
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: 2

Agency-Employee Model

OVERVIEW

On January 31, 2011, the IBA presented Report No. 11-04, Options for Structuring the Redevelopment Agency, to the Redevelopment Ad-Hoc Committee. The report provided a high-level overview of six organizational models identified for potential structuring of the Agency, including:

1. City Redevelopment Structure (status quo)
2. Agency-Employee Model
3. Redevelopment Commission
4. Non-Profit Corporation
5. Merge with Housing Commission
6. Independent Agency Board

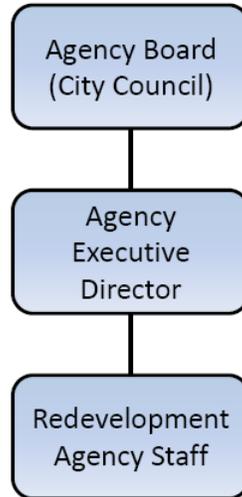
Since that time, the Ad-Hoc Committee has discussed a number of potential restructuring options, with a general focus on options 2 – 5. At the February 14 Committee meeting, Councilmember Alvarez requested additional information on the Agency-Employee model, and how it differed from the Redevelopment Commission and Non-Profit Corporation models. More recently, on April 19 Councilmember Emerald released a proposal to consolidate the administration of all redevelopment activities within the Centre City Development Corporation (CCDC), which would be renamed and restructured. This proposal was discussed at the Committee meeting of April 25.

This report provides a more focused examination of the Agency-Employee model, highlighting some of the key differences from other models under consideration, and outlines steps that would need to be taken for implementation.

FISCAL/POLICY DISCUSSION

Under the Agency-Employee model, the City Council would continue to serve as the Redevelopment Agency Board, but redevelopment staff would be employed by the Agency instead of the City. The Agency Executive Director would be appointed by, and report directly to, the Agency Board. The organizational structure of this model is illustrated in the diagram below.

Agency-Employee Model



As discussed in IBA Report 11-04, one of the salient features of this model is that Agency staff would operate outside of the civil service system, which could result in greater staffing flexibility. In addition, redevelopment activities would not be subject to City policies and procedures, such as citywide hiring or salary freezes. Overall, this could result in an Agency structure that is more nimble, and better positioned to respond quickly to market opportunities.

It should be noted that these potential benefits would also be realized with either the Redevelopment Commission or Non-Profit Corporation models. Under the Redevelopment Commission model, the City Council would continue to serve as the Agency Board, but would appoint a Redevelopment Commission Board to act as an advisory body and oversee day-to-day operations. The Agency Executive Director and all redevelopment staff would be employees of the Commission instead of the Agency.

Under the Corporation model, the City Council would continue to serve as the Agency Board, but redevelopment activities would be administered by a non-profit corporation. This is the model currently employed for the project areas administered by CCDC and SEDC. The corporation would be governed by an operating agreement with the Agency, and corporation bylaws. The Mayor would appoint corporation board members as well

as the corporation president, both subject to Council confirmation¹. This model could be implemented by creating a third non-profit corporation, or by consolidating all redevelopment activities within a single corporation, as proposed by Councilmember Emerald.

From a structural point of view, the most significant difference between the Agency-Employee model and the Commission or Corporation models is that the latter two would result in the creation of a separate board that would act in an advisory capacity and oversee day-to-day operations. This aspect has both advantages and disadvantages.

Potential advantages of having a separate board include:

- More thorough review and vetting of redevelopment projects;
- Board members with technical and industry expertise;
- Reduction of Agency workload through delegation of authority.

Potential disadvantages of a have separate board include:

- Additional layer of review and approval, which could result in a longer approval process and delay project implementation;
- Additional buffer or layer between public and elected officials;
- Less accountability to the public.

