



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: May 4, 2018

IBA Report Number: 18-12

Budget Review Committee Docket Date: May 8, 2018

Review of City Agencies FY 2019 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 8th, 2018. Our review is attached.

A handwritten signature in blue ink, appearing to read "Angela Colton".

Angela Colton
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 carries out redevelopment wind-down functions on behalf of the City in its role as the Successor Agency and the Housing Successor Entity to the former redevelopment agencies. These functions include preparing the annual Recognized Obligation Payment Schedule (ROPS), administering existing contractual obligations, making payments on enforceable obligations, project and property management and liquidating unencumbered assets.

Civic San Diego's activities also include functions outside of Successor Agency responsibilities. In the following sections, Civic San Diego's FY 2019 budget will be discussed as well as the FY 2019 budget for the City's Successor Agency.

Civic San Diego

In addition to administering Successor Agency and Housing Successor Entity wind-down activities, Civic San Diego also:

- Provides planning functions of the Downtown Community Plan, including design-review and issuing land devel-

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. The Southeastern Economic Development Corporation (SEDC) initially became a subsidiary corporation of Civic San Diego; and the two corporations were ultimately merged in early

opment permits

- Performs economic development and neighborhood investment activities within downtown and the former Southeastern Economic Development Corporation area, including seeking grants and new revenue sources
- Manages the Downtown Community Parking District
- Administers New Markets Tax Credits to increase economic development in underserved and distressed areas

SUMMARY OF CIVIC SAN DIEGO BUDGET CHANGES ¹					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2018 Adopted Budget	38.00	\$ 4,929,000	\$ 3,054,000	\$ 7,983,000	\$ 7,983,000
Programmatic Changes					
Successor Agency	(4.63)	(488,549)	(142,013)	(630,562)	(630,562)
Housing Successor Entity	(0.08)	(16,937)	16,873	(64)	(64)
Permit & Planning Functions	(1.37)	(169,536)	(25,343)	(194,879)	(194,879)
Community Investments	0.64	136,117	(319,569)	(183,452)	(183,451)
Parking Programs	1.03	159,186	71,810	230,996	230,995
New Markets Tax Credit	0.43	66,295	47,193	113,488	113,488
Other Programs	(0.02)	9,424	2,158,049	2,167,473	2,167,473
FY 2019 Proposed Budget	34.00	\$ 4,625,000	\$ 4,861,000	\$ 9,486,000	\$ 9,486,000
Difference from 2018 to 2019	(4.00)	\$ (304,000)	\$ 1,807,000	\$ 1,503,000	\$ 1,503,000

¹ Amounts may differ slightly off from Civic San Diego's report due to rounding.

City Agencies: Civic San Diego/Successor Agency

- Manages specific projects for the City of San Diego

Civic San Diego’s FY 2019 Proposed Budget was approved by its Board on March 28, 2018. Attached to the budget is Civic San Diego’s Work Plan for FY 2019, which includes a section on the status of projects from the FY 2018 Work Plan.

Significant Budget Adjustments

As shown on the previous page, Civic San Diego’s FY 2019 Proposed Budget totals approximately \$9.5 million. This is an increase of \$1.5 million, or 18.8%, over the FY 2018 Budget. The Successor Agency portion of the budget has been reduced by 4.63 FTE positions and approximately \$631,000, or 23.8%. This is a result of continued wind-down of activities related to the former redevelopment agency and less staff time needed for administrative services and management of enforceable obligations. It is anticipated that this budget will continue to decline in future years. However, the portion of Civic San Diego’s budget for the Housing Successor Entity remains basically unchanged.

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

Housing Successor Entity—The same legal entity as the City, the Housing Successor 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.

This is the first year that the Successor Agency and Housing Successor Entity functions combined no longer make up the largest portion of Civic San Diego’s budget. As shown in the following table, Other Programs are now the largest component

FY19 CIVIC SAN DIEGO FUNCTIONS	
Function	Expenditures
Successor Agency	2,023,757
Housing Successor Entity	965,778
Permit & Planning Functions	921,266
Community Investments	766,549
Parking Programs	735,769
New Markets Tax Credit	614,509
Other Programs	3,458,372
FY 2019 Proposed Budget	\$ 9,486,000

of the proposed budget.

The largest change in Civic San Diego’s budget from FY 2018 to FY 2019 is also in the area of Other Programs. This function increased by approximately \$2.2 million, which more than doubles the budget in this category. This is related to implementing specific projects in downtown in FY 2019. Of the approximately \$3.5 million budget in Other Programs, nearly \$2.7 million or 76.8% is for projects and capital outlay.

Successor Agency

In 2011, the California legislature passed AB26, 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 Diego, the City elected to serve as the former redevelopment agency’s Successor Agency for the purpose of winding down its operations, making payments on enforceable obligations, and liquidating unencumbered assets.

The Successor Agency is required to submit the Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance each year. The ROPS for

City Agencies: Civic San Diego/Successor Agency

FY 2019, also known as ROPS 12, was presented to City Council, as the Board of the Successor Agency, on January 9, 2018 and subsequently submitted to the Department of Finance on January 23, 2018 by Civic San Diego. The Department of Finance communicated its determination regarding the ROPS on April 13, 2018 with adjustments to various line items; however, the administrative and project management funding amounts requested were approved with no changes.

Successor Agency Funding

The total funding for administration and project management is approximately \$2.9 million as reflected in the table below. Project management funding is part of the Redevelopment Property Tax Trust Fund (RPTTF) distributions and administration activities are funded by a 3% administrative cost allowance. Successor Agency administration and project management activities are carried out by Civic San Diego as well as various City departments.

As stated above, the total funding approved by the Department of Finance for Administration and Project Management is approximately \$2.9 million for FY 2019. This consists of \$2.1 million from the 3% administrative cost allowance and

\$771,000 from RPTTF for project management.

The expenditure estimates prepared by Civic San Diego total \$3.0 million, or \$139,000 higher than the funding authorized by the Department of Finance. The overage is in the area of project management. Civic San Diego has indicated that the contingency amount of \$106,000, as shown in the table below, can be used to offset this shortfall, as well as any savings in other line items within the administration and project management expenditure plan.

SUCCESSOR AGENCY BUDGET (BASED ON ROPS 12)				
REVENUES	FTE	Administration	Project Management	Total
<i>ROPS - Admin Fee (3%)</i>	-	2,124,994	-	2,124,994
<i>ROPS - RPTTF</i>	-	-	770,957	770,957
FY 2019 Revenues	-	\$ 2,124,994	\$ 770,957	\$ 2,895,951
EXPENDITURES	FTE	Administration	Project Management	Total
<i>City Attorney's Office</i>	1.5	180,000	-	180,000
<i>Debt Management Department</i>	1.0	55,000	-	55,000
<i>Comptroller's Office</i>	4.0	181,553	-	181,553
<i>Economic Development Department</i>	1.5	100,000	327,144	427,144
<i>Civic San Diego</i>	23.0	1,011,469	583,192	1,594,661
<i>General Governmental Services</i>	-	490,722	-	490,722
<i>Contingency</i>	-	106,250	-	106,250
FY 2019 Expenditures	31.0	\$ 2,124,994	\$ 910,336	\$ 3,035,330

Office of the Independent Budget Analyst

May 2018