



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: May 5, 2015 REPORT NO:
ATTENTION: Budget Review Committee
SUBJECT: Technical Review of Civic San Diego Budget
REFERENCE: Fiscal Year 2016 Proposed Budget

REQUESTED ACTION: This is an information item. No action is required.

SUMMARY:

This report is the Financial Management Department's technical review of Civic San Diego's Fiscal Year 2016 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 section within Volume I of the Proposed and Adopted Budgets. This section consists of website links to the respective Agency Budgets published for the public's information; among the Agencies included in this chapter is Civic San Diego. The City does not play a role in either constructing or monitoring the Agency budgets.

These technical reviews of the Agency budgets include details on budgeted expenditures, salary information, and funding sources. Agencies were asked to provide actual expenditures and revenues for Fiscal Year 2014 (either audited or unaudited), budgeted and projected expenditures and revenues for Fiscal Year 2015, and the proposed budget for Fiscal Year 2016.

The Fiscal Year 2016 Proposed Budget discussed in this report is based on the budget as presented to and approved by the Civic San Diego Board of Directors on March 25, 2015.

BUDGET REVIEW

Civic San Diego is proposing a \$7.4 million operating expenditure budget for Fiscal Year 2016, which is a net increase of \$685,000 or 10.1 percent from the Fiscal Year 2015 Budget. Civic San Diego's budget is categorized by the following functions: Successor Agency Administration and Project Management; Housing Successor Agency; Permit Processing; Parking District; Economic Development; New Markets Tax Credit; and Other Programs. The net increase of \$685,000 is

primarily due to increased activities associated with the Housing Successor Agency, Economic Development, and New Markets Tax Credit Program. **Table 1** provides a breakdown of the Fiscal Year 2016 Proposed Expenditure Budget by function, as compared to the Fiscal Year 2015 budget.

TABLE 1: CIVIC SAN DIEGO EXPENDITURE BUDGET BY FUNCTION

Budget Function	FY 2015 Budget	FY 2016 Proposed Budget	FY 2015-2016 Budget Change	FY 2015-2016 % Change
Successor Agency				
Administration	\$1,750,444	\$1,687,587	\$(62,857)	(3.6)%
Project Management	1,679,194	1,604,164	(75,030)	(4.5)%
Total Successor Agency	3,429,638	3,291,751	(137,887)	(4.0)%
Housing Successor Agency	557,722	794,983	237,261	42.5%
Permit Processing	961,377	1,042,766	81,389	8.5%
Parking District	677,053	626,144	(50,909)	(7.5)%
Economic Development	558,468	779,620	221,152	39.6%
New Markets Tax Credit ¹	-	314,098	314,098	-
Other Programs	575,743	595,639	19,896	3.5%
Total Budget	6,760,001	7,445,001	685,000	10.1%

¹ This line item budget was combined with Economic Development in Fiscal Year 2015

The Fiscal Year 2016 Proposed Budget includes personnel expenditures of \$4.9 million, an increase of \$570,000 or 13.1 percent compared to the Fiscal Year 2015 Budget. This increase is primarily due to an increase of \$420,000 or 13.3 percent in salaries and wages, largely due to the addition of 5.00 full-time equivalent (FTE) positions, as well as a 3.5 percent increase totaling \$116,921 for a proposed pool of merit increases. The pool for merit increases is reflected in the Contingency line item in the Salary Schedule Table. Contingencies increased by \$88,040 or 91.3 percent, which can be used to pay out any accrued vacation as a result of attrition, additional needs during hiring, or special circumstances such as a severance package or retention adjustment. The proposed budget for overtime and hourly interns also increased from Fiscal Year 2015 by \$14,960 or 49.9 percent. In addition, fringe benefits increased by \$150,000 or 12.6 percent from Fiscal Year 2015. It should be noted that an independent market analysis of salary ranges was performed in Fiscal Year 2015 and as a result, Civic San Diego has proposed changes to salary ranges, but no changes to actual salaries.

Non-personnel expenditures are budgeted at \$2.5 million in Fiscal Year 2016, a net increase of \$115,000 or 4.8 percent from the Fiscal Year 2015 budget. This net change includes a decrease of \$370,000 in Rent-Offices due to the renegotiation of the Corporation's office lease, which is scheduled to expire on June 30, 2015. While various office locations are still being evaluated, all lease options include a reduction in monthly rental cost and reduced square footage of leased office space. This decrease is offset primarily by an increase of \$300,000 for a new allocation for Economic Development/Outreach in Fiscal Year 2016. This new program would facilitate business attraction, expansion and retention, and in collaboration with strategic partners in underserved communities, will focus on the following goals: develop alternative infrastructure financing methods; expand the tools and capacity of community based organizations and developers; and

engage workforce development organizations to implement local hire, job training and apprenticeship programs. These expenditures will be funded through fees earned from the New Market Tax Credit Program.

