



THE CITY OF SAN DIEGO

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**OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT**

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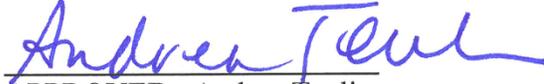
## **Review of City Agencies FY 2020 Budgets: Civic San Diego and Successor Agency**

The IBA has reviewed the proposed budgets for Civic San Diego and the Redevelopment Successor Agency, which are scheduled to be heard Tuesday, May 7<sup>th</sup>, 2019. Our review is attached.



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# 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 2020 Proposed Budget will be discussed as well as the FY 2020 Proposed 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

### 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 2013.

Downtown Community Plan, including design-review and issuing land development 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

SUMMARY OF CIVIC SAN DIEGO BUDGET CHANGES <sup>1</sup>					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	34.00	\$ 4,625,000	\$ 4,861,000	\$ 9,486,000	\$ 9,486,000
<b>Programmatic Changes</b>					
Successor Agency	(0.68)	(12,744)	40,763	28,019	28,019
Housing Successor Entity	(0.35)	(45,378)	15,256	(30,122)	(30,122)
Permit & Planning Functions	(0.18)	7,150	1,433	8,583	8,583
Community Investments	(0.28)	(31,829)	(171,071)	(202,900)	(202,900)
Parking Programs	(0.45)	(66,844)	(45,834)	(112,678)	(112,678)
New Markets Tax Credit	0.07	15,292	11,694	26,986	26,986
Other Programs	(0.13)	29,353	18,567,759	18,597,112	18,597,112
<b>FY 2020 Proposed Budget</b>	<b>32.00</b>	<b>\$ 4,520,000</b>	<b>\$ 23,281,000</b>	<b>\$ 27,801,000</b>	<b>\$ 27,801,000</b>
<b>Difference from 2019 to 2020</b>	<b>(2.00)</b>	<b>\$ (105,000)</b>	<b>\$ 18,420,000</b>	<b>\$ 18,315,000</b>	<b>\$ 18,315,000</b>

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

# City Agencies: Civic San Diego/Successor Agency

- Administers New Markets Tax Credits to increase economic development in underserved and distressed areas
- Manages specific projects for the City of San Diego, such as the East Village Green Park, and other programs

On March 29, 2019, an announcement was made concerning a settlement between the City, Civic San Diego, and the San Diego Building & Construction Trades Council that resolved litigation concerning some of the functions performed by Civic San Diego on behalf of the City. In the settlement, the City states that, upon final Council approval of the agreement, Civic San Diego will no longer operate as agent for the City for planning, permitting, and non-successor project management functions. This will return the Permit & Planning Functions, as well as the Parking Programs, back to the City. Further, the City will seek an amendment to the Operating Agreement that seeks to wind down the Successor Agency and Housing Successor Agency functions over the next five years, and no new municipal functions will be delegated to Civic San Diego.

Since the above referenced settlement has yet to be approved by the City Council, Civic San Diego has submitted this FY 2020 Proposed Budget in accordance with the existing Operating Agreement. How-

**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.

FY20 CIVIC SAN DIEGO FUNCTIONS	
Function	Expenditures
Successor Agency	2,051,777
Housing Successor Entity	935,655
Permit & Planning Functions	929,849
Community Investments	563,648
Parking Programs	623,092
New Markets Tax Credit	641,495
Other Programs	22,055,484
<b>FY 2020 Proposed Budget</b>	<b>\$ 27,801,000</b>

ever, it is anticipated that changes to both the Civic San Diego Proposed Budget as well as other City departments affected by the settlement will be presented as part of the May Revision.

Civic San Diego’s FY 2020 Proposed Budget was approved by its Board on March 27, 2019. Attached to the budget is Civic San Diego’s Work Plan for FY 2020, which includes a section on the status of projects from the FY 2019 Work Plan.

### Significant Budget Adjustments

As shown on the previous page, Civic San Diego’s FY 2020 Proposed Budget totals approximately \$27.8 million. This is an increase of \$18.3 million, or 193%, over the FY 2019 Adopted Budget. This increase is almost entirely in the Other Programs budget, and is for Phase I of the East Village Green project.

