

**PERALTA COMMUNITY COLLEGE DISTRICT**  
**Board of Trustees Agenda Report**  
**For the Trustee Meeting Date of November 13, 2012**

**ITEM TITLE:**

Audit of Redevelopment Agreements and Contracts

**SPECIFIC BOARD ACTION REQUESTED:**

Consider approval of contract with the Dolinka Group to audit all 24 redevelopment agreements the District has with the 5 former redevelopment agencies (Alameda, Albany, Berkeley, Emeryville, and Oakland).

**ITEM SUMMARY:**

Property taxes are a significant source of revenue to community colleges. In fiscal year 2011-12, property taxes accounted for approximately 25% of Peralta's Unrestricted General Fund Revenue. A portion of this revenue comes from redevelopment agreements and designated projects.

As part of the fiscal year 2011-12 State Budget Act, Assembly Bill 126 (AB 126) was enacted which dissolved all of California's redevelopment agencies as of February 1, 2012. Part of the dissolution effort, cities and counties that had formed redevelopment agencies are required to work with other designated agencies, i.e. schools, community colleges, and other taxing agencies, to initiate the process described within AB 126 to unwind the affairs of the former redevelopment agencies, liquidate any remaining assets that may exist after the wind-down has occurred, and transfer any remaining assets to the appropriate agencies (i.e. schools and colleges).

Within Peralta's CCD's boundaries there were 5 redevelopment agencies. They included: Alameda, Albany, Berkeley, Emeryville, and Oakland. Within these 5 redevelopment agencies there were approximately 24 designated project areas with reported remaining obligations and assets in excess of \$2.2 billion.

As the unwinding of the former redevelopment agencies occurs, it would be in the District's best interest to have an audit conducted to ensure that any past and future property tax amounts due to the District are identified and encumbered within the process so that the District's interests are secured. This audit engagement with the Dolinka group would extend through June 30, 2013 and would not exceed \$120,000. The Dolinka group has a long history of providing redevelopment consulting services to local education agencies and has been recognized as the most comprehensive redevelopment service provider in the state. They have recently worked on a number of redevelopment studies for many other community college districts: Los Rios, Monterey Peninsula, Hartnell, Mt. SAC, San Diego, Mira Costa, Contra Costa, Rancho Santiago, Cerritos, Long Beach, Riverside, Mt. San Jacinto, as well as the State Chancellor's Office.

The President and CEO of the Dolinka Group is Benjamin E. Dolinka. Blake Boehm, Associate Director, will provide primary services.

**SOURCE OF FUNDS (AND FISCAL/BUDGETARY IMPACT):**

RESTRICTED REDEVELOPMENT FUNDS – FUND 61

**BACKGROUND/ANALYSIS:**

As part of the 2011 Budget Act and in order to protect funding for core public services at the local level, the Legislature approved the dissolution of the State's 400+ RDAs. After a period of litigation, RDAs were officially dissolved as of February 1, 2012. As a result of the elimination of the RDAs, property tax revenues are now being used to pay required payments on existing bonds, other obligations, and pass-through payments to local governments. The remaining property tax revenues that exceed the enforceable obligations are now being allocated to cities, counties, special districts, and school and community college districts, thereby providing critical resources to preserve core public services.

To help facilitate the winding down process at the local level, Successor Agencies have been established to manage redevelopment projects currently underway, make payments on enforceable obligations, and dispose of redevelopment assets and properties. Each Successor Agency has an Oversight Board that supervises its work. The Oversight Board is comprised of representatives of the local agencies that served in the redevelopment project area: the city, county, special districts, and K-14 educational agencies. Oversight Board members have a fiduciary responsibility to holders of enforceable obligations, as well as to the local agencies that would benefit from property tax distributions from the former redevelopment project area. Vice Chancellor Gerhard has been designated as Peralta's Oversight Board representative for all 5 Boards.

