



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: May 11, 2011 REPORT NO:
ATTENTION: Budget Review Committee
SUBJECT: Technical Review of Centre City Development Corporation Budget
REFERENCE: Fiscal Year 2012 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 2012 Proposed Budget. This report is submitted to the Budget Review Committee in order to show 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 Adopted 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), San Diego Employees' Retirement System (SDCERS), and the San Diego Data Processing Corporation (SDDPC). SDCERS is treated as an agency in the Fiscal Year 2012 Proposed Budget, unlike previous fiscal years in which SDCERS was included within the City of San Diego's budget. Redevelopment Agency, SEDC, and CCDC's budgets are not included in Volume I of the Fiscal Year 2012 Proposed Budget because information was not available in time for publication in the City's Proposed Budget due to uncertainties regarding Governor Brown's proposal to eliminate the State's redevelopment agencies. The City 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 Adopted Budgets. Agencies were asked to provide actual expenditures and revenues for Fiscal Year 2010 (either audited or unaudited), budgeted and projected expenditures and revenues for Fiscal Year 2011, and the proposed budget for Fiscal Year 2012.

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's Fiscal Year 2012 Proposed Budget consists of seven components: capital projects (\$12.3 million), Cooperation Agreement Payment - Capital Projects (\$31.4 million), Cooperation Agreement Payment - low and moderate income housing (\$11.0 million), tax sharing payments (\$17.0 million), long-term debt and City payments (\$60.2 million), and administration (\$8.2 million), for a total budget of \$140.1 million. The capital project component consists mainly of provisions for funding land acquisition as well as Horton Plaza Park and Open Space implementation. In addition to the capital project component in the Agency budget, the Agency is making payments (\$47.9 million) to the City in accordance with the Cooperation Agreement.

On February 28, 2011, the City of San Diego and the Redevelopment Agency entered into a Cooperation Agreement for Payment of Costs Associated with Certain Redevelopment Agency Funded Projects. Under the terms of this Cooperation Agreement, the Agency will provide funding to the City, and the City will implement identified redevelopment projects on the Agency's behalf, such as the acquisition, design, and implementation of Parks and Open Spaces and various public improvement in the Core/Columbia, Cortez, East Village, Horton Plaza, Little Italy, Gaslamp, and Marina neighborhoods. These public improvements include, but are not limited to, sidewalk improvements, street lights, medians, pop-out or traffic calming improvements, and way-finding signage, as well as funding for Low and Moderating Income Housing. The funding pursuant to this Cooperation Agreement is reflected in the Agency's Fiscal Year 2012 Proposed Budget.

CCDC's proposed \$140.1 million expenditure budget for Fiscal Year 2012 is a \$14.6 million or 9.4 percent decrease in the expenditure budget from Fiscal Year 2011. This decrease includes a net reduction of 1.50 full-time equivalent (FTE) positions and a reduction in overall personnel expenses of \$56,000 or 0.9 percent. In Fiscal Year 2012, there is also an overall decrease in non-personnel expenses by \$14.5 million or 9.8 percent from the Fiscal Year 2011 Budget due mainly to a \$35.7 million or 74.4 percent reduction in the Capital Projects budget (although funding for the Cooperation Agreement is provided in-lieu of Capital Projects), a \$15.6 million or 100 percent reduction in the Affordable Housing budget (although funding for the Cooperation Agreement is provided in-lieu of Affordable Housing projects), and a \$8.2 million or 32.4 percent decrease in Tax Sharing/ERAF payments. These reductions in non-personnel expense are partially mitigated by the addition of Low/Mod Housing and Non-Housing Cooperation Payments of \$11.0 million and \$31.4 million respectively for the non-administrative portions of the payments. Explanations of significant budget adjustments between Fiscal Years 2012 and 2011 are listed in **Table 6**.

