



THE CITY OF SAN DIEGO

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**OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT**

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## **Review of City Agencies FY 2018 Budgets: Civic San Diego and Successor Agency**

The IBA has reviewed the proposed budgets for Civic San Diego and the Redevelopment Successor Agency, which are scheduled to be heard Tuesday, May 9<sup>th</sup>, 2017. Our review is attached.

A handwritten signature in blue ink, appearing to read "Charles E. Modica, Jr.".

Charles E. Modica, Jr.  
Fiscal & Policy Analyst

A handwritten signature in blue ink, appearing to read "Andrea Tevlin".

APPROVED: Andrea Tevlin  
Independent Budget Analyst

# Civic San Diego/Successor Agency

Civic San Diego (CivicSD) assists the City in its role as the Successor Agency and the Successor Housing Entity for the purposes of winding down the former Redevelopment Agency's (RDA's) operations, making payments on enforceable obligations, and liquidating the Agency's unencumbered assets for distribution to the County, City, school districts, and other local taxing entities.

CivicSD also provides non-Successor Agency functions, including:

- Providing planning and permitting services for Downtown
- Managing the Downtown Parking District
- Conducting economic development and neighborhood investment activities (including seeking grants and new revenue sources for these activities)
- Managing and administering a New Market Tax Credit program

This section of our report provides an overview of the budget changes to CivicSD

## Civic San Diego Background

As a result of the dissolution of California Redevelopment Agencies (RDAs), in June 2012 the Centre City Development Corporation (CCDC) was renamed and transitioned into a non-profit public benefit corporation, Civic San Diego (CivicSD). The Southeastern Economic Development Corporation (SEDC) initially became a subsidiary corporation of Civic SD; the two corporations were ultimately merged in early 2013.

and the budget for the City's Successor Agency. A Review of budget changes for the Successor Housing Entity is included separately.

## Civic San Diego

CivicSD develops an annual budget that is then incorporated into the City's Budget. CivicSD's FY 2018 Budget was approved by its Board of Directors on March 22, 2017,

SUMMARY OF CIVIC SAN DIEGO ADMINISTRATIVE BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2017 Adopted Budget	40.00	\$ 5,120,000	\$ 2,583,000	\$ 7,703,000	\$ 7,703,734
<b>Programmatic Changes</b>					
Successor Agency Administration	(0.06)	(17,713)	20,278	2,565	(816,364)
Real Estate Assets & Project Management	(4.65)	(597,282)	(221,648)	(818,930)	-
Housing Successor Agency Administration	0.63	136,297	63,450	199,747	199,747
Planning and Permitting Functions	(1.01)	(90,544)	16,703	(73,841)	(73,840)
Parking District Administration	(1.34)	(182,955)	(65,593)	(248,548)	(248,548)
Community Investment	0.23	14,100	(513,776)	(499,676)	(500,000)
New Market Tax Credit Functions	1.31	158,963	651,308	810,271	810,271
Other Programs	2.89	388,134	520,278	908,412	908,000
<b>FY 2017 Proposed Budget</b>	<b>38.00</b>	<b>\$ 4,929,000</b>	<b>\$ 3,054,000</b>	<b>\$ 7,983,000</b>	<b>\$ 7,983,000</b>
<b>Difference from 2017 to 2018</b>	<b>(2.00)</b>	<b>\$ (191,000)</b>	<b>\$ 471,000</b>	<b>\$ 280,000</b>	<b>\$ 279,266</b>

# City Agencies: Civic San Diego/Successor Agency

and is posted on its website. CivicSD's FY 2018 Work Plan is also attached to its budget.

As shown on the previous page, the FY 2018 Budget for CivicSD totals \$8.0 million, an increase of \$280,000 or 3.6% over the FY 2017 Adopted Budget. The Budget includes 38.00 FTE positions, which represents a decrease of 2.00 FTE positions from FY 2017.

Past year budgets have included transfers to CivicSD from the General Fund for various CivicSD economic development activities, such as development of a Transit Oriented Development Fund. The FY 2018 Proposed Budget, however, does not include any General Fund transfers, as these programs are now underway.

CivicSD's budget is broken down into seven programmatic areas. Expenditures for each programmatic area are shown below.

<b>FY 2018 CivicSD Expenditures</b>	
Successor Agency	\$ 2,654,319
Housing Successor Entity	965,841
Parking District/Garages	504,774
Permit and Planning	1,116,145
Community Investment	350,000
New Markets Tax Credits	1,101,021
Other Programs	1,290,900
<b>Total</b>	<b>7,983,000</b>

As shown, the largest programmatic area remains CivicSD's role providing administration and project management for former redevelopment projects and redevelopment wind-down. Funding for this is provided through the Recognized Obligation Payment Schedules (ROPS) that are submitted to and approved by the State Department of Finance (DOF). CivicSD expenditures for this work total \$2.7 million, which is a reduction of \$816,000 from FY

2017. This reduction is consistent both with continued redevelopment wind-down, and with the DOF's decision to decline most project management costs in ROPS 10.

