

**City of Garden Grove**

**INTER-DEPARTMENT MEMORANDUM**

To: Matthew Fertal From: Economic Development  
Dept: City Manager  
Subject: FY 2011-12 AGENCY BUDGET Date: June 28, 2011  
ADMINISTRATIVE COSTS

OBJECTIVE

The purpose of this report is to request that the Garden Grove City Council consider a Resolution for certain Agency-funded administrative appropriations, which will benefit the Agency and the project area.

BACKGROUND

The proposed Agency Budget for the 2011-12 fiscal year includes administrative appropriations, which will benefit the Agency and the project areas. Such administrative expenditures are allowed with the consent of the City Council, under Chapter 6, Article 2 of the Health and Safety Code. The purpose of this memorandum is to explain these proposed expenditures and how each expenditure supports Agency activities and the implementation of the redevelopment plans.

ANALYSIS

The funding codes are as follows:

*Fund 002: Agency Project Discretionary Fund*

The 002 fund consists of the eighty percent (80%) of tax increment revenue from the Community Project Area that is not restricted to housing activities, as well as other Agency revenues. The monies are used to fund redevelopment projects within the Community Project Area, business retention and attraction efforts, and administration costs for the Agency.

*Fund 005: Buena-Clinton Discretionary Funds*

The 005 fund consists of the eighty percent (80%) of tax increment revenue from the Buena-Clinton Project Area that is not restricted to housing activities, as well as other Agency revenues. The monies are used to fund redevelopment projects and special enforcement services within the Buena-Clinton Project Area, and administration costs for the Agency.

Fund 007: Housing Set-Aside Fund

The Agency has in place and administers an account commonly referred to in-house (for budget purposes) as Fund 007, which is the Agency's Housing Set-Aside fund. Section 33334.2 of the California Health and Safety Code requires the Agency to allocate twenty percent (20%) of tax increment revenue from the Community and Buena-Clinton Project Areas for low to moderate income housing purposes.

For fiscal year 2011-12, and since its inception, the Agency has established programs and projects and negotiated toward and entered into agreements with private entities, private persons and other public entities through which affordable housing, both newly constructed housing and rehabilitated housing, duly restricted, as applicable, and located within the Community Project Area or within the city and of benefit to the project area has been improved, increased, and/or preserved at an affordable housing costs for persons and families of low to moderate income in conformity with the California Redevelopment Law.

1. Indirect Cost Allocation - \$1,669,500 (Fund 002)

For Agency projects funded by Fund 002, the indirect City administrative support is based on an eight percent (8%) indirect overhead rate. This rate totals \$1,669,500 for the 2011-12 fiscal year.

2. Direct Cost Allocation - \$1,350,737 (Fund 002)

- a) Agency Director's Office – The Director's Office is responsible for certain administrative functions on behalf of the Agency. Proportionate shares of these salaries are charged against this fund during the 2011-12 fiscal year: \$163,195.
- b) Agency Staff – Agency staff are responsible for developing, planning, analyzing and implementing all aspects of the Redevelopment Plan and project area. Proportionate shares of these salaries are charged against this fund: \$856,608.
- c) Real Property – Real Property Division staff assist with acquisition, relocation, demolition and conveyance of property within the project area: \$138,003.
- d) Agency Director's Office Staff – The Director's Office is responsible for certain administrative functions on behalf of the Agency. A proportionate share of the salaries for the City Manager, who serves as the Agency Director and support staff are included in the fund: \$34,806.