Personnel and non-personnel expenses for Fiscal Year 2011 are projected to come in under-budget by \$0.8 million or 13.9 percent, and \$1.3 million or 0.9 percent respectively. Projected personnel expenses in Fiscal Year 2011 are \$0.1 million or 2.3 percent higher than actual expenditures in Fiscal Year 2010 due to a projected increase in wages for interns, though this increase is completely offset by a reduction in salaries and wages, in addition to increases in fringe benefits. Projected non-personnel expenses are \$8.4 million or 5.4 percent lower than actual non-personnel expenditures in Fiscal Year 2010 due to a \$31.7 million or 55.7 percent reduction in Tax Sharing/ERAF payments that was partially mitigated by increases of \$17.4 million or 58.8 percent in Capital Projects and \$5.2 million or 50.1 percent in Affordable

Housing line items. Details regarding Fiscal Year 2010 actual expenditures, Fiscal Year 2011 Budget and Projected Expenditures, and the Fiscal Year 2012 Proposed Budget, are displayed in **Tables 1 and 2.**

TABLE 1: CENTRE CITY DEVELOPMENT CORPORATION BUDGET SUMMARY					
	FY 2010 Actual	FY 2011 Budget	FY 2011 Projected	FY 2012 Proposed Budget	FY 2011-2012 Change
Positions	49.00	47.75	42.75	46.25	(1.50)
Personnel Expense	5,084,851	6,038,000	5,200,000	5,982,000	\$ (56,000)
Non-Personnel Expense	155,700,149	148,595,000	147,261,000	134,078,000	\$ (14,517,000)
TOTAL	\$ 160,785,000	\$ 154,633,000	\$ 152,461,000	\$ 140,060,000	\$ (14,573,000)

TABLE 2: CENTRE CITY DEVELOPMENT CORPORATION EXPENDITURES

	FY 2010 Actual	FY 2011 Budget	FY 2011 Projected	FY 2012 Proposed Budget	FY 2011-2012 Change
PERSONNEL					
Salaries & Wages	\$ 3,411,943	\$ 3,890,000	\$ 3,300,000	\$ 3,845,000	\$ (45,000)
Interns	\$ 57,983	\$ 90,000	\$ 90,000	\$ 76,000	\$ (14,000)
Overtime	\$ 10,743	\$ 20,000	\$ 10,000	\$ 18,000	\$ (2,000)
Fringe Benefits (health)	\$ 525,686	\$ 777,082	\$ 750,000	\$ 814,000	\$ 36,918
Fringe Benefits (pension) ¹	\$ 776,807	\$ 966,060	\$ 800,000	\$ 933,062	\$ (32,998)
Fringe Benefits (other) ^{1, 2}	\$ 301,689	\$ 294,858	\$ 250,000	\$ 295,938	\$ 1,080
SUBTOTAL PERSONNEL	\$ 5,084,851	\$ 6,038,000	\$ 5,200,000	\$ 5,982,000	\$ (56,000)
NON-PERSONNEL					
Corporation Professional Services	\$ 516,566	\$ 600,000	\$ 450,000	\$ 600,000	\$ -
Corporation Other G & A Expenses	\$ 1,268,240	\$ 1,729,000	\$ 1,510,000	\$ 1,580,000	\$ (149,000)
Capital Projects	\$ 29,576,343	\$ 47,933,000	\$ 46,968,000	\$ 12,276,000	\$ (35,657,000)
Affordable Housing	\$ 10,361,000	\$ 15,557,000	\$ 15,557,000	\$ -	\$ (15,557,000)
Tax Sharing/ERAF	\$ 56,820,000	\$ 25,159,000	\$ 25,159,000	\$ 17,000,000	\$ (8,159,000)
Debt Service/City Payments	\$ 57,158,000	\$ 57,617,000	\$ 57,617,000	\$ 60,178,000	\$ 2,561,000
Co-op Payment Low/Mod Housing ³	\$ -	\$ -	\$ -	\$ 11,031,000	\$ 11,031,000
Co-op Payment Non-Housing ⁴	\$ -	\$ -	\$ -	\$ 31,413,000	\$ 31,413,000
SUBTOTAL NON-PERSONNEL	\$ 155,700,149	\$ 148,595,000	\$ 147,261,000	\$ 134,078,000	\$ (14,517,000)
TOTAL	\$ 160,785,000	\$ 154,633,000	\$ 152,461,000	\$ 140,060,000	\$ (14,573,000)

¹In the City of San Diego's Fiscal Year 2011 Adopted Budget, CCDC's budget includes Fringe Benefits (pension) budgeted at \$967,642 and Fringe Benefits (other) budgeted at \$293,276. While the overall fringe total remains the same, the amounts listed for Fringe Benefits (pension) and (other) have been changed slightly to reflect what was actually approved by the Redevelopment Agency.

