



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 Southeastern Economic 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 Southeastern Economic 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.

SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

SEDC is one of the Redevelopment Agency's public nonprofit corporations and staff oversees the following four redevelopment project areas: Central Imperial, Gateway Center West, Mt.

Hope, and Southcrest. SEDC's project budget will be spent in the four redevelopment project areas in order to achieve the following goals: support and create jobs, eliminate blight, and strengthen local economies by building safe, healthy, affordable, and sustainable communities in southeastern San Diego.

SEDC is proposing a \$10.7 million expenditure budget for Fiscal Year 2011 which is a \$4.5 million or 29.4 percent decrease in the expenditure budget from Fiscal Year 2010. This budget has an overall reduction of 5.50 full-time equivalent (FTE) positions due to the following changes: the reduction of 3.00 Project and Other Managers, 1.00 Staff Accountant, and 1.50 Administrative/Support Staff positions. The decrease of the Fiscal Year 2011 Proposed Budget from Fiscal Year 2010 includes a reduction in overall personnel expenses of \$0.6 million or 39 percent and \$3.9 million or 28.3 percent in non-personnel expenses. The majority of the decrease in non-personnel expenditures is attributed to the reduction in Project Costs of \$4.4 million or 49.4 percent. This decrease in Project Costs is partly due to the Fiscal Year 2010 unbudgeted payment of \$2.3 million for the State Educational Revenue Augmentation Fund (ERAF). Further explanations of significant budget adjustments between Fiscal Years 2011 and 2010 are listed in table 6.

Personnel expenses for Fiscal Year 2010 are projected to come in \$0.3 million or 22.2 percent under-budget for that year, while non-personnel expenses are projected to be \$0.5 million or 3.3 percent under-budget. Projected personnel expenses in Fiscal Year 2010 are \$72,148 or 6.8 percent more than Fiscal Year 2009 actual personnel expenses. Projected non-personnel expenses in Fiscal Year 2010 are \$5.0 million or 60.1 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 SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION BUDGET SUMMARY | | | | | |
|---|----------------------------|---------------------------|------------------------------|--|--------------------------------|
| | FY 2009 Actuals | FY 2010 Budget | FY 2010 Projected | FY 2011 Proposed Budget | FY 2010-2011 Change |
| Positions | 14.50 | 15.50 | 10.00 | 10.00 | (5.50) |
| Personnel Expense | \$ 1,058,652 | \$ 1,452,600 | \$ 1,130,800 | \$ 885,700 | \$ (566,900) |
| Non-Personnel Expense | \$ 8,277,923 | \$ 13,704,400 | \$ 13,252,800 | \$ 9,819,600 | \$ (3,884,800) |
| TOTAL | \$ 9,336,575 | \$ 15,157,000 | \$ 14,383,600 | \$ 10,705,300 | \$ (4,451,700) |

