



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: May 6, 2010 REPORT NO:
ATTENTION: Budget and Finance Committee
SUBJECT: Technical Review of Centre City Development Corporation Budget
REFERENCE: Fiscal Year 2011 Proposed Budget

REQUESTED ACTION: This is an information item. No action is required.

SUMMARY:

This report is the product of Financial Management's technical review of the Centre City Development Corporation's Fiscal Year 2011 Proposed Budget. This report is submitted to the Budget and Finance Committee in order to show the changes in year-to-year Agency budgeting and spending.

OVERVIEW AND BACKGROUND

The City of San Diego publishes a City Agencies chapter within Volume I of its Proposed and Annual Budgets. This chapter consists of a high-level overview of Agency Budgets published for the public's information; Agencies included in this chapter are the Redevelopment Agency, Southeastern Economic Development Corporation (SEDC), Centre City Development Corporation (CCDC), San Diego Housing Commission (SDHC), and the San Diego Data Processing Corporation (SDDPC). The City's Financial Management Department does not play a role in either constructing or monitoring Agency budgets.

Technical reviews of Agency budgets include more details on budgeted expenditures, salary information, and revenue sources than what is published in the City Agency chapter of the City's Proposed and Annual Budgets. Agencies were asked to provide actual expenditures and revenues for Fiscal Year 2009, their budgeted and projected expenditures and revenues for Fiscal Year 2010, and their proposed budget for Fiscal Year 2011.

The information in this report is what was provided to Financial Management from the Agency, presented with comments from Financial Management as appropriate.

CENTRE CITY DEVELOPMENT CORPORATION

CCDC is one of the City of San Diego's public nonprofit corporations and CCDC staff oversee the redevelopment of approximately 1,450 acres. The Fiscal Year 2011 Proposed Budget consist of five components: capital projects (\$47.9 million), low and moderate income housing (\$15.5

million), tax sharing and State Education Revenue Augmentation Fund (ERAF) payments (\$25.2 million), long-term debt and City payments (\$57.6 million) and administration (\$8.4 million), for a total budget of \$154.6 million. The capital project budget component consists of provision for funding land acquisitions, as well as design and implantation cost for Parks and Open Space. In addition, a provision has been made for implementation of Phase I of the North Embarcadero improvements and provides for design of a potential Phase II, as well as provisions for fire stations. The proposed budget also provides funding for various public improvements in the Cortez, East Village, Little Italy, Gaslamp, and Core/Columbia neighborhoods. These public improvements include sidewalk improvements, street lights, medians, pop-outs, and way-finding signage.

CCDC's proposed \$154.6 million expenditure budget for Fiscal Year 2011 is a \$4.9 million or 3.1 percent decrease in the expenditure budget from Fiscal Year 2010. This decrease includes a net reduction of 4.75 full-time equivalent (FTE) positions and a reduction in overall personnel expenses of \$0.4 million or 6 percent. In Fiscal Year 2011, there is also an overall decrease in non-personnel expenses by \$4.5 million or 3 percent from the Fiscal Year 2010 Budget due mainly to a \$10.5 million or 18 percent reduction in the Capital Projects budget and a \$2.0 million or 11.3 percent decrease in Affordable Housing. These reductions in non-personnel expense are partially mitigated by a \$6.2 million or 32.4 percent increase in the State ERAF payment, and a \$2.0 million or 3.5 percent increase in Debt Service/City Payments. Explanations of significant budget adjustments between Fiscal Years 2011 and 2010 are listed in **table 6**.

Personnel and non-personnel expenses for Fiscal Year 2010 are projected to come in under-budget by \$1.7 million or 1.1 percent overall due mostly to the decrease in personnel expenditures of \$1.2 million or 18.6 percent related to the decrease of 4.75 FTE. Projected personnel expenses in Fiscal Year 2010 are \$0.4 million or 6.5 percent lower than actual expenditures in Fiscal Year 2009, while projected non-personnel expenses are \$37.7 million or 31.4 percent higher than actual non-personnel expenditures in Fiscal Year 2009. Details regarding Fiscal Year 2009 actual expenditures, Fiscal Year 2010 Budget and Projected Expenditures, and the Fiscal Year 2011 Proposed Budget, are displayed in **tables 1 and 2**.