²Other Fringe Benefits are: Life insurance, Long-Term Disability, Federal Medicare Insurance, Unemployment Insurance, Transit/Parking, Tuition Reimbursement, 125 Plan-Flex Benefit, Management Package, Vacation-In-Lieu, Employee Assistance Program, and Contingency for fringe benefits.

³The FY 2012 Cooperation Payment Low/Mod Housing is actually \$11.8 million, but \$0.8 million of the \$11.8 million is represented by CCDC administration accounted for in the Personnel section and the Non-Personnel Corporation Professional Services and Corporation Other G & A Expenses line items.

⁴The FY 2012 Cooperation Payment Non-Housing is actually \$36.1 million for Fiscal Year 2012, but \$4.6 million of the \$36.1 million is represented by CCDC administration accounted for in the Personnel section and the Non-Personnel Corporation Professional Services and Corporation Other G & A Expenses line items.

CCDC's budget includes reimbursements to various City of San Diego departments and other entities for services rendered. The Fiscal Year 2012 Proposed Budget for reimbursements is equal to the Fiscal Year 2011 Budget of \$2.2 million. CCDC is projecting a \$0.4 million or 19 percent reduction in their Fiscal Year 2011 reimbursements due mainly to the reduction of \$0.2 million of projected spending for the Other/Misc./Contingency line item, and a reduction of \$0.2 million or 37.5 percent in projected reimbursements to the City Attorney. The Fiscal Year 2011 Projected Reimbursement Budget is a \$0.2 million or 14.5 percent increase over Fiscal Year 2010 actual expenditures due to increases in most line items, most significantly for the City Attorney's department reimbursement which increased \$0.1 million or 97.6 percent.

Details regarding Fiscal Year 2010 Actual Reimbursements, Fiscal Year 2011 Budget and Projected Reimbursements, and the Fiscal Year 2012 Proposed Budget, are displayed in **Table 3**.

TABLE 3: CENTRE CITY DEVELOPMENT CORPORATION REIMBURSEMENTS TO DEPARTMENTS/ENTITIES					
Departments/Entities	FY 2010 Actual	FY 2011 Budget	FY 2011 Projected	FY 2012 Proposed Budget	FY 2011-2012 Change
City Attorney	\$ 126,543	\$ 400,000	\$ 250,000	\$ 300,000	\$ (100,000)
City Comptroller	\$ 217,108	\$ 225,000	\$ 225,000	\$ 225,000	\$ -
City Planning & Community Investment ¹	\$ 4,514	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
City Treasurer	\$ 190,519	\$ 200,000	\$ 175,000	\$ 200,000	\$ -
General Government Services	\$ 488,370	\$ 550,000	\$ 500,000	\$ 500,000	\$ (50,000)
Homeless Coordinator	\$ 13,471	\$ 21,500	\$ 21,500	\$ 21,500	\$ -
Maintenance District	\$ 157,301	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Neighborhood Code Compliance	\$ 278,649	\$ 301,000	\$ 301,000	\$ 301,000	\$ -
Other/Misc./Contingency	\$ -	\$ 192,500	\$ -	\$ 12,500	\$ (180,000)
Purchasing-EEO	\$ -	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Redevelopment Division	\$ 80,929	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
SAP-AR Support	\$ -	\$ -	\$ -	\$ 330,000	\$ 330,000
TOTAL	\$ 1,557,404	\$ 2,200,000	\$ 1,782,500	\$ 2,200,000	\$ -

Note: Reimbursement to Departments/Entities are represented here regardless of whether or not they are budgeted under the Agency or under the Co-operation Agreement.

¹In FY 2012 the City Planning & Community Investment Department has merged with the Development Services Department.

CCDC lists \$140.1 million in revenue in their Fiscal Year 2012 Proposed Budget, a decrease of \$14.6 million or 9.4 percent from the Fiscal Year 2011 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 a decrease in miscellaneous/prior year revenues, which is mitigated somewhat by an increase in revenues from other Agencies. Revenues for the Fiscal Year 2012 Proposed Budget equal CCDC's expenditures.