Within Peralta's constituent boundaries there were 5 former redevelopment agencies. The respective redevelopment agencies and their reported obligations as of July 1, 2012 are: Alameda Redevelopment Agency, \$636,108,750; Albany Redevelopment Agency, \$1,536,203; Berkeley Redevelopment Agency, \$7,217,346; Emeryville Redevelopment Agency, \$348,577,669; and Oakland Redevelopment Agency, \$1,278,600,697. The purpose and focus of this redevelopment audit would be to review all existing contracts and agreements between the District and redevelopment agencies, review all five redevelopment agencies' financial audits to ascertain the pass-through amounts due to the District, compare this information with amounts actually received by the District, serve as the District's liaison with cities to recoup past amounts due, and to assist in the determination of the required split of redevelopment revenues between general fund and capital facilities expenditures.

**DELIVERABLES AND SCOPE OF WORK:**

Dolinka Group, LLC shall provide Redevelopment Consulting Services to Peralta Community College District ("Client"). The specific tasks to be performed under this Statement of Work include the following:

**Activity I: Redevelopment Audit**

This service involves Dolinka Group conducting an in-depth study of the redevelopment project areas identified within Exhibit B and calculating historical and future pass-through payments owed to the Client by the given redevelopment agencies and/or successor agencies.

**Task 1. Project Area Identification**

This task involves Dolinka Group producing an organizational chart identifying the governing redevelopment authority and mergers for each project area identified within Exhibit B. Data and documentation may need to be requested from the County Auditor-Controller's Office and/or given redevelopment authority (ies).

**Task 2. Document Review**

This task involves gathering and reviewing pertinent documentation for project areas listed within Exhibit B and identified as having a payment obligation. Such documentation may include, but not be limited to, Assembly Bill 1389 reports, redevelopment plans, preliminary plans, environmental impact reports, ordinances, and project area maps. Obtaining such documentation in a timely manner will be dependent on the cooperation of the redevelopment authority(ies).

Task 3. Payment Type Determination

This task involves determining the type of redevelopment pass-through payments that should be paid to the Client by a given redevelopment authority for each project area identified under Task 1. Dolinka Group shall distinguish whether the payment obligation falls under the statutes and provisions of a pass-through agreement, Assembly Bill 1290, Senate Bill 211, *Santa Ana Unified District v. Orange County Development Agency*, and/or any other applicable requirements of the Health and Safety Code due to the date of creation or an amendment to the given project area. Additionally, Dolinka Group will determine the commencement and termination date of pass-through payments for each project area with a payment obligation.

Task 4. Apportionment Determination

This task involves confirming the appropriate use of redevelopment pass-through payments remitted to the Client by a given redevelopment authority. Dolinka Group will identify whether such remittances should be used for operational expenditures, capital facility projects, or a specific combination of both for each project area identified as having a payment obligation.

Task 5. Reporting Requirements Determination

This task involves identifying whether the Client must report a certain percentage of its annual redevelopment collections to the State of California. If so, Dolinka Group will determine the amount as a percentage that must be reported versus not reported. An analysis will be performed for each project area identified as having a payment obligation.

Task 6. Pass-Through Agreement Interpretation

This task involves interpreting executed pass-through agreement(s). Dolinka Group will outline the methodology of each pass-through agreement and determine whether the terms and conditions of each pass-through agreement are being met. Such determinations may involve correspondence and communication with the Client's redevelopment attorney.

Task 7. Data Analysis

This task involves collecting and analyzing data for each project area identified as having a payment obligation. Such data will include, but not be limited to, assessed valuation, tax rate areas, and tax rates. Obtaining such data in a timely manner will be dependent on the cooperation and the time frame of historical records of the County Auditor-Controller's Office.

Task 8. Tax Increment Modeling

This task involves developing a tax increment model for each project area listed within Exhibit B and identified as having a payment obligation. The model will enable Dolinka Group to confirm the accuracy of annual pass-through remittances to the Client from a given redevelopment authority(ies). Dolinka Group will provide a print-out of each projection to the Client that will outline how the pass-through payment was calculated and how the pass-through payment should be apportioned.

Task 9. Validation of Historical Remittances

This task involves validating consolidated historical remittances of the Client for each redevelopment authority identified as having a payment obligation. To validate such remittances, Dolinka Group will rely upon consolidated historical payment records provided by the Client. Dolinka Group will validate historical remittances up to the lesser of (i) number of years data are readily available from the County Auditor-Controller's Office, or (ii) the previous five (5) fiscal years.

Task 10. Future Pass-Through Payment Projection

This task involves projecting future tax increment receipts for each project area identified as having a payment obligation. Such projection will be based on a conservative two-percent (2%) inflator and the expected payment termination date of each project area.