TABLE 1 CENTRE CITY DEVELOPMENT CORPORATION BUDGET SUMMARY					
	FY 2009 Actual	FY 2010 Budget	FY 2010 Projected	FY 2011 Proposed Budget	FY 2010-2011 Change
Positions	52.50	52.50	47.75	47.75	(4.75)
Personnel Expense	\$ 5,592,843	\$ 6,424,000	\$ 5,231,235	\$ 6,040,000	\$ (384,000)
Non-Personnel Expense	\$ 114,500,157	\$ 153,124,000	\$ 152,572,661	\$ 148,593,000	\$ (4,531,000)
TOTAL	\$ 120,093,000	\$ 159,548,000	\$ 157,803,896	\$ 154,633,000	\$ (4,915,000)

TABLE 2 CENTRE CITY DEVELOPMENT CORPORATION EXPENDITURES					
	FY 2009 Actual	FY 2010 Budget	FY 2010 Projected	FY 2011 Proposed Budget	FY 2010-2011 Change
PERSONNEL					
Salaries & Wages	\$ 3,951,649	\$ 4,175,000	\$ 3,482,305	\$ 3,890,000	\$ (285,000)
Overtime/Intems	\$ 12,838	\$ 120,000	\$ 93,785	\$ 110,000	\$ (10,000)
Fringe Benefits (health)	\$ 499,832	\$ 772,175	\$ 542,896	\$ 777,082	\$ 4,907
Fringe Benefits (pension)	\$ 905,712	\$ 1,050,376	\$ 804,907	\$ 967,642	\$ (82,734)
Fringe Benefits (other) ¹	\$ 222,812	\$ 306,449	\$ 307,341	\$ 295,276	\$ (11,173)
SUBTOTAL PERSONNEL	\$ 5,592,843	\$ 6,424,000	\$ 5,231,235	\$ 6,040,000	\$ (384,000)
NON-PERSONNEL					
Corporation Professional Services	\$ 831,158	\$ 625,000	\$ 601,439	\$ 600,000	\$ (25,000)
Corporation Other G & A Expenses	\$ 1,649,692	\$ 1,851,000	\$ 1,323,223	\$ 1,729,000	\$ (122,000)
Capital Projects ²	\$ 38,240,307	\$ 58,447,000	\$ 56,947,000	\$ 47,931,000	\$ (10,516,000)
Affordable Housing ²	\$ 6,080,000	\$ 17,542,000	\$ 17,542,000	\$ 15,557,000	\$ (1,985,000)
Tax Sharing/Education Revenue Augmentation Fund (ERAF) ²	\$ 16,276,000	\$ 19,000,000	\$ 19,000,000	\$ 25,159,000	\$ 6,159,000
Debt Service/City Payments	\$ 51,423,000	\$ 55,659,000	\$ 57,159,000	\$ 57,617,000	\$ 1,958,000
SUBTOTAL NON-PERSONNEL	\$114,500,157	\$ 153,124,000	\$152,572,661	\$ 148,593,000	\$ (4,531,000)
TOTAL	\$120,093,000	\$ 159,548,000	\$157,803,896	\$ 154,633,000	\$ (4,915,000)

¹Other Fringe Benefits are: Life Insurance, L-T Disability, Federal Medicare Insurance, Unemployment Insurance, Transit/Parking, Tuition Reimbursement, 125 Plan-Flex Benefit, Management Package, Vacation-in-Lieu, Employee Assistance Program, Contingency for fringe benefits.

²This line item was part of the Project Budgets line item published in the Fiscal Year 2010 Annual Budget. This information is displayed separately here to better describe budgeted expenditures.

CCDC's budget includes reimbursements to various City of San Diego departments and other entities for services rendered. The Fiscal Year 2011 Proposed Budget for reimbursements is \$2.2 million, an increase of \$0.1 million or 4.8 percent over the Fiscal Year 2010 Budget. CCDC is projecting a \$0.2 million or 9.4 percent reduction in their Fiscal Year 2010 reimbursements due mainly to the reduction of \$0.2 million or 100 percent of funding for the Downtown Economic Development Specialist, and a reduction of \$59,000 or 100 percent in the Other/Misc./Contingency reimbursement category. These reductions are mitigated somewhat by a \$61,500 or 25.8 percent increase in reimbursements to the City of San Diego's City Attorney's Office. The Fiscal Year 2010 Projected Reimbursement Budget is a \$0.3 million or 22.2 percent increase over Fiscal Year 2009 actual expenditures due to increases in every line item with actual expenditures. The Other/Misc./Contingency category was described by CCDC as a miscellaneous line item used to cover any line items that might have been under-budgeted.