Leasehold improvements increased by \$65,000 or 260.0 percent from Fiscal Year 2015 as a result of the one-time reconfiguration of office space in Fiscal Year 2016 due to a reduction in leased office space. These expenditures include general tenant improvements, moving costs, wiring, and other information technology (IT) costs. Furniture, fixture, and equipment (FF&E) and computer equipment also increased by \$40,000 or 100% due to new furniture and IT infrastructure needs for the expansion of personnel and reconfiguration of office spaces which are one-time costs for Fiscal Year 2016. There is also an increase of \$70,000 or 6.6 percent for consultants due partly to the one-time cost associated with the new office lease and IT consulting services needed during the move. Consultants are also needed to implement various planning grants that the Corporation has secured over the past years. Finally, insurance expenditures increased by \$18,000 or 10.0 percent due to an increase in premiums ranging from 10 to 20 percent for Fiscal Year 2016.

Details regarding Fiscal Year 2014 Actual Expenditures, Fiscal Year 2015 Budget and Projected Expenditures, and the Fiscal Year 2016 Proposed Budget, are displayed in **Table 2** below.

TABLE 2: CIVIC SAN DIEGO OPERATING BUDGET SUMMARY

	FY 2014 Actual	FY 2015 Budget	FY 2015 Projected	FY 2016 Proposed Budget	FY 2015- 2016 Budget Change	FY 2015- 2016 Percent Change
Positions	28.00	35.00	34.00	40.00	5.00	14.3%
Personnel Expenditures						
<i>Salaries & Wages</i>	\$2,557,256	\$ 3,150,000	\$ 2,900,533	\$ 3,570,000	\$ 420,000	13.3%
<i>Fringe Benefits</i>	928,941	1,190,000	995,000	1,340,000	150,000	12.6%
Subtotal:	\$3,486,197	\$ 4,340,000	\$ 3,895,533	\$ 4,910,000	\$ 570,000	13.1%
Non-Personnel Expenditures						
Rent - Offices	\$ 761,723	\$ 800,000	\$ 787,000	\$ 430,000	\$ (370,000)	(46.3)%
Rent - Equipment	496	5,000	2,400	3,000	(2,000)	(40.0)%
Leasehold Improvements	549	25,000	25,000	90,000	65,000	260.0%
Telephone/Communications	24,093	32,000	18,000	32,000	-	0.0%
Office/Graphics/Computer Programs & Supplies	44,635	55,000	46,000	55,000	-	0.0%
Postage	25,118	30,000	23,000	28,000	(2,000)	(6.7)%
Publications	1,517	2,000	2,000	2,000	-	0.0%
Reproduction Expenses	57,785	70,000	60,000	65,000	(5,000)	(7.1)%
Advertising/Relocation/Recruiting	20,147	25,000	26,000	25,000	-	0.0%

	FY 2014 Actual	FY 2015 Budget	FY 2015 Projected	FY 2016 Proposed Budget	FY 2015- 2016 Budget Change	FY 2015- 2016 Percent Change
Business Expenses	18,474	20,000	14,000	20,000	-	0.0%
Travel-Board/Corporate	3,236	5,000	3,800	5,000	-	0.0%
Auto Expenses	3,048	4,000	1,300	4,000	-	0.0%
Repairs & Maintenance	6,992	10,000	14,000	10,000	-	0.0%
Memberships/Prof. Dev./Travel	24,145	47,000	32,200	48,000	1,000	2.1%
Insurance	157,457	180,000	170,000	198,000	18,000	10.0%
FF&E/Computer Equipment	34,239	40,000	40,000	80,000	40,000	100.0%
Directors/Board Expenses	4,657	5,000	5,000	5,000	-	0.0%
Economic Development/Outreach	-	-	-	300,000	300,000	N/A
Legal/Audit/Computer/Website & Other Consultants	523,564	1,065,000	626,000	1,135,000	70,000	6.6%
Subtotal:	\$ 1,711,875	\$ 2,420,000	\$ 1,895,700	\$ 2,535,000	\$ 115,000	4.8%
GRAND TOTAL	\$5,198,072	\$6,760,000	\$5,791,233	\$7,445,000	\$685,000	10.1%

Fiscal Year 2015 operating expenses are projected to be under budget by \$968,767 or 14.3 percent from the Fiscal Year 2015 operating expense budget of \$6.8 million. Projected savings of \$444,467 or 10.2 percent in personnel expenditures are primarily due to attrition and vacancies during the fiscal year. In addition, Civic San Diego is projecting savings of \$524,300 or 21.7 percent in non-personnel expenditures, largely due to \$439,000 in savings for professional/consulting services due to project delays, including East Village Green Master Development, 14th Street Promenade, and the Transit Oriented Development Fund Business Plan and best practices study.