**TABLE 2 SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION
EXPENDITURES**

| | FY 2009 Actuals | FY 2010 Budget | FY 2010 Projected | FY 2011 Proposed Budget | FY 2010-2011 Change |
|---|---------------------|----------------------|----------------------|-------------------------------|------------------------|
| PERSONNEL | | | | | |
| Salaries & Wages | \$ 651,135 | \$ 996,100 | \$ 790,600 | \$ 637,500 | \$ (358,600) |
| Overtime allowance / interns | \$ 52,363 | \$ 35,400 | \$ 35,400 | \$ 22,500 | \$ (12,900) |
| Fringe Benefits (health) | \$ 119,018 | \$ 167,500 | \$ 100,000 | \$ 81,800 | \$ (85,700) |
| Fringe Benefits (pension) | \$ 95,970 | \$ 132,900 | \$ 117,000 | \$ 83,700 | \$ (49,200) |
| Fringe Benefits (Life Insurance, Workers' Comp, Employer Employment Taxes, Pay-In-Lieu) | \$ 140,166 | \$ 120,700 | \$ 87,800 | \$ 60,200 | \$ (60,500) |
| SUBTOTAL PERSONNEL | \$ 1,058,652 | \$ 1,452,600 | \$ 1,130,800 | \$ 885,700 | \$ (566,900) |
| | | | | | |
| NON-PERSONNEL | | | | | |
| Supplies & Services | \$ 519,048 | \$ 648,050 | \$ 911,400 | \$ 346,100 | \$ (301,950) |
| Professional Services | \$ 635,158 | \$ 180,500 | \$ 514,900 | \$ 282,500 | \$ 102,000 |
| Information Technologies | \$ 50,389 | \$ 32,400 | \$ 11,600 | \$ 13,200 | \$ (19,200) |
| Energy/Utilities | \$ 29,920 | \$ 31,400 | \$ 27,600 | \$ 19,500 | \$ (11,900) |
| Equipment Outlay | \$ 4,108 | \$ 650 | \$ 15,600 | \$ - | \$ (650) |
| Project Costs | \$ 2,729,300 | \$ 9,007,400 | \$ 4,530,000 | \$ 4,560,100 | \$ (4,447,300) |
| Tax Sharing | \$ 685,000 | \$ 613,000 | \$ 678,900 | \$ 555,700 | \$ (57,300) |
| Educational Revenue Augmentation Fund (ERAF) | \$ - | \$ - | \$ 2,315,800 | \$ 476,300 | \$ 476,300 |
| Community Development Block Grant Payments | \$ - | \$ 100,000 | \$ 100,000 | \$ 312,000 | \$ 212,000 |
| Debt Service Appropriation | \$ 3,625,000 | \$ 3,091,000 | \$ 4,147,000 | \$ 3,254,200 | \$ 163,200 |
| SUBTOTAL NON-PERSONNEL | \$ 8,277,923 | \$ 13,704,400 | \$ 13,252,800 | \$ 9,819,600 | \$ (3,884,800) |
| | | | | | |
| TOTAL | \$ 9,336,575 | \$ 15,157,000 | \$ 14,383,600 | \$ 10,705,300 | \$ (4,451,700) |

SEDC'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 \$0.6 million, \$0.1 million or 19.3 percent less than what was budgeted in the Fiscal Year 2010 Budget due mostly to the \$0.1 million reduction in reimbursements to the City of San Diego for Neighborhood Code Compliance. SEDC is projecting a \$0.2 million or 21.9 percent decrease in Fiscal Year 2010 reimbursements compared to budget for all departments/entities, due to a \$0.1 million or 81.1 percent reduction to the City of San Diego's Neighborhood Code Compliance Department, a \$45,000 or 47.4 percent reduction in General Liability Insurance, and a \$36,000 or 46.2 percent reduction to the City of San Diego's Redevelopment Division. These reductions in Fiscal Year 2010 offset a \$59,200 or 109.6 percent increase in reimbursement to the County for fees and services. SEDC's Fiscal Year 2010 reimbursement projection is a decrease of \$60,919 or 9.7 percent from Fiscal Year 2009 Actual expenditures due mainly to a \$91,530 or 78.5 percent decrease in reimbursement to the City's Neighborhood Code Compliance Department.

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 below.

