



THE CITY OF SAN DIEGO

Report to the City Council

DATE ISSUED: May 4, 2016

ATTENTION: Budget Review Committee
Agenda of May 10, 2016

SUBJECT: Financial Management Technical Review of Civic San Diego Budget

REFERENCE: Fiscal Year 2017 Departmental and Outside Agencies Budget Hearing

REQUESTED ACTION:

This is an information item. No action is required.

SUMMARY:

This report is the Financial Management Department's technical review of the Civic San Diego Fiscal Year 2017 Proposed Budget. Financial Management (FM) submits this report 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 detailed information on fiscal year budget proposals for City Agencies. Among the Agencies included in this section is Civic San Diego. The budget for Civic San Diego is approved by City Council.

FM's technical review of the Civic San Diego (CivicSD) Fiscal Year 2017 Proposed Budget summarizes details on budgeted expenditures, salary information, and funding sources. FM requested that Civic provide actual expenditures and revenues for Fiscal Year 2015 (either audited or unaudited), budgeted and projected expenditures and revenues for Fiscal Year 2016, and the proposed budget for Fiscal Year 2017.

The Fiscal Year 2017 Proposed Budget discussed in this report is based on the budget as submitted by CivicSD on April 25, 2016 for City Council docketing.

BUDGET SUMMARY

For Fiscal Year 2017, CivicSD proposes a \$7.7 million administrative budget, which is a net increase of \$258,000, or 3.5 percent, from the Fiscal Year 2016 Budget. CivicSD's budget is categorized by the following seven functions: Successor Agency Administration and Project Management; Housing Successor Entity; Economic Development; Parking District; New Markets Tax Credit Program; Permit & Planning Fees; and Other Programs. **Table 1** provides a breakdown of the Fiscal Year 2017 Proposed Expenditure Budget by function, as compared to the Fiscal Year 2016 budget.

TABLE 1: CIVIC SAN DIEGO BUDGET BY FUNCTION

FUNCTION	FY 2016 Budget	FY 2017 Proposed Budget	FY 2016 to FY 2017 Change (\$ and %)	
Successor Agency				
Administration	\$1,687,587	\$1,667,435	(20,152)	(1.2)%
Project Management	1,604,164	1,803,248	199,084	12.4%
Total Successor Agency	3,291,751	3,470,683	178,932	5.4%
Housing Successor Entity	794,983	766,094	(28,889)	(3.6)%
Economic Development	779,620	849,676	70,056	9.0%
Parking District	626,145	753,322	127,177	20.3%
New Markets Tax Credit Program	314,098	290,750	(23,348)	(7.4)%
Permit & Planning Fees	1,042,766	1,189,985	147,219	14.1%
Other Functions	595,639	382,491	(213,148)	(35.8)%
TOTAL	7,445,000	7,703,000	258,000	3.5%

The net increase of \$258,000 is primarily attributable to additional expenditures in the following three functions: Successor Agency – Project Management; Parking District; and Permit & Planning Fees.

Successor Agency-Project Management: As compared to the Fiscal Year 2016 Budget, the CivicSD Fiscal Year 2017 Proposed Budget includes a \$199,804 increase, or 12.4 percent, in Project Management expenses related to the Successor Agency function¹. CivicSD anticipates having these expenses reimbursed through the Project Management line item in the Recognized Obligation Payment Schedule (ROPS). Council City approved ROPS 16-17 (ROPS 10) on January 19, 2016. ROPS 16-17 included a Project Management budget of \$3.635 million of which 1.8 million is allocated to CivicSD.

The California Department of Finance (DOF) reviews each ROPS to determine which line items are eligible for funding from the Redevelopment Property Tax Trust Fund (RPTTF). It should be noted that on April 14, 2016, the DOF made the determination that the Project Management costs requested in ROPS 16-17 are not eligible for funding from RPTTF. The Successor Agency appealed DOF’s determination². DOF is scheduled to respond to this appeal by May 17, 2016. Contingent upon DOF’s final ruling, up to \$3.6 million of anticipated revenue will not be available for Project Management costs. The potential impact to CivicSD Fiscal Year 2017 Proposed Budget is up to \$1.8 million in non-reimbursable expenses.

Parking District: For Fiscal Year 2017, CivicSD proposes a \$127,177 increase, or 20.3 percent, in expenses related to the Parking District function. This is primarily due to the increase of 0.49 FTE position and \$85,836 in personnel expenditures.