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- e) City Council Support – The City Council also serves as the Garden Grove Agency for Community Development. A proportionate share of their salary is charged against this fund during the 2011-12 fiscal year: \$4,346.
- f) Graphics and Reprographics Services of Promotional Materials - The City has, on an ongoing basis, promoted its image and viability as a community. Promotional literature, which enhances the City's image, assists in the Agency's efforts to attract new investment into the project areas. In addition to its own marketing, the Agency contributes to these marketing efforts by paying a portion of the graphics and reprographics services required: \$3,950.
- g) Graffiti Removal – The Amended Redevelopment Plan for the Community Project Area cites the presence of graffiti to be a deteriorating factor among buildings and structures throughout the redevelopment area and removal is important to the success of the Redevelopment Plan. The 2011-12 budget includes a portion of the funds required to remove graffiti from buildings and structures within the redevelopment area: \$52,308.
- h) General Accounting and Financial Planning – The Finance Department provides support to the Agency in preparing and monitoring funds. In addition, they provide assistance with general accounting functions such as payroll, accounts receivable and accounts payable. A portion of these costs is charged to this fund: \$53,466.
- i) Employee Training – Employee Development staff provide training and professional development to Agency staff. A portion of the commodities cost is charged to this fund: \$1,635.
- j) Community Development – The Community Development Department processes all Agency and Housing Set-Aside projects as required by City codes. In addition the department works on special projects, which affect Agency activities, e.g., land use studies, studies for potential redevelopment area and specific development proposals. A portion of the information systems cost is charged to this fund: \$42,420.

3. Indirect Costs Allocation - \$174,800 (Fund 007)

- a) For fiscal year 2011-12 the day-to-day use and accounting of monies expended from Fund 007 for planning and general administrative activities were associated with the planning for, negotiation toward, and/or development, increase, improvement and preservation of low to moderate income housing available at an affordable housing cost.

For fiscal year 2011-12 a number of neighborhood programs, such as the First Time Homebuyers Program, Home Improvement Loans, Down Payment Assistance and other Neighborhood Improvement Division programs, will be funded directly from Housing Set-Aside funds. It is proposed that a proportionate share of administrative support be charged against this fund: \$174,800.

Such expenditures from Fund 007 for planning and general administrative activities are not disproportionate to the amount actually spent for the costs of production, improvement, and/or preservation of such affordable housing; and, such expenditures from Fund 007 for planning and general administrative activities for fiscal year 2011-12 that are proposed to be incurred and paid from Fund 007 are necessary for the production, improvement, and/or preservation of low to moderate Income housing.

4. Direct Costs Allocation - \$949,118 (Fund 007)

Certain City staff members are assigned to and devote a substantial amount of their time to Agency activities, programs, and projects, and the administration thereof resulting in the production, improvement or preservation of low to moderate Income housing:

- a) Real Property – The Real Property Division assists with the acquisition, relocation, demolition and conveyance of property within the project area. A portion of Housing-Set Aside funds will be used to pay for a portion of these services: \$82,801.
- b) Community Development Personnel – The Community Development Department processes all Agency and Housing Set-Aside projects as required by City codes. In addition the department works on special projects, which affect Agency activities, e.g., land use studies, studies for potential redevelopment area and specific development proposals. The 2011-12 Agency budget includes a portion of the salary for the Community Development management and clerical staff: \$139,609.

- c) Neighborhood Compliance – The Redevelopment Plan for both the Community Project Area and the Buena-Clinton Project Area specifically reference the need to address certain negative social conditions, which create blight in the area. City code violations are included among those blighting conditions. The 2011-12 Agency budget includes a portion of the salary for Code Enforcement management and personnel: \$325,994.
- d) Housing Set-Aside Administration – Several members of the Agency office staff spend a portion of their time on Agency activities, programs and projects and the administration thereof, resulting in the production, improvement or preservation of low to moderate income housing. A proportionate share of their salary is charged to this fund: \$350,130.
- e) Custodial Services – The Saint Anselm's Cross Cultural Community Center sub-leases space from the Agency to empower immigrant and under-served communities to lead healthy and self-sufficient lives in American society. The custodial services benefit the operation and success of the Cross Cultural Community Center: \$50,584.

5. Indirect Costs for Buena-Clinton - \$13,400 (Fund 005)

- a) For the administration of programs related to the Buena-Clinton Project Area: \$13,400.

