



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 Redevelopment Agency 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.

REDEVELOPMENT AGENCY

The Fiscal Year 2012 Budget for the Redevelopment Agency project areas administered by City Redevelopment totals \$44.9 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 other related redevelopment activities. The budget also includes a Housing Enhancement Loan Program and affordable housing, payments to tax sharing entities, administrative costs including City services, and debt service obligations for long-term debt. The Fiscal Year 2012 Proposed Budget is funded primarily from tax increments and developer proceeds.

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. The funding pursuant to this Cooperation Agreement is reflected in the Agency's Fiscal Year 2012 Proposed Budget.

The Redevelopment Agency is proposing a \$44.9 million expenditure budget for Fiscal Year 2012, which is a \$1.6 million or 3.4 percent decrease in the expenditure budget from Fiscal Year 2011. This decrease is due to a reduction in anticipated tax increment. Agency expenditures in Capital Projects, Low/Mod Housing, and Tax Sharing declined by \$7.7 million or 54.9 percent, \$3.7 million or 58.1 percent, and \$2.8 million or 21.6 percent, respectively. Debt Service increased by \$12.7 million or 139.5 percent which includes funding for Cooperation Agreement projects. There is an overall decrease of \$42,514 or 1.2 percent in Fiscal Year 2012 personnel expenditures. Further explanations of significant budget adjustments between Fiscal Year 2012 and 2011 are listed in **Table 5**.

The Redevelopment Department's positions, personnel, and non-personnel expenses are budgeted in the City of San Diego's Redevelopment Department. This department was formerly a division within the City of San Diego's City Planning & Community Investment Department. In the Fiscal Year 2012 Proposed Budget, this division is now a stand-alone department within the City Planning & Development Business Center. **Tables 1 and 2** reflect the separate expenses of the Redevelopment Department and Agency, although all expenses are paid for by the Redevelopment Agency. A discussion of the Redevelopment Department's significant budget adjustments between Fiscal Year 2012 and 2011 and salary schedule can be found in *Volume II: Department Detail* of the City of San Diego's Fiscal Year 2012 Proposed Budget.

Agency non-personnel expenses for Fiscal Year 2011 are projected to be \$124.9 million or 292.4 percent over-budget. While continuing appropriations contribute to the overall expenditure increase, the Fiscal Year 2011 projection includes the payment of \$72.6 million to the City pursuant to the Cooperation Agreement, as well as payoffs of Lines of Credit totaling \$40.2 million and various developer loans.

The Redevelopment Agency's and Department's Fiscal Year 2011 projected expenditures are an overall increase of \$99.7 million or 139.7 percent from Fiscal Year 2010 actual expenditures due mostly to the aforementioned transfer of \$72.6 million to the City for the funding of Cooperation Agreement projects, as well as the payoffs of Lines of Credit and several developer loans that were made upon issuance of the recent 2010 Bonds. 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: REDEVELOPMENT AGENCY BUDGET SUMMARY CITY REDEVELOPMENT PROJECT AREAS					
	FY 2010 Actual	FY 2011² Budget	FY 2011 Projected	FY 2012 Proposed Budget	FY 2011-2012 Change
Positions ¹	29.00	29.00	29.00	31.50	2.50
Personnel Expense ¹	2,916,923	3,501,753	3,177,183	3,459,239	\$ (42,514)
Non-Personnel Expense ¹ (Redevelopment Department)	256,972	310,820	312,514	325,883	\$ 15,063
Non-Personnel Expense (Redevelopment Agency)	\$ 68,189,138	\$ 42,701,045	\$ 167,571,501	\$ 41,166,307	\$ (1,534,738)
TOTAL	\$ 71,363,034	\$ 46,513,618	\$ 171,061,198	\$ 44,951,429	\$ (1,562,189)

¹Budgeted within the City of San Diego's Redevelopment Department. For further details on salary, fringe, non-personnel expenditures, and revenue for the Redevelopment Department please refer to Volume II: Department Detail. Note that all department expenses are paid for by the Redevelopment Agency. They are shown separately to reflect the administrative work done by City staff.

²Source: Redevelopment Agency Fiscal Year 2011 Budget. These Fiscal Year 2011 Budget figures do not match the Fiscal Year 2011 Adopted Budget publication because the Fiscal Year 2011 budget was approved by the San Diego Redevelopment Agency Board after the information was submitted to the City for publication.

Note: The Redevelopment Agency has not increased positions from Fiscal Year 2011 to Fiscal Year 2012. The 2.50 FTE change is for interns that were equally funded in both fiscal years, but not counted as an FTE in Fiscal Year 2011.

