Controller's Office
PO Box 1995
Woodland, CA 95695

Subject: 2009-2010 Supplemental Educational Revenue Augmentation Fund

Dear Mr. Newens:

Pursuant to reporting requirements established by AB4X-26, each City with a redevelopment agency must notify, by March 1, 2010, their respective County Auditor Controller the selected payment method(s) for the FY2009-2010 Supplemental Revenue Educational Augmentation Fund ("SERAF") payment. The purpose of this letter is to meet the reporting requirements of the bill by notifying the Yolo County Auditor Controller of the selected source of funding should the payment be required.

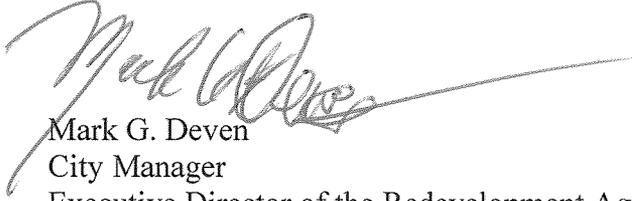
The Redevelopment Agency intends to use accumulated, non-housing, tax increment funds to satisfy the Agency's \$687,424 SERAF obligation for FY 2009-2010.

Additionally, as you are aware, the validity of the ABX4-26 is being challenged in litigation pending in the Superior Court for Sacramento County, *California Redevelopment Association et al. v. Genest et al.*, Case No. 34-2009-80000359-CU-WM-GDS (*CRA v. Genest*). The case presented on behalf of all California redevelopment agencies challenges, among other things, that the duties of county auditors under Health and Safety Code Sections 33690(a) and 33690.5(a) to shift redevelopment funds to the SERAF is inconsistent with various state and federal constitutional provisions and are therefore unlawful and unenforceable.

Pending a decision in the ongoing litigation, the Woodland Redevelopment Agency ("Agency") reserves any rights it may have to withhold the payment of funds to you under Health and Safety Code Section 33690 or to recover those funds after payment or transfer based on any order or judgment of the Court in *CRA v. Genest*.

If you have any questions, please feel free to contact Redevelopment Agency staff at 530-661-5815.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mark G. Deven", with a long horizontal flourish extending to the right.

Mark G. Deven
City Manager
Executive Director of the Redevelopment Agency



November 13, 2009

TO ALL COUNTY AUDITORS, REDEVELOPMENT AGENCIES, AND THEIR LEGISLATIVE BODIES:

Chapter 21, Statutes of 2009, requires redevelopment agencies to shift \$1.7 billion in property tax revenues to K-12 schools during the 2009-10 fiscal year via the Supplemental Educational Revenue Augmentation Funds (SERAF) that the Chapter created in each county. The Director of Finance is required to determine the amount each redevelopment agency shall transfer to the SERAF, and is further required to notify each redevelopment agency and legislative body of those amounts.

In accordance with the above requirements, the attached document provides the amount determined for your redevelopment agency.

Each redevelopment agency must allocate the specified amount to the county auditor-controller for deposit into the SERAF on or before May 10, 2010. By March 1, 2010 the legislative body shall either report to the county auditor-controller how the redevelopment agency intends to fund its SERAF obligation, or report that the legislative body intends to fund the SERAF obligation on behalf of the redevelopment agency pursuant to Section 33692 of the Health and Safety Code (HSC).

If a redevelopment agency determines that it will not be able to allocate to the SERAF the full amount required, it may enter into an agreement with its legislative body by February 15, 2010, for the legislative body to fund either the full SERAF obligation, or a portion thereof. Alternatively, pursuant to HSC Section 33690 (c), a redevelopment agency that makes a finding that insufficient monies are available to fund its SERAF obligation may borrow from monies contained in its Low and Moderate Income Housing Fund. Redevelopment agencies also may borrow from the amount otherwise required to be remitted in 2009-10 to its Low and Moderate Income Housing Fund. All borrowed funds must be fully repaid by June 30, 2015.

If you have any questions regarding this matter, please contact Chris Hill, Principal Program Budget Analyst, at (916) 322-2263.

MICHAEL C. GENEST
Director
By:

ANA MATOSANTOS
Chief Deputy Director

Attachment

**2009-10 Redevelopment Agency SERAF Shift
Health and Safety Code Section 33690**

<p align="center">Redevelopment Agency Name</p> <p>Woodland Redevelopment Agency</p>	<p align="center">2006-07 Tax Increment Net of Pass-Throughs</p> <p align="right">1,695,241</p>	<p align="center">2006-07 Gross Tax Increment</p> <p align="right">1,695,241</p>	<p align="center">850,000,000 on Net Tax Increment Based on Net Factor</p> <p align="right">(0.2264168310)</p> <p align="right">383,323</p>	<p align="center">850,000,000 on Net Tax Increment Based on Gross Factor</p> <p align="right">(0.1793855082)</p> <p align="right">304,102</p>	<p align="center">Total SERAF</p> <p align="right">687,424</p>
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