The Successor Agency and Housing Successor Entity portions of the budget have been reduced by 1.03 FTE positions and reduced expenditures by approximately \$2,000. 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.

In total, across all programs, Civic San Diego reduced 2 FTE positions and \$195,000

# City Agencies: Civic San Diego/Successor Agency

in non-capital expenditures. The two positions include a project manager and a public relations manager. The overall decrease in personnel expenses of \$105,000 are offset by an equal increase in overhead charges, including rent and leasehold improvements due to the end of Civic San Diego's current lease and the need to reconfigure the current office or potentially relocate. There is also a decrease of \$165,000 in community investment project costs since these costs will now be paid directly from the Growth Fund, and a decrease of \$30,000 in project costs for the Housing Successor function.

The largest change in Civic San Diego's budget from FY 2019 to FY 2020 is in the area of Other Programs. This function increased by \$18.6 million, or 537.7%. This is almost entirely related to major funding increases for the East Village Green project in FY 2020. Of the \$22.1 million budget in Other Programs, approximately \$18.5 million or 87.5% 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 (State DOF) each year. The ROPS for FY 2020, also known as ROPS 13, was presented to City Council, as the Board of the Successor Agency, on January 7, 2019 and subsequently submitted to the Department of Finance on February 1, 2019 by Civic San Diego. The State DOF communicated its determination regarding the ROPS on April 15, 2019 with adjustments to various line items, including the following reductions:

- \$9.6 million for the Park Boulevard At-Grade Crossing project. This is a CIP project with a total outstanding commitment from RPTTF of \$20.7 million.

SUCCESSOR AGENCY BUDGET (BASED ON ROPS 13)				
REVENUES	FTE	Administration	Project Management	Total
ROPS - Admin Fee (3%)	-	2,727,530	-	2,727,530
ROPS - RPTTF	-	-	872,424	872,424
<b>FY 2020 Revenues</b>	<b>-</b>	<b>\$ 2,727,530</b>	<b>\$ 872,424</b>	<b>\$ 3,599,954</b>
EXPENDITURES	FTE	Administration	Project Management	Total
City Attorney's Office	1.5	150,000	-	150,000
Debt Management Department	1.0	55,000	-	55,000
Comptroller's Office	4.0	207,672	-	207,672
Economic Development Department	1.5	200,000	282,624	482,624
Civic San Diego	23.0	1,413,433	589,800	2,003,233
General Governmental Services	-	565,048	-	565,048
Contingency	-	136,377	-	136,377
<b>FY 2020 Expenditures</b>	<b>31.0</b>	<b>\$ 2,727,530</b>	<b>\$ 872,424</b>	<b>\$ 3,599,954</b>

# City Agencies: Civic San Diego/Successor Agency

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Civic San Diego and the City have indicated that they will contest this rejection.

- \$9.3 million to be replaced with other funds already allocated to Civic San Diego. Civic San Diego indicates that this calculation is an error by the State DOF, and will most likely be overturned.
- \$4.3 million for a prior period adjustment. This amount will be accepted by Civic San Diego and the City.

Funding that is denied from the ROPS becomes part of the Redevelopment Property Tax Trust Fund (RPTTF) allocations and is distributed to the various tax entities in the region. For more information, see the property tax analysis in the IBA Review of the FY 2020 Proposed Budget under the Revenue Overview Section.

## **Successor Agency Funding**

The total funding for administration and project management is approximately \$3.6 million as reflected in the table on the previous page. Project management funding is part of the 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 and supported by 8.0 FTE positions in various City departments.

The total funding requested from the State DOF for Administration and Project Management is approximately \$3.6 million for FY 2020. This consists of \$2.7 million from the 3% administrative cost allowance and \$872,000 from RPTTF for project management. However, the State DOF rejection of the Park Boulevard At-Grade Crossing project, if upheld, would reduce the Civic San Diego project management budget by \$295,000.