Task 11. Web Portal Software

This task involves the development of Dolinka Group's proprietary electronic filing and web-based tracking software ("Web Portal") customized to the Client. Such software shall include a library of all the applicable documentation and deliverables gathered or produced by Dolinka Group. The Web Portal will be available on [www.dolinkagroup.com](http://www.dolinkagroup.com).

**Activity II: Discrepancy Resolution**

This phase involves Dolinka Group assisting the Client in resolving historical pass-through payment discrepancies for identified redevelopment projects areas included within Exhibit B.

Task 1. Identify Discrepancies to be Resolved

This task involves identifying the Redevelopment Project Areas to pursue discrepancy resolution. To identify such projects areas, Dolinka Group will assist the Client in assessing and prioritizing each discrepancy.

Task 2. Gather Supporting Documentation

This task involves gathering and reviewing pertinent supporting documentation for the redevelopment project areas. Such supporting documentation shall be requested from the applicable redevelopment authority and the County Auditor-Controller. The supporting documentation will include, but not be limited to, correspondence, calculations, methodologies, and supporting historical documents.

Task 3. Review Documentation

This task involves reviewing legal documentation, correspondence, and calculations from members of the Client's negotiation team, as well as the negotiation team of the given redevelopment authority.

Task 4. Develop Negotiation Tactics and Strategies

This task involves developing negotiation tactics and strategies to resolve the discrepancies for the Redevelopment Project Areas. Such assistance may require collaboration with legal counsel retained by the Client.

Task 5. Conduct Sensitivity Analyses

This task involves performing sensitivity analyses for the purposes of negotiating discrepancy resolution. Such sensitivity analyses may include, but not be limited to, comparisons, future tax increment projections, and trend analyses.

Task 6. Participate in Negotiations

This task involves participating in negotiations to attain a resolution of the discrepancies identified in payments from the given redevelopment authority to the Client for the Redevelopment Project Area. Such negotiations will involve correspondence and communication with members of the Client's negotiation team, as well as the negotiation team of the given redevelopment authority.

Task 7. Review Resolution Documentation

This task involves reviewing and commenting on the resolution document(s) associated with the payment discrepancy for the Redevelopment Project Area. Such material will be provided to the legal counsel retained by the Client.

Task 8. Host/Facilitate Conference Calls

This task involves scheduling and hosting conference calls with Client staff, legal counsel, and other parties to discuss the negotiation and resolution process.

Task 9. Attend Meetings

This task involves attending meetings with Client staff and legal counsel as well as meetings of the Governing Board of the Client.

**Activity III: Services Pertaining to Assembly Bill X1 26**

This activity involves Dolinka Group assisting the Client with redevelopment services pertaining to Assembly Bill X1 26, the elimination of redevelopment, and related matters. The specific tasks to be performed under this activity include the following:

Task 1. Develop Materials Pertaining to AB X1 26

Dolinka Group shall develop materials pertaining to the actions, implications, and consequences of AB X1 26 for use by Client in disseminating information to interested parties, such as the Client's staff, Board, and/or community. Such materials may include, but not be limited to, presentations, handouts, memoranda, or other correspondence.

Task 2. Conduct Sensitivity Analyses

Dolinka Group shall perform sensitivity analyses pertaining to AB X1 26. Such sensitivity analyses may include, but not be limited to, comparisons, future tax increment projections, and trend analyses.

Task 3. Gather Supporting Documentation

If necessary, Dolinka Group shall gather and review supporting documentation from the applicable redevelopment authority and/or the County Auditor-Controller. The supporting documentation will include, but not be limited to, correspondence, calculations, methodologies, and supporting historical documents.

Task 4. Collaborate with Legal Counsel

If necessary, Dolinka Group shall collaborate with Client's legal counsel regarding any legal issues pertaining to AB X1 26. Such collaboration may include, but not be limited to, confirming applicability of sections of AB X1 26 follow-up tactics and strategies.

Task 5. Host Conference Calls

Dolinka Group shall host conference calls needed by the Client during the AB X1 26 transition period.

Task 6. Participate at Meetings

Dolinka Group shall participate at meetings with redevelopment stakeholders, if requested.