As expenditures and work on redevelopment wind-down is decreasing, CivicSD's work in other areas is increasing. Significant increases in expenditures are being made to CivicSD's New Markets Tax Credits program, which is increasing expenditures by \$810,000 over FY 2017, and to CivicSD's Other Programs area, which is increasing expenditures by \$908,000 over FY 2017.

## Issues to Consider

### ***Future of Former Central Library***

CivicSD's FY 2018 work plan includes the negotiation and finalizing of a DDA for development of the Former Central Library. Efforts to redevelop the library have been made in the past, including issuance of an RFP in February 2016 for potential use of the building as an innovation incubator. Responses to that RFP, however, were not accepted, and future disposition of the site remains unknown at this time. Council may wish to request an update from CivicSD staff and the City's Real Estate Assets Department on the status of the former central library site, and what potential future uses for the building may exist.

## Successor Agency

### ***Background***

In 2011, the California legislature passed AB 26, which had the effect of dissolving redevelopment agencies throughout the state. The powers of those agencies were vested in successor agencies, which were required to fulfill all obligations that the former redevelopment agencies had entered into prior to being dissolved. In San

# City Agencies: Civic San Diego/Successor Agency

Diego, the City elected to serve as the former redevelopment agency's successor agency for the purposes of winding down its operations, making payments on enforceable obligations, and liquidating unencumbered assets.

A large part of wind-down activities involves making payments on enforceable obligations of the former RDA. State law requires successor agencies to prepare Recognized Obligation Payment Schedules (ROPS) that detail each enforceable obligation held by the Successor Agency in a given 12-month window. Each ROPS must be approved by the State Department of Finance.

Funding sources for each ROPS item include the Redevelopment Property Tax Trust Fund (RPTTF), which was formerly

**Successor Agency** – A separate legal entity from the City, the Successor Agency is responsible for winding down the affairs for the former RDA. The budget is primarily funded with the RPTTF 3% administrative cost allowance.

**Successor Housing Entity** – The same legal entity as the City, the Successor Housing Entity assumes the affordable housing assets and related responsibilities of the former RDA. Funding for administrative support is derived from the Low- and Moderate-Income Housing Fund.

known as the tax increment, bond proceeds, and other revenue such as rental income.

RPTTF is distributed by the County Auditor Controller (CAC) in January and June per approved ROPS submittals. State law also allows the Successor Agency to receive an

FY 2018 SUCCESSOR AGENCY BUDGET (BASED ON ROPS II)					
	FTEs	ADMINISTRATION	PROJECT MANAGEMENT	TOTAL	
<b>EXPENDITURES</b>					
<b>Legal Services</b>					
City Attorney's Office	3.50	\$ 190,000	\$ -	\$ 190,000	
Outside Legal Counsel	-	-	-		
Oversight Board Legal Counsel	-	13,407	-	13,407	
<b>Financial Services</b>					
Debt Management Department	1.00	55,334	-	55,334	
<b>Accounting Services</b>					
Comptroller's Office	4.00	354,580	-	354,580	
<b>Administrative Support Services</b>					
Economic Growth Services Department	1.50	125,024	135,674	260,698	
Civic San Diego	23.00	1,670,000	984,407	2,654,407	
Other Consultants	-	-	-		
General Governmental Services	-	191,375	-	191,375	
Contingency	-	-	-		
Oversight Board Insurance	-	6,000	-	6,000	
<b>Total Expenditures</b>	<b>33.00</b>	<b>2,605,720</b>	<b>1,120,081</b>	<b>3,725,801</b>	
<b>FUNDING SOURCES</b>					
Admin Fee (3%)	-	\$ 1,912,514	\$ -	\$ 1,912,514	
Reserves	-	192,961	-	192,961	
Other Sources	-	500,245	578,915	1,079,160	
RPTTF Distributions	-	-	541,166	541,166	
<b>Total Funding Sources</b>	<b>-</b>	<b>2,605,720</b>	<b>1,120,081</b>	<b>3,725,801</b>	

# City Agencies: Civic San Diego/Successor Agency

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administrative cost allowance equal to 3% of the Agency's RPTTF distribution.

## ***Dissolution Implementation***

The City has an agreement with CivicSD to carry out wind-down functions. This agreement includes:

- Administering existing contracts
- Processing payments
- Preparing a ROPS for each 12-month period
- Coordinating with the DOF
- Providing project management, property management, and other related duties.

As shown on the previous page, CivicSD accounts for \$2.7 million or 71.2% of the total \$3.7 million FY 2018 Budget for the Successor Agency.

In addition to CivicSD, staff from several

City departments provide legal, financial, accounting, and administrative services for the Successor Agency to facilitate dissolution.

## **Proposed Budget**

The FY 2018 Budget for the Successor Agency includes expenditures and revenues of \$3.7 million, and is based on expenditures included in ROPS 11. ROPS 11 was approved by the City Council on January 10, 2017.

This amount represents a significant reduction from past years, due to the DOF's decision in FY 2017 to deny most project management costs in ROPS 10, which represented a significant change in the DOF's practices and resulted in a reduction in RPTTF funding for project management costs of \$3.6 million. ROPS 11 was submitted without including those project management costs that were denied in ROPS 10.