



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 Redevelopment Agency 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 Redevelopment Agency'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.

REDEVELOPMENT AGENCY

The Fiscal Year 2011 Budget for the Redevelopment Agency project areas administered by City Redevelopment totals \$46.5 million and consists of five components: capital projects, low and moderate housing funds, tax sharing payments, long term debt, and an administrative budget. The capital project budget includes non-housing projects such as funding for land

acquisition, public works, property rehabilitation, and a variety of expenditures in support of these activities such as legal and economic analyses, planning and surveys, appraisals, property management, site clearance, and relocation activities. The budget also includes a Housing Enhancement Loan Program and new construction for affordable housing, payments to tax sharing entities and the Educational Revenue Augmentation Fund (ERAF), administrative costs including City services, and debt service obligations for long-term debt. The Fiscal Year 2011 Proposed Budget is funded primarily from tax increments, developer proceeds, interest/lease/note/other revenue, and prior year revenues.

The Redevelopment Agency is proposing a \$46.5 million expenditure budget for Fiscal Year 2011, which is a \$8.2 million or 15 percent decrease in the expenditure budget from Fiscal Year 2010. This decrease is due mostly to a reduction in Agency expenditures in Capital Projects of \$5.6 million or 28.3 percent, Low/Mod Housing of \$2.3 million or 26.8 percent, and Debt Service of \$1.5 million or 14 percent. There is actually an overall increase of \$0.4 million or 13.7 percent in Fiscal Year 2011 personnel expenditures. Further explanations of significant budget adjustments between Fiscal Year 2011 and 2010 are listed in **table 5**.

The Redevelopment Division positions, personnel, and non-personnel expenses are budgeted in the City of San Diego's Redevelopment Division within the City Planning & Community Investment Department. **Tables 1 and 2** reflect the separate expenses of the Redevelopment Division and Agency, although all expenses are paid for by the Redevelopment Agency. A discussion of the Division's significant budget adjustments between Fiscal Year 2011 and 2010 can be found in *Volume II: Department Detail* of the City of San Diego's Fiscal Year 2011 Proposed Budget. **Tables 1 and 2** reflect personnel expenditures that have been updated by Redevelopment staff since the City of San Diego's Fiscal Year 2010 Proposed Budget was published, to reflect the salaries of budgeted vacant positions.

Agency non-personnel expenses for Fiscal Year 2010 are projected to be \$2.1 million under-budget overall, a 4.1 percent decrease, due mainly to large projected expenditure decreases in Capital Projects of \$2.9 million or 15 percent and Low/Mod Housing of \$1.3 million or 15 percent. Redevelopment Division non-personnel expenditures are projected to be approximately \$21,651 or 6.8 percent over-budget in Fiscal Year 2010, while their personnel expenditures are projected to come in \$0.1 million or 3.7 percent under-budget.

The Redevelopment Agency's and Division's Fiscal Year 2010 projected expenditures are an overall decrease of \$31.5 million or 37.5 percent from Fiscal Year 2009 actual expenditures due mostly to overall decreases in Agency non-personnel expenditures. 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 REDEVELOPMENT AGENCY BUDGET SUMMARY
CITY REDEVELOPMENT PROJECT AREAS**

	FY 2009 Actual	FY 2010 Budget	FY 2010 Projected	FY 2011 Proposed Budget	FY 2010-2011 Change
Positions ¹	28.00	29.00	29.00	29.00	0.00
Personnel Expense ¹	\$ 2,803,161	\$ 3,080,143	\$ 2,967,617	\$ 3,501,753	\$ 421,610
NON-PERSONNEL (Redevelopment Division)	\$ 413,166	\$ 319,453	\$ 341,104	\$ 310,820	\$ (8,633)
NON-PERSONNEL (Redevelopment Agency)	\$ 80,813,759	\$51,295,577	\$ 49,174,702	\$ 42,701,045	\$ (8,594,532)
TOTAL	\$ 84,030,086	\$54,695,173	\$ 52,483,423	\$ 46,513,618	\$ (8,181,555)

¹All positions and personnel expenses are budgeted in the City of San Diego's Redevelopment Division within the City Planning & Community Investment Department. For further details on salary, fringe, non-personnel expenditures, and revenue for the Redevelopment Division, please refer to Volume II: Department Detail. Please note however that Redevelopment Division salaries may have been updated since the publication of the City's Proposed Budget, and that vacant positions budgeted at zero dollars in the City's Proposed budget are budgeted at full salary by the Agency in anticipation of filling those positions in Fiscal Year 2011.

Note: All Division expenses are paid for by the Redevelopment Agency. They are shown separately to reflect the administrative work done by City staff.

