
Redevelopment Agency

For FY 2010 the Redevelopment Agency budgets will be included as part of the City's regular budget process. This includes a technical review by the City's Financial Management Department, review by the City's Joint Budget and Finance Committee, and full review by the Redevelopment Agency. This is consistent with the review process for the Mayor's proposed budget for all operating departments. The joint Budget and Finance Committee will be reviewing the Redevelopment Agency budget on May 7, 2009 and budget approval will take place in late May or June.

On February 20, 2009 the City's Financial Management Director sent a memorandum to the Agency executives requesting that, in the interest of achieving greater transparency, they provide technical details of their budget in a format that more closely mirrors the details provided by City Departments. As part of the memorandum, a template was provided to the agencies to provide relevant information. This information has been conveyed to the City Council as part of Volume I of the Mayor's FY 2010 Proposed Budget. However, it should be noted that due to the timing of the publication of the proposed budget, some changes have been made to the agencies budgets after inclusion in Volume I. The Redevelopment Agency's detailed proposed budget and Financial Management's Technical Review will be made available to the Joint Budget and Finance Committee prior to the meeting on May 7, 2009. The information

provided in this section is intended to augment Financial Management's Technical Review. The IBA will continue to review the Redevelopment Agency's proposed budgets and if warranted release an additional report under separate cover prior to the Joint Budget and Finance Committee on May 7, 2009.

City Redevelopment Division

Effects of Budget Proposal

Budget Additions

The Redevelopment Agency's positions and personnel expenses are budgeted in the City of San Diego's Redevelopment Division within the City Planning & Community Investment Department (CP&CI). For FY 2010, the Redevelopment Agency is adding 1.00 Financial Operations Manager and 1.00 Senior Management Analyst to work on budget and fiscal monitoring of Agency-related activities. For FY 2010 the agency is restructuring internally with the goal of creating a Finance Section. This reflects best practices in redevelopment agencies. The 2.00 new positions will enable the agency to hire staff with specific financial expertise.

Salary & Benefits

The FY 2010 Redevelopment Agency's Proposed Administration budget includes an estimated \$134,910 reduction in salaries and benefits, which equates to 4% of the

City Agencies

personnel expense budget. Department management has stated that this figure was an estimate and they will be fully complying with the 6% employee salary and benefit reduction that was negotiated with the City's labor organizations. This will be reflected in the Agency's FY 2010 Annual Budget.

Issues for consideration

Repayment of Community Development Block Grant (CDBG) Loans

In December 2008, the Inspector General of the Housing and Urban Development Department (HUD) found that the City had legitimately loaned CDBG funds to the Agency project areas but failed to execute loan agreements and repayment schedules. As of June 30, 2008, the Redevelopment Agency has a total of \$18.4 million in outstanding CDBG loans (Principal and Interest) that are owed to the City. The City of San Diego and the Redevelopment Agency are currently in negotiations with HUD on the establishment of an acceptable repayment plan. The Redevelopment Agency's FY 2010 Proposed Budget does not assume repayment of CDBG loans to the City of San Diego. The Redevelopment Agency's management has stated that once an agreement has been reached with HUD, the Agency will bring forward a repayment plan to the City Council and Redevelopment Agency for consideration.

Centre City Development Corporation

Effects of Budget Proposal

Reduction of 4.00 positions

The FY 2010 CCDC proposed budget includes the reduction of 4.00 positions including 1.00 Vice President Real Estate, 1.00 Assistant Vice President Architecture & Planning, 1.00 External Relations Coordinator, and 1.00 Planner. CCDC management has stated that the duties of the eliminated Vice Presidents will be assumed by existing management. The External Relations Coordinator and Planner positions are currently vacant. Although management had intended to fill these positions, the duties will now be assumed by existing staff. It is unclear what operational effects the reductions of these positions will have on the organization. As a result of the reduction of 4.00 positions, CCDC's administration budget will be reduced by 11% from FY 2009.

Salary & Benefits

CCDC's FY 2010 Proposed Budget does not assume a reduction of employee salary or benefits, nor does the proposed budget assume merit increases or bonuses for FY 2010.

PETCO Park Debt Service

On March 10, 2009 the City Council and the Redevelopment Agency in a joint public hearing approved a second amendment to the Ballpark Cooperation agreement and made the necessary findings to enabling the agency to make additional payments to the

City Agencies

City for debt service related to PETCO Park.