| TABLE 3 SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION REIMBURSEMENTS TO DEPARTMENTS/ENTITIES | | | | | |
|---|----------------------------|---------------------------|------------------------------|--|-----------------------------------|
| Department/Entities | FY 2009 Actuals | FY 2010 Budget | FY 2010 Projected | FY 2011 Proposed Budget | FY 2010-FY 2011 Change |
| Arbitrage Services | \$ 10,450 | \$ 12,000 | \$ 12,000 | \$ 12,000 | \$ - |
| City Attorney | \$ 56,206 | \$ 45,500 | \$ 45,500 | \$ 45,500 | \$ - |
| City Comptroller | \$ 104,652 | \$ 100,100 | \$ 96,000 | \$ 90,000 | \$ (10,100) |
| City Planning & Community Investment | \$ 29,620 | \$ - | \$ - | \$ - | \$ - |
| City Treasurer | \$ 16,427 | \$ 30,000 | \$ 30,000 | \$ 30,000 | \$ - |
| Community Development Block Grant Audit Fees | \$ - | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ - |
| County Fees/Services | \$ 66,625 | \$ 54,000 | \$ 113,200 | \$ 120,000 | \$ 66,000 |
| Financial Management | \$ - | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ - |
| General Government Services | \$ 28,211 | \$ 66,300 | \$ 41,600 | \$ 86,400 | \$ 20,100 |
| General Liability Insurance | \$ 46,356 | \$ 95,000 | \$ 50,000 | \$ 50,000 | \$ (45,000) |
| Housing & Homeless Coordinator ¹ | \$ 14,005 | \$ 8,800 | \$ 8,800 | \$ - | \$ (8,800) |
| Maintenance (street lights/storage) | \$ - | \$ 1,200 | \$ 1,200 | \$ - | \$ (1,200) |
| Municipal Revenue Advisor | \$ 1,150 | \$ 2,500 | \$ 1,200 | \$ 1,500 | \$ (1,000) |
| Neighborhood Code Compliance | \$ 116,530 | \$ 132,000 | \$ 25,000 | \$ - | \$ (132,000) |
| Redevelopment Audit Fees | \$ 84,005 | \$ 75,000 | \$ 75,000 | \$ 75,000 | \$ - |
| Redevelopment Division | \$ 54,182 | \$ 78,000 | \$ 42,000 | \$ 50,000 | \$ (28,000) |
| TOTAL | \$ 628,419 | \$ 726,400 | \$ 567,500 | \$ 586,400 | \$ (140,000) |

¹Housing & Homeless Coordinator was budgeted in Fiscal Year 2010, but was omitted from last year's report in error.

SEDC lists \$10.7 million in revenue for their Fiscal Year 2011 Proposed Budget, a revenue decrease of \$4.5 million or 29.4 percent from Fiscal Year 2010. SEDC explains this decrease in table 6 as a reduction in tax increment revenue due to reduced assessed valuations of properties in the project areas, as well as a reduction in carryover funds from previous years and no other anticipated sources of revenue for Fiscal Year 2011. Revenues for the Fiscal Year 2011 Proposed Budget equal SEDC's expenditures.

Revenues are projected to decrease by \$0.8 million or 5.1 percent in Fiscal Year 2010 due to decreases of \$0.9 million or 13.6 percent in Tax Increment and \$0.9 million or 100 percent in Revenues from Other Agencies, which offsets the increase of \$1.0 million or 13.6 percent in Misc./Prior Year Carryover. Fiscal Year 2010 projected revenues are a \$2.3 million overall increase from Fiscal Year 2009 actual revenues due mainly to a \$4.2 million or 99.4 percent increase in Misc./Prior Year Carryover which mitigated the decrease of \$1.7 million or 22.2 percent in Tax Increment, and a \$0.2 million or 89.8 percent decline in Interest, Rent, and Other Revenue. 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.

| Revenue Source | FY 2009 Actual | FY 2010 Budget | FY 2010 Projected | FY 2011 Proposed Budget | FY 2010-2011 Change |
|---|----------------------|----------------------|----------------------|-------------------------|-----------------------|
| Tax Increment | \$ 7,576,000 | \$ 6,823,000 | \$ 5,894,000 | \$ 5,600,000 | \$ (1,223,000) |
| Interest, Rent & Other Revenue ¹ | \$ 255,000 | \$ 26,000 | \$ 26,000 | \$ 26,000 | \$ - |
| Revenues from Other Agencies ¹ | \$ - | \$ 856,000 | \$ - | \$ - | \$ (856,000) |
| Misc./Prior Year Carryover ¹ | \$ 4,245,000 | \$ 7,452,000 | \$ 8,464,000 | \$ 5,079,300 | \$ (2,372,700) |
| TOTAL | \$ 12,076,000 | \$ 15,157,000 | \$ 14,384,000 | \$ 10,705,300 | \$ (4,451,700) |

¹This line item was part of the Carryover and Other Income line item published in the Fiscal Year 2010 Annual Budget. This information is displayed separately here to better describe revenues received.