Revenues for Fiscal Year 2011 are projected to come in \$25,665 or 0.02 percent under-budget overall. Projected revenues in Fiscal Year 2011 are \$2.0 million or 1.3 percent higher than Fiscal Year 2010 actual revenues due to a \$11.6 million or 200.6 percent increase in Misc./Prior Year revenue that is partially mitigated by decreases in every other line item. Details regarding Fiscal Year 2010 Actual Revenues, Fiscal Year 2011 Budget and Projected Revenues, and the Fiscal Year 2012 Proposed Revenues, are displayed in **Table 4**.

Revenue Source	FY 2010 Actual	FY 2011 Budget	FY 2011 Projected	FY 2012 Proposed Budget	FY 2011-2012 Change
Tax Increment	\$ 129,296,000	\$ 125,259,000	\$ 123,729,000	\$ 122,014,000	\$ (3,245,000)
Developer Proceeds	\$ 2,511,000	\$ 1,801,000	\$ 1,801,000	\$ 1,700,000	\$ (101,000)
Interest, Rent & Other Revenue	\$ 12,648,000	\$ 11,652,000	\$ 11,652,000	\$ 7,088,000	\$ (4,564,000)
Revenues from Other Agencies	\$ 2,353,000	\$ -	\$ -	\$ 4,442,000	\$ 4,442,000
Misc./Prior Year	\$ 5,796,000	\$ 15,921,000	\$ 17,425,335	\$ 4,816,000	\$ (11,105,000)
TOTAL	\$ 152,604,000	\$ 154,633,000	\$ 154,607,335	\$ 140,060,000	\$ (14,573,000)

CCDC salaries are budgeted at \$3.9 million in their Fiscal Year 2012 Proposed Budget, a decrease from Fiscal Year 2011 of \$61,000 or 1.5 percent, and fringe benefits are budgeted at \$2.0 million, an increase from Fiscal Year 2011 of \$5,000 or 0.2 percent. As stated in **Table 6**, there was a net reduction of 1.50 FTE in FY 2012, however personnel expenses did not decrease substantially due in part to the \$44,040 or 110.1 percent increase in Salary Increases over FY 2011. Additional details regarding salaries, overtime, and salary increases for the Fiscal Year 2011 Budget and the Fiscal Year 2012 Proposed Budget, are displayed in **Table 5** below.

Position Title	FY 2011 Budget					FY 2012 Proposed Budget				
	FTE	Base Salary	Salary Increases (Merit, Bonus, etc.)	Salary Subtotal	Fringe Benefits ¹	FTE	Base Salary	Salary Increases (Merit, Bonus, etc.)	Salary Subtotal	Fringe Benefits ¹
President & COO	1.00	\$ 225,000	\$ -	\$ 225,000	\$ 121,751	1.00	225,000	\$ -	\$ 225,000	\$ 122,459
Executive Vice President & CFO	1.00	\$ 176,800	\$ -	\$ 176,800	\$ 96,419	1.00	176,800	\$ 5,200	\$ 182,000	\$ 99,629
Vice President	3.00	\$ 378,220	\$ 9,000	\$ 387,220	\$ 214,007	3.00	355,500	\$ 14,000	\$ 369,500	\$ 208,178
Assistant Vice President	4.00	\$ 421,755	\$ 6,000	\$ 427,755	\$ 224,811	3.00	338,000	\$ 10,500	\$ 348,500	\$ 191,028
Senior Project Manager	6.00	\$ 609,717	\$ 9,000	\$ 618,717	\$ 325,173	7.00	703,437	\$ 11,563	\$ 715,000	\$ 379,613
Associate/Assistant Project Manager	2.00	\$ 135,540	\$ -	\$ 135,540	\$ 71,234	2.00	135,540	\$ 1,591	\$ 137,131	\$ 72,807
Managers: Marketing, IT, Contracting	5.00	\$ 375,230	\$ -	\$ 375,230	\$ 197,206	4.00	304,000	\$ 8,600	\$ 312,600	\$ 165,968
Planner	6.00	\$ 420,630	\$ 8,000	\$ 428,630	\$ 225,271	6.00	427,860	\$ 14,110	\$ 441,970	\$ 234,654
Specialist: Marketing, Graphic, EEO, IT, GIS	4.75	\$ 275,753	\$ 4,500	\$ 280,253	\$ 147,290	4.25	259,753	\$ 3,575	\$ 263,328	\$ 139,808
Accountants & Financial Analysts	5.00	\$ 329,980	\$ -	\$ 329,980	\$ 173,424	5.00	332,710	\$ 6,790	\$ 339,500	\$ 180,250
Confidential Assistant & Board Liaison	1.00	\$ 69,216	\$ 3,500	\$ 72,716	\$ 38,217	1.00	73,000	\$ 1,800	\$ 74,800	\$ 39,713
Executive and Administrative Assistant	5.00	\$ 255,529	\$ -	\$ 255,529	\$ 134,296	5.00	255,529	\$ 1,921	\$ 257,450	\$ 136,687
Clerical Support	4.00	\$ 131,100	\$ -	\$ 131,100	\$ 68,901	4.00	131,610	\$ 4,390	\$ 136,000	\$ 72,206
Overtime	-	\$ 20,000	\$ -	\$ 20,000	\$ -	-	18,000	\$ -	\$ 18,000	\$ -
Interns	-	\$ 90,000	\$ -	\$ 90,000	\$ -	-	76,000	\$ -	\$ 76,000	\$ -
Contingency ²	-	\$ 45,530	\$ -	\$ 45,530	\$ -	-	42,221	\$ -	\$ 42,221	\$ -
TOTAL	47.75	\$3,960,000	\$ 40,000	\$4,000,000	\$2,038,000	46.25	\$3,854,960	\$ 84,040	\$3,939,000	\$ 2,043,000