Details regarding Fiscal Year 2009 Actual Reimbursements, Fiscal Year 2010 Budget and Projected Reimbursements, and the Fiscal Year 2011 Proposed Budget, are displayed in table 3.

TABLE 3 CENTRE CITY DEVELOPMENT CORPORATION REIMBURSEMENTS TO DEPARTMENTS/ENTITIES					
Department/Entities	FY 2009 Actual	FY 2010 Budget	FY 2010 Projected	FY 2011 Proposed Budget	FY 2010-FY 2011 Change
Neighborhood Code Compliance	\$ 278,649	\$ 301,000	\$ 301,000	\$ 301,000	\$ -
City Comptroller	\$ 217,108	\$ 270,000	\$ 270,000	\$ 225,000	\$ (45,000)
City Attorney	\$ 126,543	\$ 238,500	\$ 300,000	\$ 400,000	\$ 161,500
City Treasurer	\$ 190,519	\$ 250,000	\$ 200,000	\$ 200,000	\$ (50,000)
City Planning & Community Investment	\$ 4,514	\$ 25,000	\$ 25,000	\$ 10,000	\$ (15,000)
Redevelopment Division	\$ 80,929	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Homeless Coordinator	\$ 13,471	\$ 21,500	\$ 21,500	\$ 21,500	\$ -
Purchasing-EEO	\$ -	\$ 10,000	\$ 10,000	\$ 25,000	\$ 15,000
General Government Services	\$ 488,370	\$ 500,000	\$ 500,000	\$ 550,000	\$ 50,000
Downtown Economic Development Specialist	\$ -	\$ 150,000	\$ -	\$ -	\$ (150,000)
Maintenance District	\$ 157,301	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Other/Misc./Contingency	\$ -	\$ 59,000	\$ -	\$ 192,500	\$ 133,500
TOTAL	\$ 1,557,404	\$ 2,100,000	\$ 1,902,500	\$ 2,200,000	\$ 100,000

CCDC lists \$154.6 million in revenue in their Fiscal Year 2011 Proposed Budget, a decrease of \$4.9 million or 3.1 percent from the Fiscal Year 2010 Budget. CCDC explains this decrease in **table 6** as being primarily due to decreases in tax increment funding, lower interest rate assumptions for interest income, lower estimated Developer Impact Fees (DIF) because of decreased development activity, and the expectation that no revenue will be received from other Agencies, which is mitigated somewhat by an increase in prior year revenues. Revenues for the Fiscal Year 2011 Proposed Budget equal CCDC's expenditures.

Revenues for Fiscal Year 2010 are projected to come in \$0.3 million or 0.2 percent under-budget overall due to reductions in Tax Increment and Interest, Rent, and Other revenue that is partially offset by increases in Misc./Prior Year Adjustments and Developer Proceeds. Projected revenues in Fiscal Year 2010 are \$16.2 million or 9.2 percent less than Fiscal Year 2009 actual revenues due to decreases in every line item except for Revenues from Other Agencies. Details regarding Fiscal Year 2009 Actual Revenues, Fiscal Year 2010 Budget and Projected Revenues, and the Fiscal Year 2011 Proposed Revenues, are displayed in **table 4** below.

TABLE 4 CENTRE CITY DEVELOPMENT CORPORATION REVENUES					
Revenue Source	FY 2009 Actual	FY 2010 Budget	FY 2010 Projected	FY 2011 Proposed Budget	FY 2010-2011 Change
Tax Increment	\$ 133,982,000	\$ 133,578,000	\$ 128,283,000	\$ 125,259,000	\$ (8,319,000)
Developer Proceeds	\$ 7,968,826	\$ 4,640,000	\$ 4,840,000	\$ 1,801,000	\$ (2,839,000)
Interest, Rent, & Other Revenue	\$ 19,835,000	\$ 17,708,000	\$ 16,790,000	\$ 11,652,000	\$ (6,056,000)
Revenues from Other Agencies	\$ 911,174	\$ 1,400,000	\$ 1,400,000	\$ -	\$ (1,400,000)
Misc./Prior Year Adjustments	\$ 12,719,000	\$ 2,222,000	\$ 7,911,000	\$ 15,921,000	\$ 13,699,000
TOTAL	\$ 175,416,000	\$ 159,548,000	\$ 159,224,000	\$ 154,633,000	\$ (4,915,000)