**Activity IV. Support Educational Representatives on Local Oversight Boards**

This activity involves Dolinka Group supporting individuals that represent educational entities on the boards appointed to oversee the redevelopment agency successors pursuant to Assembly Bill X1 26 ("Oversight Boards"). The specific tasks to be performed under this activity include the following:

Task 1. Provide Training to Representatives

Dolinka Group shall provide training and resources to the representatives appointed to the Oversight Boards. Such training shall include details on the proper calculation of redevelopment payments, explanation of errors made by the former redevelopment agencies, and strategies for negotiating with stakeholders from other agencies who may have conflicting goals.

Task 2. Identify Goals and Priorities

Dolinka Group shall assist Client with defining and clarifying goals for the local Oversight Boards. This determination will take into account best practices for preserving both the past and future payment stream from the former redevelopment project areas. If Dolinka Group has provided redevelopment consulting services to Client, the findings and results of those services will be considered.

Task 3. Conduct Sensitivity Analyses

Dolinka Group shall perform sensitivity analyses pertaining to issues facing the Oversight Boards. Such sensitivity analyses may include, but not be limited to, comparisons, future tax increment projections, and trend analyses.

Task 4. Identify Key Issues and Considerations

Dolinka Group shall identify the key issues and considerations under the jurisdiction of the Oversight Boards. These may include legal issues, compliance with federal and State regulations, County Education Office requirements, constituent/community concerns, as well as others.

Task 5. Discuss Requirements with Legal Counsel

Dolinka Group shall correspond with Client's legal counsel regarding any legal issues under the jurisdiction of the Oversight Boards which may impact Client's legal claim, if necessary.

Task 6. Attend Key Oversight Board Meetings

Dolinka Group shall attend and participate in meetings of each key Oversight Board identified in Task 1. Dolinka Group shall attend the meetings as a member of the public, and speak when directed by the member of the Oversight Boards which represent Client.

Task 7. Provide Updates to Client

Dolinka Group shall provide regular update to Client regarding the actions and/or recommendations of the Oversight Boards as well as any follow-up need by or on behalf of Client.

Task 8. Present Findings to Stakeholders

Dolinka Group shall develop materials and/or present the findings, progress, or status of the Oversight Boards to interested parties, such as the Client's staff, Board, and/or community, at the direction of the Client.

**ANTICIPATED COMPLETION DATE:**

**JUNE 30, 2013**

**ALTERNATIVES/OPTIONS:**

**None**

**EVALUATION AND RECOMMENDED ACTION:**

Approval contract with Dolinka Group to audit all 24 redevelopment agreements the District has with the 5 former redevelopment agencies.

**OTHER DEPARTMENTS IMPACTED BY THIS ACTION (E.G. INFORMATION TECHNOLOGY):**

YES \_\_\_\_\_ NO   X  

**COMMENTS:**

**WHO WILL BE PRESENTING THIS ITEM AT THE BOARD MEETING?**

**VICE CHANCELLOR GERHARD**

(\*\*\*\*\*Board contract approval is subject to negotiation and execution by the Chancellor.)

**DOCUMENT PREPARED BY:**

Prepared by: *Ronald Gerhard*  
Ron Gerhard, Chief Financial Officer

Date: 11/1/12

**DOCUMENT PRESENTED AND APPROVED BY:**

Presented and approved by: *Ronald Gerhard*  
Ron Gerhard, Chief Financial Officer

Date: 11/1/12

**FINANCE DEPARTMENT REVIEW**

Finance review required       Finance review *not* required

If Finance review is required, determination is:       Approved       Not Approved

If not approved, please give reason: \_\_\_\_\_

Signature: *Ronald Gerhard*  
Ron Gerhard, Chief Financial Officer

Date: 11/1/12

**GENERAL COUNSEL (Legality and Format/adherence to Education Codes):**

Legal review required       Legal review *not* required

If Legal review is required, determination is:       Approved       Not Approved

Signature: \_\_\_\_\_  
Thuy T. Nguyen, General Counsel

Date: \_\_\_\_\_

**CHANCELLOR'S OFFICE APPROVAL**

Approved, and Place on Agenda       Not Approved, but Place on Agenda

Signature: *José M. Ortiz*  
José M. Ortiz, Chancellor

Date: 11-6-12