The Fiscal Year 2016 Proposed Budget includes 40.00 FTE positions, an increase of 5.00 FTE positions or 14.3 percent from Fiscal Year 2015. The position additions include: 1.00 Project Manager-Engineer to implement projects on the Recognized Obligation Payment Schedule (ROPS) and for the Downtown Parking District; 1.00 Project Manager for neighborhood services to implement agreements resulting from the Affordable Housing Master Plan and Long Range Property Management Plan; 1.00 Communications Manager to handle communication and media issues; 1.00 Associate Planner to assist in processing entitlement permits; and 1.00 Human Resources Assistant to assist the Assistant Vice President of Human Resources and Compliance with various administrative duties.

Details regarding positions, salaries, overtime, and fringe benefits for the Fiscal Year 2015 Budget and the Fiscal Year 2016 Proposed Budget are displayed in **Table 3**.

TABLE 3: CIVIC SAN DIEGO SALARY SCHEDULE

Position Title	FY 2015 Budget			FY 2016 Proposed Budget		
	FTE	Base Salary	Fringe Benefits	FTE	Base Salary	Fringe Benefits
President & CEO	1.00	\$200,000	\$55,352	1.00	\$180,000	\$52,738
CFO & COO	1.00	150,000	47,715	1.00	150,000	48,039
Vice President/Assistant Vice President	4.00	463,000	169,938	4.00	502,000	176,805
Senior Project Manager	5.00	550,500	188,108	8.00	813,500	288,771
Associate PM/ Project Manager, Program Mgr	5.00	402,000	160,427	3.00	202,000	90,271
Managers: Marketing, IT, Contracting, Acct & Fin	3.00	250,000	97,600	4.00	340,000	131,431
Planner	4.00	309,040	126,423	5.00	369,040	155,523
Specialist: Marketing, EEO, Asset & Contracting	1.00	55,000	28,206	2.00	100,000	54,751
Accountants & Financial Analysts	6.00	386,850	177,919	6.00	378,850	176,603
Administrative Service Mngr./Clerk of the Board	1.00	80,000	32,024	1.00	70,000	30,508
Administrative Assistant	4.00	177,203	106,288	3.00	165,203	84,508
Clerical Support	0.00	0	0	2.00	70,000	50,052
Overtime/Interns	0.00	30,000	0	0.00	44,960	0
Contingency	0.00	96,407	0	0.00	184,447	0
TOTAL	35.00	\$3,150,000	\$1,190,000	40.00	\$3,570,000	\$1,340,000

Civic San Diego classifies its revenues by the function that the revenue supports. The Fiscal Year 2016 Proposed Budget includes total revenue of \$7.4 million, an increase of \$684,164 or 8.8 percent from the Fiscal Year 2015 Budget. The largest contributor to this increase is an additional \$544,098 in New Market Tax Credit Fees; these fees are one-time placement fees earned on each New Market Tax Credit deal that closes and are reimbursed based on actual expenditures. Permit Processing fees are anticipated to generate an increase of \$102,825 or 10.9 percent in Fiscal Year 2016 due to an increased number of anticipated permits and a proposed increase in fees in connection with Consumer Price Index (CPI) increases over the last two calendar years. These increases are partially offset by the reduction of \$148,000 in lease revenue from the loss of a subtenant beginning in Fiscal Year 2016.

In addition, Civic San Diego is projecting \$4.1 million in revenue from the combined Redevelopment and Housing Successor Agencies in Fiscal Year 2016, representing a net increase of \$195,332 or 5.0 percent from Fiscal Year 2015. This includes a decrease of \$55,153 or 1.6 percent from the Successor Agency due to a reduction in staff time programmed toward this function. This decrease is partially offset by an increase of \$250,485 or 46.0 percent for Housing Successor Agency Reimbursements, primarily due to a projected increase in project activities in Fiscal Year 2016 associated with the implementation of the Affordable Housing Master Plan and associated development agreements. It should be noted that the amount of reimbursement revenue from the

Housing and Redevelopment Successor Agencies is contingent upon the California Department of Finance's approval of the semi-annual ROPS and is subject to vary if specific items included in the ROPS are determined not to be Enforceable Obligations.