CCDC salaries are budgeted at \$4.0 million in their Fiscal Year 2011 Proposed Budget and fringe benefits are budgeted at \$2.0 million, which is a decrease from Fiscal Year 2010 of \$0.3 million or 6.9 percent, and \$89,000 or 4.2 percent respectively. This overall decrease is due to the net reduction of 4.75 FTE positions as stated in table 6. Additional details regarding salaries, overtime, and salary increases for the Fiscal Year 2010 Budget and the Fiscal Year 2011 Proposed Budget, are displayed in table 5 below.

Salary increases are budgeted at \$40,000 in Fiscal Year 2011. Per their submission, CCDC does not budget fringe benefits by position or job classification. To comply with the City's request, fringe amounts included in table 5 have been allocated proportionately to each job class. Budgeted Contingency of \$90,721 in Fiscal Year 2010 and \$45,530 in Fiscal Year 2011 is explained as a provision for the payout of accrued vacation in the event of attrition, for any additional salary requirements negotiated by a new hire, or for special circumstances such as a severance package or a retention adjustment.

TABLE 5 CENTRE CITY DEVELOPMENT CORPORATION SALARY SCHEDULE										
Position Title	FY2010 Budget					FY2011 Proposed Budget				
	Positions	Base Salary	Salary Increases (Merit, Bonus, etc.) ¹	Salary Subtotal	Fringe Benefits ²	Positions	Base Salary	Salary Increases (Merit, Bonus, etc.)	Salary Subtotal	Fringe Benefits ²
President & COO	1.00	\$ 225,000	\$ -	\$ 225,000	\$ 119,050	1.00	\$ 225,000	\$ -	\$ 225,000	\$ 121,868
Executive Vice President & CFO	1.00	\$ 176,800	\$ -	\$ 176,800	\$ 94,296	1.00	\$ 176,800	\$ -	\$ 176,800	\$ 96,511
Vice President	3.00	\$ 378,220	\$ -	\$ 378,220	\$ 204,737	3.00	\$ 378,220	\$ 9,000	\$ 387,220	\$ 214,209
Assistant Vice President	5.00	\$ 497,355	\$ -	\$ 497,355	\$ 161,510	4.00	\$ 421,755	\$ 6,000	\$ 427,755	\$ 225,033
Manager	5.00	\$ 546,917	\$ -	\$ 546,917	\$ 340,344	6.00	\$ 609,717	\$ 9,000	\$ 618,717	\$ 325,495
Associate/Assistant Project Manager	4.00	\$ 273,340	\$ -	\$ 273,340	\$ 140,375	2.00	\$ 135,540	\$ -	\$ 135,540	\$ 71,305
Managers: Marketing, IT, Contracting	4.00	\$ 305,230	\$ -	\$ 305,230	\$ 205,188	5.00	\$ 375,230	\$ -	\$ 375,230	\$ 197,401
Planners	6.00	\$ 420,630	\$ -	\$ 420,630	\$ 216,016	6.00	\$ 420,630	\$ 8,000	\$ 428,630	\$ 225,494
Graphic, EEO, IT, GIS	6.50	\$ 385,732	\$ -	\$ 385,732	\$ 198,094	4.75	\$ 275,753	\$ 4,500	\$ 280,253	\$ 147,436
Accountants & Financial Analysts	5.00	\$ 329,980	\$ -	\$ 329,980	\$ 169,463	5.00	\$ 329,980	\$ -	\$ 329,980	\$ 173,596
Confidential Assistant & Board Liaison	0.00	\$ -	\$ -	\$ -	\$ -	1.00	\$ 69,216	\$ 3,500	\$ 72,716	\$ 38,254
Administrative Assistant	8.00	\$ 413,975	\$ -	\$ 413,975	\$ 212,600	5.00	\$ 255,529	\$ -	\$ 255,529	\$ 134,429
Clerical Support	4.00	\$ 131,100	\$ -	\$ 131,100	\$ 67,327	4.00	\$ 131,100	\$ -	\$ 131,100	\$ 68,969
Overtime/Interns		\$ 120,000	\$ -	\$ 120,000	\$ -		\$ 110,000	\$ -	\$ 110,000	\$ -
Contingency ³		\$ 90,721	\$ -	\$ 90,721	\$ -		\$ 45,530	\$ -	\$ 45,530	\$ -
TOTAL	52.50	\$ 4,295,000	\$ -	\$ 4,295,000	\$ 2,129,000	47.75	\$ 3,960,000	\$ 40,000	\$ 4,000,000	\$ 2,040,000