**TABLE 2 REDEVELOPMENT AGENCY EXPENDITURES
CITY REDEVELOPMENT PROJECT AREAS**

	FY 2009 Actual	FY 2010 Budget	FY 2010 Projected	FY 2011 Proposed Budget	FY 2010-2011 Change
PERSONNEL¹					
Salaries & Wages	\$ 1,832,955	\$ 2,109,257	\$ 1,916,251	\$ 2,182,652	\$ 73,395
Fringe Benefits	\$ 970,206	\$ 970,886	\$ 1,051,366	\$ 1,319,101	\$ 348,215
SUBTOTAL PERSONNEL	\$ 2,803,161	\$ 3,080,143	\$ 2,967,617	\$ 3,501,753	\$ 421,610
NON-PERSONNEL (Redevelopment Division)					
Supplies	\$ 14,191	\$ 17,853	\$ 16,966	\$ 17,853	\$ -
Contracts	\$ 286,405	\$ 180,936	\$ 200,582	\$ 181,408	\$ 472
Information Technology	\$ 84,878	\$ 101,005	\$ 103,437	\$ 88,893	\$ (12,112)
Energy and Utilities	\$ 15,197	\$ 2,912	\$ 3,650	\$ 5,713	\$ 2,801
Other	\$ 12,367	\$ 16,469	\$ 16,469	\$ 16,675	\$ 206
Capital Expenditures	\$ 128	\$ 278	\$ -	\$ 278	\$ -
SUBTOTAL NON-PERSONNEL (Redevelopment Division)	\$ 413,166	\$ 319,453	\$ 341,104	\$ 310,820	\$ (8,633)
NON-PERSONNEL (Redevelopment Agency)					
Capital Projects	\$ 40,030,331	\$ 19,661,934	\$ 16,712,644	\$ 14,096,135	\$ (5,565,799)
Low/Mod Housing	\$ 17,330,879	\$ 8,731,761	\$ 7,421,997	\$ 6,390,735	\$ (2,341,026)
Tax Sharing	\$ 10,797,667	\$ 12,280,300	\$ 13,017,118	\$ 13,075,155	\$ 794,855
Debt Service	\$ 12,654,881	\$ 10,621,582	\$ 12,022,942	\$ 9,139,020	\$ (1,482,562)
SUBTOTAL NON-PERSONNEL (Redevelopment Agency)	\$ 80,813,759	\$ 51,295,577	\$ 49,174,702	\$ 42,701,045	\$ (8,594,532)
TOTAL	\$ 84,030,086	\$ 54,695,173	\$ 52,483,423	\$ 46,513,618	\$ (8,181,555)

¹All positions and personnel expenses are budgeted in the City of San Diego's Redevelopment Division within the City Planning & Community Investment Department. For further details on salary, fringe, non-personnel expenditures, and revenue for the Redevelopment Division, please refer to Volume II: Department Detail. Please note however that Redevelopment Division salaries may have been updated since the publication of the City's Proposed Budget, and that vacant positions budgeted at zero dollars in the City's Proposed budget are budgeted at full salary by the Agency in anticipation of filling those positions in Fiscal Year 2011.

Note: All Division expenses are paid for by the Redevelopment Agency. They are shown separately to reflect the administrative work done by City staff.

The Redevelopment Agency reimburses various City of San Diego departments for services rendered. The Fiscal Year 2011 Proposed Budget for reimbursements is \$0.4 million or 8.4 percent higher than the Fiscal Year 2010 Budget due to increases in the Redevelopment Division Budget and reimbursements to Engineering and City Attorney. The Agency is projecting a decrease of \$0.3 million or 5.4 percent in reimbursement payments in Fiscal Year 2010 compared to what was budgeted. The Redevelopment Agency's Fiscal Year 2010 projection is an increase of \$0.4 million or 8.6 percent from Fiscal Year 2009 Actual expenditures. 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 REDEVELOPMENT AGENCY REIMBURSEMENTS TO DEPARTMENTS/ENTITIES CITY REDEVELOPMENT PROJECT AREAS					
Departments Receiving Reimbursement	FY 2009 Actual	FY 2010 Budget	FY 2010 Projected	FY 2011 Proposed Budget	FY 2010-FY 2011 Change
Redevelopment Division (City Planning & Community Investment)	\$ 3,215,352	\$ 3,399,596	\$ 3,276,008	\$ 3,812,573	\$ 412,977
City Comptroller	\$ 199,769	\$ 205,000	\$ 205,000	\$ 185,591	\$ (19,409)
City Attorney	\$ 417,990	\$ 450,000	\$ 450,000	\$ 485,944	\$ 35,944
City Clerk	\$ -	\$ 56,511	\$ -	\$ -	\$ (56,511)
City Treasurer	\$ -	\$ 12,800	\$ 6,500	\$ 8,400	\$ (4,400)
Debt Management	\$ 2,668	\$ 102,367	\$ 15,000	\$ 88,096	\$ (14,271)
Neighborhood Code Compliance (Development Services)	\$ 71,590	\$ 262,000	\$ 263,000	\$ 267,906	\$ 5,906
City Planning & Community Investment	\$ 27,744	\$ 72,000	\$ 72,000	\$ 72,000	\$ -
General Government Services Billing (GGSB)	\$ 242,968	\$ 243,913	\$ 243,913	\$ 201,388	\$ (42,525)
Facilities Financing	\$ 3,978	\$ -	\$ -	\$ -	\$ -
Real Estate Assets Department	\$ 2,973	\$ -	\$ -	\$ -	\$ -
Equal Opportunity Contracting	\$ -	\$ -	\$ 12,000	\$ 34,990	\$ 34,990
Engineering	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000
TOTAL	\$ 4,185,033	\$ 4,804,187	\$ 4,543,421	\$ 5,206,888	\$ 402,701