The Fiscal Year 2016 Proposed budget includes \$375,000 in revenue from the City of San Diego General Fund to Civic San Diego. Of this amount, \$250,000 reflects the consulting agreement between the City and Civic San Diego to perform Economic Development activities within the Downtown and former Southeastern Economic Development Corporation's areas, to pursue new funding sources to replace redevelopment and to develop reuse opportunities for the old main library. Additional one-time revenue of \$125,000 is also provided by the City of San Diego General Fund for the formation of a Public-Private Partnership Transit Oriented Development (TOD) Fund and to develop reuse opportunities for the old main library. Although this amount is included in the Fiscal Year 2015 budget, it is not anticipated to be expended. Civic San Diego released a Request for Proposal (RFP) to hire a consultant to prepare the business plan for the TOD Fund and conducted interviews for the two respondents. However, due to conflict of interest issues, it precluded the respondents from participation. Therefore, counsel for the San Diego Housing Commission recommended that a revised RFP be issued, which will delay the hiring of a consultant until early Fiscal Year 2016. Regarding the reuse opportunities for the old main library, Civic San Diego has completed the Request for Information (RFI) for release and is coordinating a distribution date for the RFI with the City of San Diego's Mayor's Office.

The Fiscal Year 2016 Proposed Budget reflects a net surplus of revenues to expenditures of \$801.

A summary of Fiscal Year 2014 actual revenues, Fiscal Year 2015 budgeted and projected revenues, and the Fiscal Year 2016 proposed revenues by function is displayed in **Table 4** below.

TABLE 4: CIVIC SAN DIEGO REVENUES BY SOURCE

	FY 2014 Actual	FY 2015 Budget	FY 2015 Projected	FY 2016 Proposed Budget	FY 2015- 2016 Budget Change	FY 2015- 2016 Percent Change
Successor Agency Reimbursements	\$2,684,252	\$3,346,904	\$3,000,000	\$3,291,751	\$(55,153)	(1.6)%
Housing Successor Agency Reimbursements	533,712	544,498	500,000	794,983	250,485	46.0%
Permit Processing Fees	950,642	940,000	1,252,000	1,042,825	102,825	10.9%
Parking District Reimbursements	308,763	660,235	519,000	626,144	(34,091)	(5.2)%
City of San Diego General Fund – Economic Dev.	215,944	375,000	165,000	375,000	-	N/A
New Market Tax Credit Fees	108,469	175,000	410,000	719,098	544,098	310.9%
Deposits / Other	281,286	572,000	185,000	596,000	24,000	4.2%
Subtenant Lease Revenue	143,600	148,000	142,000	-	(148,000)	(100.0)%
TOTAL	\$5,226,668	\$6,761,637	\$6,173,000	\$7,445,801	\$684,164	8.8%

	FY 2014 Actual	FY 2015 Budget	FY 2015 Projected	FY 2016 Proposed Budget	FY 2015- 2016 Budget Change	FY 2015- 2016 Percent Change
Net change Revenue/Expenditures	28,596	1,637	381,767	801	(836)	(51.1)%

Revenues for Fiscal Year 2015 are projected to be \$588,637 or 8.7 percent under budget primarily due to decreased revenue from the two Successor Agencies and Deposits. These projections are based on the annualization of eight months of actual revenues received, and are the result of less reimbursable hours worked than originally budgeted. Deposits and Other Revenue, which include developer deposits, development impact fees (DIFs), Floor Area Ratio Bonus (FAR Bonus) fees, and proceeds from grants, are projected to be under budget by \$387,000 primarily due to delays in grant projects in Fiscal Year 2015, resulting in less reimbursable expenses to bill and collect. Actual revenues net of expenditures are projected to reflect a surplus of \$381,767 for Fiscal Year 2015.

CONCLUSION

Civic San Diego’s Fiscal Year 2016 Proposed Budget for expenditures is \$7.4 million, which is an increase of \$685,000 or 10.1 percent from the Fiscal Year 2015 Budget. This increase is primarily the result of the addition of 5.00 FTE positions and a 3.5 percent increase for a proposed pool of merit increases. The proposed budget also includes an increase in non-personnel expenditures, primarily for the new Economic Development/Outreach program. These increases are partially offset by a decrease in office rent and associated expenditures related to the renegotiated lease of office space. Revenues are projected to increase by \$684,164 in Fiscal Year 2016 to offset the increased expenditures. A net surplus of revenues to expenditures of \$801 is reflected in the Fiscal Year 2016 Proposed Budget.


 Tracy McCraner
 Financial Management Director


 Michelle Yamamoto
 Budget Coordinator