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REPORT TO THE COMMITTEE ON BUDGET AND FINANCE

BUDGET PROCESS OF THE REDEVELOPMENT AGENCY OF THE CITY OF
SAN DIEGO

INTRODUCTION

This report addresses questions raised by members of the Budget and Finance Committee regarding the process for adopting the budget of the Redevelopment Agency of the City of San Diego (Redevelopment Agency), including amending the budget after adoption.

DISCUSSION

The Redevelopment Agency was established pursuant to the Community Redevelopment Law and activated by the City Council in 1959. Pursuant to California Health & Safety Code section 33200, the City Council serves as the Board of the Redevelopment Agency but the City and the Redevelopment Agency are separate legal entities and have distinct budgetary processes. The Redevelopment Agency is required to adopt an annual budget containing certain specified information, including: proposed expenditures and indebtedness; anticipated revenues; a work program for the coming year; and an examination of the activities of the previous year. Cal. Health & Safety Code § 33606. The adopted budget may be amended by the Redevelopment Agency and all expenditures and indebtedness of the Redevelopment Agency must be in conformity with the adopted or amended budget. *Id.*

The Redevelopment Agency contains three budgetary entities: the Redevelopment Department¹ of the City; the Centre City Development Corporation (CCDC); and the Southeastern Economic Development Corporation (SEDC). Each of these entities does project implementation work for the Redevelopment Agency. Each corporation is required, pursuant to its operating agreement² with the Redevelopment Agency, to produce a "Corporation Budget" detailing revenues and expenditures for the administration of the corporation, and a "Project Budget" showing the revenues and expenditures for each project area administered by the corporation. Operating Agreements, §§ 1.05 and 1.06. Prior to submission to the Board of the

¹ For fiscal year 2011 and for prior fiscal years, the Redevelopment Department, then known as the Redevelopment Division, was a division within the City's Planning & Community Investment Department.

² The operating agreements and bylaws of both CCDC, and SEDC were amended in 2010 to bring them into conformity with each other and to allow the Redevelopment Agency and the City to exert greater control over the corporations.

Redevelopment Agency, the corporation's budget must be reviewed by its corporate board and the Chief Financial Officer of the City. Bylaws, Art. 9, § 1; Operating Agreements, §§ 1.05 and 1.06. The Board of the Redevelopment Agency has unlimited discretion to approve or revise the proposed budgets of the corporations. Operating Agreements, §§ 1.07, 1.08. The Redevelopment Department prepares a Project Budget, which also includes its administrative expenses.³ The Redevelopment Department's administrative budget also appears in the City's budget, where the costs are incurred.⁴ The Redevelopment Agency reimburses the City for costs related to redevelopment administrative activities, including staff, accounting, legal, and other necessary expenses charged to the Redevelopment Division, CCDC, and SEDC.⁵

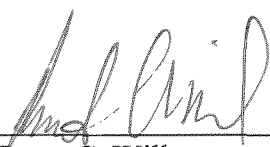
Collectively, the budget of the Redevelopment Division and the Corporation and Project Budgets of CCDC and SEDC make up the agency-wide budget of the Redevelopment Agency. The Board of the Redevelopment Agency approves the budget via resolutions, which also appropriate the necessary funds. Any subsequent amendment to the budget of the Redevelopment Agency could be accomplished by adopting another resolution to amend the approved budget.

CONCLUSION

The Board of the Redevelopment Agency is responsible for adopting the budget of the Redevelopment Agency and has unlimited discretion to amend the adopted budget.

Respectfully submitted,

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By 

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³ All Redevelopment Department administrative costs are charged to the Redevelopment Agency's Capital Projects and Low and Moderate Income Housing funds. For convenience, these expenses are separated out in the Redevelopment Department's section of the Redevelopment Agency's budget to allow for comparison with the corporations' administrative expenses.

⁴ As noted in footnote 1, the Redevelopment Department's budget for fiscal year 2011 and prior fiscal years is included in the Planning & Community Investment Department. As of fiscal year 2012, the Redevelopment Department will appear in the City's budget as a separate department.

⁵ The legal relationship between the City and the Redevelopment Agency with respect to administrative services is laid out in the First Amended Agreement between the City and the Redevelopment Agency dated August 14, 1991, wherein the City agreed to provide all administrative services requested by the Redevelopment Agency.