Permit & Planning Fees: The Fiscal Year 2017 Proposed Budget includes expenditures of \$1.2 million in the Permit & Planning function. This represents an increase of \$147,219, or 14.1

¹ CivicSD has a consulting agreement with the City of San Diego, as Successor Agency to the former Redevelopment Agency of the City of San Diego, to assist in the wind down function (per Assembly Bills x1 26 and 1484). Through this consulting agreement, CivicSD is responsible for administrative, project management, and property management functions necessary to wind down the former Redevelopment Agency.

² On April 27, 2016, Meet and Confer with DOF to appeal findings was held. On May 17, DOF will respond to Successor Agency’s appeal of the finding.

percent, compared to the Fiscal Year 2016 Budget. This increase is primarily due to an increase of 0.88 FTE position and \$126,433 in personnel expenditures.

Personnel and Non-Personnel Expenditures: The Fiscal Year 2017 Proposed Budget includes personnel expenditures of \$5.1 million, an increase of \$210,000, or 4.3 percent, compared to the Fiscal Year 2016 Budget. Non-personnel expenditures are budgeted at \$2.6 million in Fiscal Year 2017, a net increase of \$48,000, or 1.9 percent, from the Fiscal Year 2016 Budget.

Details regarding Fiscal Year 2015 Actual Expenditures, Fiscal Year 2016 Budget and Projected Expenditures, and the Fiscal Year 2017 Proposed Budget, are displayed in **Table 2** below.

TABLE 2: CIVIC SAN DIEGO OPERATING BUDGET SUMMARY

	FY 2015 Actual	FY 2016 Budget	FY 2016 Projected	FY 2017 Proposed Budget	FY 2016 to FY 2017 Change	Percent Change
POSITIONS	31.00	40.00	33.00	40.00	0	-
PERSONNEL						
Salaries & Wages	2,879,138	3,570,000	2,925,450	3,710,000	140,000	3.9%
Fringe Benefits	1,029,522	1,340,000	981,542	1,410,000	70,000	5.2%
SUBTOTAL PERSONNEL	3,908,660	4,910,000	3,906,992	5,120,000	210,000	4.3%
NON-PERSONNEL						
Rent - Offices	795,256	430,000	430,000	456,000	26,000	6.0%
Rent - Equipment	655	3,000	2,500	4,000	1,000	33.3%
Leasehold Improvements	4,877	90,000	90,000	35,000	(55,000)	(61.1%)
Telephone/Communications	19,845	32,000	20,000	34,000	2,000	6.3%
Office/Graphics/Computer Programs & Supplies	43,623	55,000	53,000	74,000	19,000	34.6%
Postage	25,043	28,000	28,000	28,000	0	-
Publications	1,810	2,000	2,000	2,000	0	-
Reproduction Expenses	56,485	65,000	62,000	65,000	0	-
Advertising/Relocation/Recruiting	21,483	25,000	25,000	33,000	8,000	32.0%
Business Expenses	18,201	20,000	19,000	35,000	15,000	75.0%
Travel-Board/Corporate	3,015	5,000	2,000	6,000	1,000	20.0%
Auto Expenses	348	4,000	1,200	6,000	2,000	50.0%
Repairs & Maintenance	9,911	10,000	10,000	10,000	0	0.0%
Memberships/Prof. Dev./Travel	31,616	48,000	25,000	71,000	23,000	47.9%
Insurance	155,434	198,000	150,836	168,000	(30,000)	(15.2%)
FF&E/Computer Equipment	35,477	80,000	80,000	80,000	0	-
Directors/Board Expenses	4,937	5,000	5,000	6,000	1,000	20.0%
Economic Development/Outreach	-	300,000	275,000	520,000	220,000	73.3%
Legal/Audit/Computer/Website & Other Consultants	757,560	1,135,000	888,000	950,000	(185,000)	(16.3%)

	FY 2015 Actual	FY 2016 Budget	FY 2016 Projected	FY 2017 Proposed Budget	FY 2016 to FY 2017 Change	Percent Change
SUBTOTAL NON-PERSONNEL	1,985,577	2,535,000	2,168,536	2,583,000	48,000	1.9%
TOTAL	5,894,237	7,445,000	6,075,528	7,703,000	258,000	3.5%

For personnel expenditures, the Salary & Wages increase by \$140,000, or 3.9 percent, compared to the Fiscal Year 2016 Budget is primarily attributable to a proposed merit pool of 3 percent and the addition of three interns. The Fiscal Year 2017 Proposed Budget includes a \$70,000 increase, or 5.2 percent, in Fringe Benefits, which reflects increased health benefit costs. A notable budget change in non-personnel expenditures is a decrease of \$55,000, or 61.1 percent, in Leasehold improvements. This decrease represents the removal of one-time expenditures in the Fiscal Year 2016 Budget used for reconfiguration of office space. The \$220,000 increase, or 73.3 percent, in expenditures for Economic Development and Outreach is attributable to reimbursement from the New Markets Tax Credit (NMTC) Fund.