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

	FY 2010 Actual	FY 2011 Budget ⁵	FY 2011 Projected	FY 2012 Proposed Budget	FY 2011-2012 Change
PERSONNEL¹					
Salaries & Wages	\$ 1,869,372	\$ 2,182,652	\$ 1,926,390	\$ 2,068,367	\$ (114,285)
Fringe Benefits	\$ 1,047,551	\$ 1,319,101	\$ 1,250,793	\$ 1,390,872	\$ 71,771
SUBTOTAL PERSONNEL	\$ 2,916,923	\$ 3,501,753	\$ 3,177,183	\$ 3,459,239	\$ (42,514)
NON-PERSONNEL (Redevelopment Department)					
Supplies and Services	\$ 183,015	\$ 209,077	\$ 199,913	\$ 201,374	\$ (7,703)
Information Technologies	\$ 54,272	\$ 86,085	\$ 90,183	\$ 70,136	\$ (15,949)
Energy and Utilities	\$ 4,886	\$ 14,758	\$ 5,712	\$ 6,195	\$ (8,563)
Other	\$ 14,799	\$ 900	\$ 16,706	\$ 48,178	\$ 47,278
SUBTOTAL NON-PERSONNEL (Redevelopment Department)	\$ 256,972	\$ 310,820	\$ 312,514	\$ 325,883	\$ 15,063
NON-PERSONNEL (Redevelopment Agency)					
Capital Projects ²	\$ 6,698,355	\$ 14,096,135	\$ 13,555,241	\$ 6,353,667	\$ (7,742,468)
Low/Mod Housing	\$ 18,401,344	\$ 6,390,735	\$ 11,995,768	\$ 2,674,951	\$ (3,715,784)
Tax Sharing	\$ 25,615,935	\$ 13,075,155	\$ 13,075,155	\$ 10,251,542	\$ (2,823,613)
Debt Service ^{3,4}	\$ 17,473,505	\$ 9,139,020	\$ 128,945,338	\$ 21,886,146	\$ 12,747,126
SUBTOTAL NON-PERSONNEL (Redevelopment Agency)	\$ 68,189,138	\$ 42,701,045	\$ 167,571,501	\$ 41,166,307	\$ (1,534,738)
TOTAL	\$ 71,363,034	\$ 46,513,618	\$ 171,061,198	\$ 44,951,429	\$ (1,562,189)

¹Budgeted within the City of San Diego's Redevelopment Department. For further details on salary, fringe, non-personnel expenditures, and revenue for the Redevelopment Department please refer to Volume II: Department Detail. Note that all department expenses are paid for by the Redevelopment Agency. They are shown separately to reflect the administrative work done by City staff.

²The Capital Projects category includes administrative costs incurred directly by the Agency. However, for budget display purposes (Agency Budget) administrative costs are displayed in a separate category (Administration) in the Agency's budget document. Accordingly, though technically correct, the Capital Projects budget in this table will appear higher than what is represented in the Agency budget document.

³Fiscal Year 2011 Projection includes payment of \$72,570,045 to the City pursuant to the Cooperation Agreement for Payment of Costs Associated with Certain Redevelopment Agency Funded Projects, executed on February 28, 2011.

⁴Fiscal Year 2011 Projection includes payoffs of Lines of Credit (\$40,248,626) and various developer loans which occurred after issuance of the 2010 Bonds.

⁵Source: Redevelopment Agency Fiscal Year 2011 Budget. These Fiscal Year 2011 Budget figures do not match the Fiscal Year 2011 Adopted Budget publication because the Fiscal Year 2011 budget was approved by the San Diego Redevelopment Agency Board after the information was submitted to the City for publication.

The Redevelopment Agency reimburses various City of San Diego departments for services rendered. The Fiscal Year 2012 Proposed Budget for reimbursements is \$0.4 million or 7.5 percent higher than the Fiscal Year 2011 Budget due primarily to increased reimbursements to the Neighborhood Code Compliance Department, General Government Services Billing (GGSB), and SAP Application support. The Agency is projecting reimbursement payments to be under-budget by \$0.3 million or 5.4 percent in Fiscal Year 2011. The Redevelopment Agency's Fiscal Year 2011 projection is an increase of \$0.6 million or 15.0 percent from Fiscal Year 2010 Actual expenditures. 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: REDEVELOPMENT AGENCY REIMBURSEMENTS TO DEPARTMENTS/ENTITIES CITY REDEVELOPMENT PROJECT AREAS					
Departments/Entities	FY 2010 Actual	FY 2011 Budget²	FY 2011 Projected	FY 2012 Proposed Budget	FY 2011-2012 Change
Redevelopment Department	\$ 3,173,896	\$ 3,812,573	\$ 3,489,697	\$ 3,785,122	\$ (27,451)
Comptroller Office	\$ 207,626	\$ 185,591	\$ 185,591	\$ 194,871	\$ 9,280
City Attorney	\$ 471,930	\$ 485,944	\$ 485,944	\$ 471,271	\$ (14,673)
City Treasurer	\$ 3,311	\$ 8,400	\$ 48,000	\$ 51,100	\$ 42,700
Debt Management	\$ 12,435	\$ 88,096	\$ 88,096	\$ 49,200	\$ (38,896)
Neighborhood Code Compliance Department ¹	\$ 222,703	\$ 267,906	\$ 267,906	\$ 386,380	\$ 118,474
City Planning & Community Investment	\$ 86,857	\$ 72,000	\$ 72,000	\$ 88,000	\$ 16,000
General Government Services Billing (GGSB)	\$ 103,683	\$ 201,388	\$ 201,388	\$ 313,916	\$ 112,528
Equal Opportunity Contracting	\$ -	\$ 34,990	\$ 34,990	\$ 36,740	\$ 1,750
Engineering	\$ -	\$ 50,000	\$ 50,000	\$ 52,500	\$ 2,500
SAP Application Support	\$ -	\$ -	\$ -	\$ 167,858	\$ 167,858
TOTAL	\$ 4,282,441	\$ 5,206,888	\$ 4,923,612	\$ 5,596,958	\$ 390,070