¹Fringe 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.

²Contingency 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 severance package, promotions, or a retention adjustment.

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

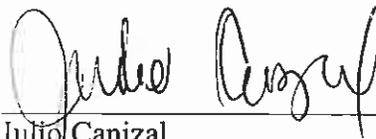
Significant Budget Adjustments	Position	Revenue	Expenses
Salaries and Benefits Adjustments			
The budget reflects a net reduction of 1.50 FTE positions consisting of the reduction of 2.50 positions and the addition of 1.00 new position. The decreases represent a reduction of 1.00 Assistant Vice President, 1.00 Community Outreach Manager, and 0.50 Communication Specialist positions. The addition of 1.00 new position is for an Economic Development Sr. Project Manager.	(1.50)	\$ -	\$ (56,000)
Non-Personnel Expenditure Adjustments			
General administrative expense decrease 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.	-	\$ -	\$ (149,000)
Capital Projects decreased due to the Cooperation Agreement payment between the City and Agency.	-	\$ -	\$ (35,657,000)
Affordable Housing decrease reflects a reduction of available revenue for Affordable Housing Capital Projects.	-	\$ -	\$ (15,557,000)
Tax Sharing/ERAF reduction reflects the fact that the State-mandated ERAF payment has not been requested in FY 2012.	-	\$ -	\$ (8,159,000)
Debt Service & City Payments increase reflects an increase in City payments due to the programmed repayment of City loans.	-	\$ -	\$ 2,561,000
Co-op Low/Mod Housing Payment is new in Fiscal Year 2012 and reflects the payments required to be made under the Cooperation Agreement between the Redevelopment Agency and the City of San Diego.	-	\$ -	\$ 11,031,000
Co-op Non-Housing Payment is new in Fiscal Year 2012 and reflects the payments required to be made under the cooperation agreement between the Redevelopment Agency and the City of San Diego.	-	\$ -	\$ 31,413,000
TOTAL EXPENSE ADJUSTMENTS	(1.50)	\$ -	\$ (14,573,000)

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

Significant Budget Adjustments	Position	Revenue	Expenses
Revenue Adjustments			
Tax Increment decrease due to estimated lower property taxes and appeals.	-	\$ (3,245,000)	\$ -
Developer Proceed/Pass Throughs decreased due to lower estimated Developer Impact Fees (DIF) as a result of decreased development activity.	-	\$ (101,000)	\$ -
Interest, Rent & Other Revenue decrease is due to the transfer of Agency assets to the City. It is assumed that the City will collect this revenue and use it to support the Cooperation Agreement between the City and Agency.	-	\$ (4,564,000)	\$ -
Revenues from Other Agencies addition due to an increase in grants received for capital projects.	-	\$ 4,442,000	\$ -
Misc./Prior Year revenue decreased due to less prior year budget available than in Fiscal Year 2011.	-	\$ (11,105,000)	\$ -
TOTAL REVENUE ADJUSTMENTS	-	\$ (14,573,000)	\$ -



Mark Leonard
Financial Management Director



Julio Canizal
Budget Manager