SEDC salaries are budgeted at \$0.7 million for Fiscal Year 2011 and fringe benefits are budgeted at \$0.2 million, decreases from Fiscal Year 2010 of \$0.4 million or 36 percent, and \$0.2 million or 46.4 percent respectively. Explanations for the overall salary decrease are provided in table 6, while 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.

| Position Title | FY2010 Budget | | | | | FY2011 Proposed Budget | | | | |
|---|---------------|---------------------|---------------------------------------|---------------------|------------------------------|------------------------|-------------------|---------------------------------------|-------------------|------------------------------|
| | Positions | Base Salary | Salary Increases (Merit, Bonus, etc.) | Salary Subtotal | Fringe Benefits ¹ | Positions | Base Salary | Salary Increases (Merit, Bonus, etc.) | Salary Subtotal | Fringe Benefits ¹ |
| President/CEO ² | 1.00 | \$ 172,000 | \$ - | \$ 172,000 | \$ 55,000 | 1.00 | \$ 75,000 | \$ - | \$ 75,000 | \$ 23,299 |
| CFO | 1.00 | \$ 115,000 | \$ - | \$ 115,000 | \$ 48,700 | 1.00 | \$ 115,000 | \$ - | \$ 115,000 | \$ 32,273 |
| Vice-President, Projects & Development ³ | 0.00 | \$ - | \$ - | \$ - | \$ - | 1.00 | \$ 90,000 | \$ - | \$ 90,000 | \$ 37,086 |
| Manager, Projects & Development ³ | 1.00 | \$ 90,000 | \$ - | \$ 90,000 | \$ 35,000 | 0.00 | \$ - | \$ - | \$ - | \$ - |
| Project and Other Managers | 5.00 | \$ 266,200 | \$ - | \$ 266,200 | \$ 120,600 | 2.00 | \$ 118,500 | \$ - | \$ 118,500 | \$ 51,520 |
| Staff Accountants | 2.00 | \$ 118,000 | \$ - | \$ 118,000 | \$ 49,700 | 1.00 | \$ 54,000 | \$ - | \$ 54,000 | \$ 25,631 |
| Administrative/Support Staff | 5.50 | \$ 234,900 | \$ - | \$ 234,900 | \$ 104,400 | 4.00 | \$ 184,950 | \$ - | \$ 184,950 | \$ 51,796 |
| Overtime/Interns ⁴ | | \$ 35,400 | \$ - | \$ 35,400 | \$ 7,700 | | \$ 22,550 | \$ - | \$ 22,550 | \$ 4,095 |
| TOTAL | 15.50 | \$ 1,031,500 | \$ - | \$ 1,031,500 | \$ 421,100 | 10.00 | \$ 660,000 | \$ - | \$ 660,000 | \$ 225,700 |

¹Includes pay-in-lieu reflected separately in last year's budget

²The salary listed for Fiscal Year 2011 is pro-rated. SEDC is anticipating the appointment of a President/CEO at mid-year, at an estimated annual salary of \$150,000.

³Title change during Fiscal Year 2010

⁴FY 2010 Budget varies slightly from what was published in the Fiscal Year 2010 Annual Budget due to differences in rounding.

**TABLE 6 SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION
SIGNIFICANT BUDGET ADJUSTMENTS**

| Significant Budget Adjustments | Position | Revenue | Expenses |
|--|-----------------|-----------------------|-----------------------|
| Salaries and Benefits Adjustments | | | |
| Adjustment is due to the reductions of 5.50 FTE positions and a change in group health premiums. Staff reductions were necessary because of the reduction in tax increment revenues and the State Educational Revenue Augmentation Fund (ERAF) shift for Fiscal Years 2010 and 2011. | (5.50) | | \$ (566,900) |
| Adjustment in Non-Personnel Expenditures | | | |
| Adjustment in non-personnel spending because of the State ERAF shift and a reduction in tax increment revenue. | | | \$ (3,884,800) |
| TOTAL EXPENSE ADJUSTMENTS | (5.50) | \$ - | \$ (4,451,700) |
| Revenue Adjustments | | | |
| Adjustment is due to: a reduction in tax increment revenue because of reduced assessed valuations of properties in the project areas, a reduction in carryover funds from previous years, and no other anticipated sources of revenue for Fiscal Year 2011. | | \$ (4,451,700) | |
| TOTAL REVENUE ADJUSTMENTS | - | \$ (4,451,700) | \$ - |



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