Steps for Implementation

As discussed in IBA Report 11-04, transitioning away from the current City Redevelopment structure to any of the other structural options will involve a number of practical and logistical considerations. Chief among these is establishing a transition plan for current employees in the City Redevelopment Department. A process would need to be established whereby employees could compare benefit and compensation plans, and review their options with respect to becoming an employee of the Agency or remaining with the City. It is unclear whether or to what extent this transition would require meet and confer with labor organizations.

In addition, implementing a new redevelopment organization will involve a number of other tasks, such as:

- Determining the types of positions and staffing levels needed, and preparing job descriptions for all employees;
- Establishing employee compensation packages, including salaries, health and other fringe benefits, insurance and retirement plans;
- Working with City staff and consultants to determine which functions will continue to be provided by the City and which will be performed in-house by the new organization;

¹ This is the process established in the revised Operating Agreements and corporation bylaws for CCDC and SEDC, with the exception that one board member is appointed solely by the Mayor, and one by the Council.

- Preparing a Personnel Manual and a Purchasing & Contracting policy for the new organization;
- Determining appointment processes for Agency Executive Director and/or Commission/Corporation board members and Presidents;
- Preparing amended operating agreement, bylaws, service level agreements or memoranda of understanding needed to govern the new organization and formalize interaction with the City and Agency;
- Securing office space, including necessary fixtures and furnishings, and establishing IT, data processing and phone systems.

The implementation tasks described above would likely be required for transitioning to any stand-alone organization, including the Agency-Employee, Redevelopment Commission, or Non-Profit Corporation models. However, implementing the Commission or Corporation models would likely also involve additional tasks associated with establishing and supporting the Commission or corporation board. Such tasks include:

- Nominating, vetting and appointing board members;
- Providing necessary training and education;
- Establishing board meeting support, such as docket coordination, notification, distributions, minutes, and Brown Act compliance;
- Filing and monitoring Statements of Economic Interest.

As a result of these additional tasks, as well as the potential for other legal and administrative complexities associated with establishing a new commission or corporation, it is likely that transitioning to the Agency-Employee model would present the fewest administrative challenges. However, it should be noted that some of the additional tasks and complexities of establishing a Commission or Corporation, and the associated organizational structure, could be avoided or reduced if these models were to be implemented through consolidation with existing entities, such as the Housing Commission, CCDC or SEDC. However, many of the other implementation tasks listed above would continue to apply under any scenario.

CONCLUSION

On January 31, 2011, the IBA presented Report No. 11-04, Options for Structuring the Redevelopment Agency, to the Redevelopment Ad-Hoc Committee. The report provided a high-level overview of six organizational models identified for potential structuring of the Agency. This report provides a more focused examination of the Agency-Employee model, highlighting some of the key differences from other models under consideration, and outlines steps that would need to be taken for implementation.

From a structural point of view, the most significant difference between the Agency-Employee model and the Commission or Corporation models is that the latter two would result in the creation of a separate board that would act in an advisory capacity and oversee day-to-day operations. This aspect may be viewed as having both advantages, such as additional review and vetting of redevelopment projects, and disadvantages, such as longer review times and less accountability to the public.

Transitioning from the current City Redevelopment structure to any of the other structural options will involve a number of practical and logistical considerations, such as determining compensation packages, job descriptions, staffing levels and appointment procedures; and preparing policies and procedures, governing documents and service level agreements. In addition, a transition plan for current employees in the City Redevelopment Department would need to be established. It is unclear whether or to what extent this transition will require meet and confer. In addition to these tasks, implementing the Commission or Corporation models would likely also involve additional tasks associated with establishing and supporting the Commission or corporation board.

As a result, it is likely that transitioning to the Agency-Employee model would present the fewest administrative challenges. However, it should be noted that some of the additional tasks and complexities of establishing a Commission or Corporation, and the associated organizational structure, could be avoided or reduced if these models were to be implemented through consolidation with existing entities, such as the Housing Commission, CCDC or SEDC.

[SIGNED]

Tom Haynes
Fiscal & Policy Analyst

[SIGNED]

APPROVED: Andrea Tevlin
Independent Budget Analyst