¹Reimbursement amount for Neighborhood Code Compliance Department (Code Enforcement services). Fiscal Year 2012 funding is provided through a combination of Cooperation Agreement carryover and Agency budget.

²Source: Redevelopment Agency Fiscal Year 2011 Budget. These Fiscal Year 2011 Budget figures do not match the Fiscal Year 2011 Adopted Budget publication because the Fiscal Year 2011 budget was approved by the San Diego Redevelopment Agency Board after the information was submitted to the City for publication.

Table 4 lists revenue sources for the Redevelopment Agency, and shows an overall revenue decrease of \$1.6 million or 3.4 percent due mainly to decreases of \$0.8 million or 100 percent in Prior Year Revenues, \$0.4 million or 0.9 percent in Tax Increment, and \$0.3 million or 84.9 percent in Interest/Lease/Note/Other Revenue. The Agency attributes these decreases to reductions in property tax, lease, and interest revenue as explained in **Table 5**.

Revenues are projected to come in over budget in Fiscal Year 2011 by \$105.5 million or 226.9 percent due to the issuance of seven series of Bonds totaling \$106.4 Million. 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**.

**TABLE 4: REDEVELOPMENT AGENCY REVENUES
CITY REDEVELOPMENT PROJECT AREAS**

Revenue Source	FY 2010 Actual	FY 2011 Budget ¹	FY 2011 Projected	FY 2012 Proposed Budget	FY 2011-2012 Change
Tax Increment	\$ 45,840,212	\$ 44,916,224	\$ 44,104,602	\$ 44,501,000	\$ (415,224)
Line of Credit / Bond Proceeds	\$ 12,561,400	\$ -	\$ 106,400,000	\$ -	\$ -
Developer Proceeds/Advances	\$ 302,000	\$ 445,472	\$ 445,472	\$ 391,200	\$ (54,272)
Interest/Lease/Note/Other Revenue	\$ 618,641	\$ 391,466	\$ 330,000	\$ 59,100	\$ (332,366)
Prior Year Revenues	\$ 1,798,945	\$ 760,458	\$ 760,458	\$ -	\$ (760,458)
TOTAL	\$ 61,121,198	\$ 46,513,620	\$ 152,040,532	\$ 44,951,300	\$ (1,562,320)

¹Source: Redevelopment Agency Fiscal Year 2011 Budget. These Fiscal Year 2011 Budget figures do not match the Fiscal Year 2011 Adopted Budget publication because the Fiscal Year 2011 budget was approved by the San Diego Redevelopment Agency Board after the information was submitted to the City for publication.

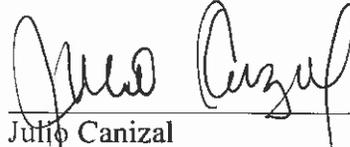
**TABLE 5: REDEVELOPMENT AGENCY
SIGNIFICANT BUDGET ADJUSTMENTS
CITY REDEVELOPMENT PROJECT AREAS**

Significant Budget Adjustments ¹	Position	Revenue	Expenses
Salaries and Benefits Adjustments			
Accounting for intern program in terms of staffing (FTE or full-time equivalent). No expenditure change.	2.50	\$ -	\$ -
Non-Personnel Expenditure Adjustments			
Reduction in expenditures due to a reduction in anticipated Tax Increment.	-	\$ -	\$ (1,562,189)
TOTAL EXPENSE ADJUSTMENTS	2.50	\$ -	\$ (1,562,189)
Revenue Adjustments			
Reduction in revenue due to reduction in property tax, lease revenue and interest revenue.	-	\$ (1,562,320)	\$ -
TOTAL REVENUE ADJUSTMENTS	0.00	\$ (1,562,320)	\$ -

¹Significant budget adjustments for the City of San Diego's Redevelopment Department can be found in Volume II: Department Detail.



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