6. Direct Charge for Buena-Clinton - \$142,800 (Fund 005)

- a) Special Enforcement – The Redevelopment Plan for the Buena-Clinton Project Area specifically references the need to address certain negative social conditions, which create blight in the area. Among those blighting conditions are crime and violence. Funding the services of a special enforcement team to address and alleviate this aspect of the project area's social problems are included in the budget: \$142,800.

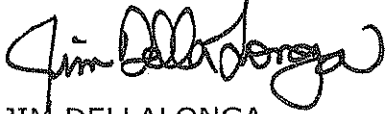
FINANCIAL IMPACT

See above allocation breakdown in the ANALYSIS section.

RECOMMENDATION

Staff recommends that the City Council:

- Adopt the attached Resolution for certain Agency-funded administrative appropriations, which will benefit the Agency and project areas.



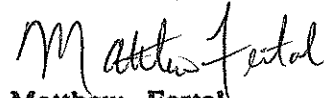
JIM DELLALONGA

Sr. Project Manager/Dept. Administrative Officer

Attachment: Resolution

mm(h:Staff/JD/Budget Agency Admin 2011-12 sr 062811-City.doc)

**Approved for Agenda Listing**



**Matthew Fertal**  
City Manager

## RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE  
AUTHORIZING THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT'S  
EXPENDITURE OF FUNDS FOR THE PROVISION OF CERTAIN ADMINISTRATIVE  
FUNCTIONS

WHEREAS, the Garden Grove Agency for Community Development ("the Agency") is authorized to administer and implement the Amended Plan (the "Plans") for the Garden Grove Community Project and the Buena-Clinton Project (the "Project Areas");

WHEREAS, the implementation of the Plans will promote the public peace, health, safety, and welfare of the community and will effectuate the purposes and policies of the Community Redevelopment Law of the State of California (the "Law") by significantly improving the physical and economic health of the Project Areas; and

WHEREAS, Chapter 6, Article 2 of the Law allows funds to be used by the Agency for administrative expenses.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GARDEN GROVE DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1:

The City Council hereby determines that the following administrative costs included within the FY 2011-12 Agency Budget are necessary for the implementation of the Plans:

- A. Indirect Cost Allocation and Direct Surcharges incurred by the Agency and its personnel to assist in carrying out the administrative functions of the Project Area.
- B. The Agency Director and personnel from the Agency Director's Office to assist in carrying out the administrative function of the Project Area.
- C. Personnel from the Real Property Division to assist with the acquisition, relocation, demolition, and conveyance of property within the Project Area.
- D. Personnel of the Community Development Department to perform administrative and planning functions, which benefit the Project Area.
- E. City Council support to serve as the Agency board. The Agency is a necessary entity to approve and facilitate redevelopment projects.

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- F. Promotional literature to enhance the City's image and assist in the Agency's efforts to attract new investments within Project Areas.
- G. Assistance with Public Information Coordination to assist the Agency in informing the public of important information.
- H. Personnel from the Public Works Department to assist with the removal of graffiti in the redevelopment area for continued elimination of visual and physical blight.
- I. Custodial services for the Saint Anselm's Cross Cultural Community Center, which empowers immigrant and under-served communities to lead healthy and self-sufficient lives in American society.
- J. General Accounting and Financial Planning practices provided to assist with preparation and monitoring of Agency funds. Also assists with general accounting responsibilities for Agency projects.
- K. Special Enforcement Team to address crime problems in the Buena-Clinton area.
- L. Training and Professional Development for Agency staff.
- M. Enforcement of city code violations to address negative social conditions, which create blight in the Project Area.

SECTION 2:

The City Council hereby finds that these administrative functions as proposed in the FY 2011-12 Agency Budget, are an integral part in carrying out the Plans for the Project Areas and would not be otherwise necessary.

SECTION 3:

The City Council hereby finds and determines that the planning and administrative expenses to be paid from the Low and Moderate Income Housing Fund are necessary for the production, improvement, or preservation of low and moderate income housing and are not disproportionate to the amounts budgeted for the costs of production, improvement, or preservation of that housing.