Fiscal Year 2016 operating expenses are projected to be under budget by \$1,369,472, or 18.4 percent, from the Fiscal Year 2016 operating expense budget of \$7.5 million. Projected savings of \$1,003,008, or 20.5 percent, in personnel expenditures are primarily due to attrition and vacancies during the fiscal year. In addition, CivicSD is projecting savings of \$366,464, or 14.5 percent, in non-personnel expenditures, largely due to \$247,000 in savings for professional/consulting services. Delays in negotiations of contracts and unforeseen delays of projects are always a part of the expenses not being fully utilized in the fiscal year.

Staffing: Table 3 provides details regarding position titles, salaries, overtime, and fringe benefits for the Fiscal Year 2016 Budget and the Fiscal Year 2017 Proposed Budget.

TABLE 3: CIVIC SAN DIEGO SALARY SCHEDULE BY POSITION

Position Title	FY 2016 Budget					FY 2017 Proposed Budget				
	FTE	Base Salary Subtotal	Salary Increases (Merit, Bonus, etc.)	Salary Total	Fringe Benefits	FTE	Base Salary Subtotal	Salary Increases (Merit, Bonus, etc.)	Salary Total	Fringe Benefits
President & CEO	1.00	180,000	-	180,000	\$ 51,676	1.00	186,300	-	186,300	\$ 54,804
CFO & COO	1.00	150,000	-	150,000	49,417	1.00	165,000	-	165,000	51,486
Vice President/Assistant Vice President	4.00	502,000	-	502,000	173,118	4.00	522,000	-	522,000	184,445
Senior Project Manager	8.00	813,500	-	813,500	288,753	8.00	864,740	-	864,740	305,965
Associate PM/Project Manager, Program Manager	3.00	202,000	-	202,000	90,355	4.00	300,200	-	300,200	129,893
Managers: Business Dev., IT, Contracting, Communications	4.00	340,000	-	340,000	133,236	3.00	255,000	-	255,000	102,070
Planner	5.00	369,040	-	369,040	156,415	5.00	379,650	-	379,650	163,051
Specialist: Marketing, EEO, Asset & Contracting, HR	2.00	100,000	-	100,000	54,041	2.00	99,000	-	99,000	56,986
Accountants & Financial Analysts	6.00	378,850	-	378,850	177,055	6.00	396,138	-	396,138	186,402
Clerk of the Board	1.00	70,000	-	70,000	30,560	1.00	73,000	-	73,000	32,154

Position Title	FY 2016 Budget					FY 2017 Proposed Budget				
	FTE	Base Salary Subtotal	Salary Increases (Merit, Bonus, etc.)	Salary Total	Fringe Benefits	FTE	Base Salary Subtotal	Salary Increases (Merit, Bonus, etc.)	Salary Total	Fringe Benefits
Confidential/ Executive/Administrative Assistant	3.00	165,203	-	165,203	85,550	3.00	178,300	-	178,300	90,121
Clerical Support	2.00	70,000	-	70,000	49,824	2.00	71,000	-	71,000	52,624
Interns	0.00	44,960	-	44,960	-	0.00	82,400	-	82,400	-
Contingency (2)	0.00	67,526	116,921	184,447	-	0.00	32,562.15	104,710	137,272	-
TOTAL	40.00	\$ 3,453,079	\$ 116,921	\$ 3,570,000	\$ 1,340,000	40.00	\$ 3,605,290	\$ 104,710	\$ 3,710,000	\$ 1,410,000

The Fiscal Year 2017 Proposed Budget includes 40.00 FTE positions, which is no net change in FTE positions from the Fiscal Year 2016 Budget. As mentioned earlier, there were FTE position increases in some CivicSD functions (e.g. Parking Administration) which are offset by decreases in other CivicSD functions. Salary Total (including both permanent and part-time employees) increases by \$140,000, or 4.0 percent, from the Fiscal Year 2016 Budget. This increase represents the aforementioned 3.0 percent increase in salary for permanent staff plus an 83.3 percent increase in intern support.

Revenues: Table 4 details funding changes for Fiscal Year 2017. CivicSD’s budgeted revenue is \$7.7 million for Fiscal Year 2017, an increase of 257,933, or 3.5 percent, compared to the Fiscal Year 2016 Budget. CivicSD classifies its revenues by the function.