Table 4 lists revenue sources for the Redevelopment Agency, and records an overall revenue decrease of \$8.2 million or 15 percent due mainly to decreases of \$5.0 million or 100 percent in Line of Credit Proceeds and \$2.1 million or 4.4 percent in Tax Increment. The Agency attributes these decreases to lower tax property values and an end to the Agency's use of short-term financing as explained in table 5.

Revenues are projected to come in over-budget in Fiscal Year 2010 by \$2.8 million or 5.1 percent due to the increase in Line of Credit Proceeds of \$7.5 million or 150 percent, which offsets the projected revenue decrease of \$4.7 million or 10.1 percent in Tax Increment revenue. The Redevelopment Agency's Fiscal Year 2010 projected revenue is a decrease of \$3.8 million or 6.2 percent from Fiscal Year 2009 actual revenues. 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 REDEVELOPMENT AGENCY REVENUES CITY REDEVELOPMENT PROJECT AREAS					
Revenue Source	FY 2009 Actual	FY 2010 Budget	FY 2010 Projected	FY 2011 Proposed Budget	FY 2010-2011 Change
Tax Increment	\$ 48,246,592	\$ 46,967,410	\$ 42,238,542	\$ 44,916,224	\$ (2,051,186)
Line of Credit Proceeds	\$ 5,350,000	\$ 5,023,696	\$ 12,561,400	\$ -	\$ (5,023,696)
Developer Proceeds/Advances	\$ 318,500	\$ 302,000	\$ 302,000	\$ 445,472	\$ 143,472
Interest/Lease/Note/Other Revenue	\$ 3,693,691	\$ 618,641	\$ 618,641	\$ 391,466	\$ (227,175)
Revenue From Other Agency	\$ 256,141	\$ -	\$ -	\$ -	\$ -
Prior Year Revenues	\$ 3,451,000	\$ 1,798,945	\$ 1,798,945	\$ 760,458	\$ (1,038,487)
TOTAL	\$ 61,315,924	\$ 54,710,692	\$ 57,519,528	\$ 46,513,620	\$ (8,197,072)

**TABLE 5 REDEVELOPMENT AGENCY
SIGNIFICANT BUDGET ADJUSTMENTS
CITY REDEVELOPMENT PROJECT AREAS**

Significant Budget Adjustments	Position	Revenue	Expenses
Expenditure Adjustments (Redevelopment Agency)¹			
Adjustment reflects an overall reduction in expenditures mostly due to a reduction of anticipated Tax Increment, as well as an end to drawdowns from Line Of Credit short-term financing.			\$ 8,594,532
TOTAL EXPENSE ADJUSTMENTS	0.00	\$ -	\$ 8,594,532
Revenue Adjustments			
Adjustment reflects an overall reduction in revenue mostly due to a reduction in anticipated Tax Increment because of lower tax property values, as well as an end to the Agency's use of short-term financing.		\$ (8,197,072)	
TOTAL REVENUE ADJUSTMENTS	0.00	\$ (8,197,072)	\$ -

¹Significant budget adjustments for the City of San Diego's Redevelopment Division can be found in Volume II: Department Detail. Please note however that Redevelopment Division salaries may have been updated since the publication of the City's Proposed Budget, and that vacant positions budgeted at zero dollars in the City's Proposed budget are budgeted at full salary by the Agency in anticipation of filling those positions in Fiscal Year 2011.



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