¹No salary increases or incentive pay were budgeted in Fiscal Year 2010.

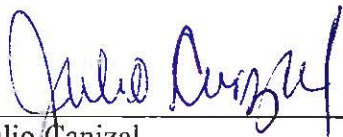
²Fringe benefits have been allocated proportionately based on the percentage of position base salary to total base salary in order to comply with the City's budget template. CCDC does not budget Fringe Benefits by position or job classification but overall for the Corporation, based on the total base salary.

³Contingency is a provision for payout of accrued vacation for any potential attrition. In addition, it includes a provision for any additional needs when hiring and/or for special circumstances such as a severance package or a retention adjustment.


TABLE 6 CENTRE CITY DEVELOPMENT CORPORATION SIGNIFICANT BUDGET ADJUSTMENTS			
Significant Budget Adjustments	Position	Revenue	Expenses
Salaries and Benefits Adjustments			
Adjustment is due to the reduction of 5.75 positions (1.00 Assistant Vice President, 1.00 Communication Specialist, 1.00 Associate Project Manager, 1.00 Executive Assistant, 1.00 Administrative Assistant, and 0.75 Graphic Designer) and the addition of one new position (1.00 Contract Manager).	(4.75)	\$ -	\$ (384,000)
Non-Personnel Expenditure Adjustments			
Adjustment reduces general administrative expenses primarily as a result of reductions in Rent – Equipment, Leasehold Improvements, Office/Computer Supplies, Advertising/Relocation/Recruitment, Professional Development & Associated Travel, Communications/Material & Events, FF&E/Computer Equipment and Consultants line items.	0.00	\$ -	\$ (147,000)
Adjustment reflects a reduction in the Capital Project budget due to lower projected tax increment funding available for project activities.	0.00	\$ -	\$ (10,516,000)
Adjustment reflects a reduction in the Affordable Housing budget due to lower projected tax increment funding available for project activities.	0.00	\$ -	\$ (1,985,000)
Addition to the Tax Sharing/ERAF budget due to State mandated payment to the State's Education Revenue Augmentation Fund.	0.00	\$ -	\$ 6,159,000
Addition reflects an increase in City payments due to the programmed repayment of City loans.	0.00	\$ -	\$ 1,958,000
TOTAL EXPENSE ADJUSTMENTS	(4.75)	\$ -	\$ (4,915,000)

**TABLE 6 CENTRE CITY DEVELOPMENT CORPORATION
SIGNIFICANT BUDGET ADJUSTMENTS**

Significant Budget Adjustments	Position	Revenue	Expenses
Revenue Adjustments			
Adjustment reflects a Tax Increment decrease due to estimated lower property taxes and appeals.	0.00	\$ (8,319,000)	\$ -
Adjustment is due to a decrease in Developer Proceeds due to lower estimated Developer Impact Fees (DIF) because of decreased development activity.	0.00	\$ (2,839,000)	\$ -
Adjustment in Interest, Rent & Other Revenue is due to lower interest rate assumptions for interest income.	0.00	\$ (6,056,000)	\$ -
Adjustment reflects the anticipation of no Revenue from Other Agencies.	0.00	\$ (1,400,000)	\$ -
Addition of Misc./Prior Year Adjustments is due to the fact that in Fiscal Year 2010 a project that had been anticipated in Fiscal Year 2009 that included the receipt of parking revenue bond proceeds was backed out, thereby reducing the Fiscal Year 2010 amount of revenue in this category.	0.00	\$ 13,699,000	\$ -
TOTAL REVENUE ADJUSTMENTS	0.00	\$ (4,915,000)	\$ -



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