TABLE 4: CIVIC SAN DIEGO REVENUE SOURCE BY FUNCTION

Revenue Source	FY 2015 Actual	FY 2016 Budget	FY 2016 Projected	FY 2017 Proposed Budget	FY 2016 to FY2017 Change (\$ and %)	
Successor Agency Reimbursements	\$ 2,611,187	\$ 3,291,751	\$ 3,000,000	\$ 3,470,683	\$ 178,932	5.4%
Housing Successor Agency Reimbursements	764,647	794,983	770,000	766,094	(28,889)	(3.6)%
Permit Processing Fees	1,220,306	1,042,825	1,050,000	1,189,985	\$147,160	14.1%
Parking District Reimbursements	276,690	626,144	600,000	753,322	\$127,178	20.3%
Economic Dev. - City of San Diego	199,114	375,000	300,000	250,000	(125,000)	(33.3)%
New Market Tax Credit (NMTC) Fees	355,916	719,098	700,000	890,750	\$171,652	23.9%
Deposits / Other	409,061	596,000	300,000	382,900	(213,100)	(35.8)%
Subtenant Lease Revenue	148,968	-	-	-	-	-
Net change in Fund Balance		801	-	734	(67)	(4.5)%
TOTAL	\$ 5,985,889	\$ 7,445,801	\$ 6,720,000	\$ 7,703,734	\$ 257,933	3.5%

CivicSD is projecting \$4.2 million in combined revenue from the budgets for the Redevelopment Successor Agency and Housing Successor Agency in Fiscal Year 2017, representing a net increase of \$150,043, or 3.7 percent, from Fiscal Year 2016. This includes a net increase in Successor Agency Reimbursement revenues offset by reductions in Housing

Successor Agency activity. For the net addition of \$178,932 in Successor Agency Reimbursements, there is a \$199,084 increase in Project Management revenue offset by \$20,152 decrease in reimbursement for Administrative costs. Housing Successor Reimbursements are anticipated to decrease by \$28,889 due to less staff time associated with the implementation of the Affordable Housing Master Plan and associated development agreements. As noted earlier in this review, the amount of reimbursement revenue from the Housing and Redevelopment Successor Agencies is contingent upon the California Department of Finance's approval of the ROPS and is subject to vary if specific items included in the ROPS are determined not to be Enforceable Obligations.

For the Permit Processing function, the Fiscal Year 2017 Proposed Budget includes a \$147,160 increase, or 14.1 percent, in fees compared to the Fiscal Year 2016 Budget. This is due to an increased number of anticipated permits and a proposed increase in fees in connection with Consumer Price Index (CPI) increases over previous calendar years. Additionally, revenue from Parking District activity is anticipated to increase by \$127,178, or 20.3 percent, compared to the Fiscal Year 2016 Budget. Finally, the NMTC function is expected to generate an additional \$171,652 in fees compared to the Fiscal Year 2016 Budget - this represents a 23.9 percent increase. NMTC fees are one-time placement fees and quarterly asset management fees earned on each New Markets Tax Credit deal that closes.

For the Fiscal Year 2017 Proposed Budget, CivicSD anticipates a decrease of \$213,000, or 35.8 percent, in revenues from the Deposits/Other function. This decrease is a combination of new grants to CivicSD and developer deposits collected.

CivicSD, through a consulting agreement with the City, performs Economic Development activities within the Downtown and former Southeastern Economic Development Corporation's areas. The Fiscal Year 2017 Proposed budget includes \$250,000 in revenue from the City of San Diego General Fund to CivicSD, which is a decrease of \$125,000, 33.3 percent, from the Fiscal Year 2016 Budget. The decrease reflects the removal of \$125,000 in one-time expenditures in the Fiscal Year 2016 Budget; these one-time resources were provided for the formation of a Public-Private Partnership Transit Oriented Development (TOD) Fund and to develop reuse opportunities for the old main library.

The Fiscal Year 2017 Proposed Budget reflects a net surplus of revenues to expenditures of \$734.

CONCLUSION

CivicSD's Fiscal Year 2017 Proposed Budget for expenditures is \$7.7 million, which is an increase of \$248,000, or 3.5 percent, from the Fiscal Year 2016 Budget. This includes: 40.0 FTE positions, which is unchanged from the Fiscal Year 2016 Budget; \$5.1 million in personnel expenditures, which is a 4.3 percent increase; and \$2.6 million in non-personnel expenditures which is a 1.9 percent increase. The \$210,000 increase in personnel expenditures is attributable to 3.0 percent increase for a proposed pool of merit increases, additional interns, and increased health benefit costs. The net \$48,000 increase in non-personnel expenditures enhances Economic Development Outreach through increased contributions from NMTC.


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