Prior to FY 2009, the City allocated revenue from the Transient Occupancy Tax fund via the Special Promotional Programs budget to support PETCO Park operations and maintenance. This included the annual debt service payment of approximately \$11.3. To partially offset these costs, the Mayor included \$5.0 million in repayments from the Redevelopment Agency as part of his FY 2009 Proposed Budget. It was proposed that this source of revenue would be utilized to fund PETCO park debt service payments which in turn would free up revenue that could be used for other General Fund expenses. After reviewing the Mayor's FY 2009 Proposed Budget and meeting with CCDC staff, the IBA proposed increasing the repayment from \$5.0 million to \$7.5 million. This proposal was approved by the City Council on June 23, 2008 as part of their final approval of the FY 2009 budget.

In October 2008, the City Council was informed that due to declining revenue as a result of the economic crisis facing the country, the City's General Fund was projecting a \$43.0 million dollar deficit for FY 2009 year end. In response, the City's Chief Operating Officer proposed increasing the Redevelopment Agency payment of the PETCO Park bonds from \$7.5 to \$11.3 million as one of the corrective actions to close the \$43.0 million deficit. The increase was approved by the City Council on December 9, 2009 as part of the corrective actions taken to close the \$43.0 million

budget deficit. The actions taken by the City Council and Redevelopment Agency on March 10, 2009 enabled the City and Redevelopment Agency to complete the increase in funding. CCDC's FY 2010 Proposed Budget includes the \$11.3 million payment to the City for bond debt service related to PETCO Park. The \$11.3 million in funding is budgeted in the Centre City Project Area budget.

Issues for consideration

Repayment of Community Development Block Grant (CDBG) Loans

As of June 30, 2008, CCDC has a total of \$93.0 million in outstanding CDBG loans (principal and interest) that are owed to the City. The City of San Diego and the Redevelopment Agency are currently in negotiations with HUD on the establishment of an acceptable repayment plan. CCDC's FY 2010 Proposed Budget does not assume repayment of CDBG loans to the City of San Diego. CCDC's management has stated that once an agreement has been reached with HUD, the corporation will bring forward a repayment plan to the City Council and Redevelopment Agency for consideration. Currently, CCDC is projecting to start repayment of CDBG loans to the City in FY 2014.

Performance Audit

Currently, CCDC is undergoing a performance audit by the consulting firm of Sjoberg Evashenk. The Performance Audit will cover a three-year period from July 1, 2005 through June 30, 2008 to evaluate the effi-

City Agencies

ciency and effectiveness of the organization and determine if the organization's goals are being achieved. The performance audit is expected to be completed in May 2009. CCDC's FY 2010 Proposed Budget does not assume any structural changes from the audit at this time. If changes to the organization are required and they have a budgetary impact, CCDC will bring necessary amendments to the FY 2010 Annual Budget to the Redevelopment Agency for approval.

Southeastern Economic Development Corporation

Effects of Budget Proposal Performance Audit

In September 2008, Macias Consulting Group released their Performance Audit of SEDC. Included in the Performance Audit were 33 recommendations for governance and organizational changes. Six of the 33 recommendations have an impact on the FY 2010 Proposed Budget. The six recommendations and how they are addressed in SEDC's FY 2010 Proposed Budget are addressed below:

- *The City should require in SEDC's Operating Agreement the position classification of a Chief Financial Officer who reports to the Board of Directors and fill the newly-created position through a competitive and open recruitment.*

The position of Chief Financial Officer has been included in the FY 2010 Proposed Budget. This position was hired in February 2009. Amend-

ments to the Operating Agreement and reporting requirements are currently being reviewed by the City's Rules Committee.

- *SEDC should fill the Manager of Projects and Development Position as soon as possible.*

This position was filled in February 2009.

- *SEDC should fill a Vice President for Operations to help oversee day-to-day operations and be responsible for SEDC's adherence and compliance to internal controls.*

This position is not budgeted in the FY 2010 Proposed Budget. The Interim Chief Administrator has indicated that this position and its duties will be reviewed once a new CEO of the Corporation is selected.

- *SEDC should establish a part-time formal Human Resources Manager position to oversee SEDC's recruiting, hiring, staff development and termination activities.*

The position of full-time Human Resources Manager has been included in the FY 2010 Proposed Budget. SEDC is currently recruiting for this position.

- *The new SEDC Chief Financial Officer, in the budget presentation to the Board and supplementary submission to the City, should include a minimum of three years of budget versus actual data for revenues and expenditures, for both project budgets and corporate budgets, including variances. The*

budget should include detailed and precise information on base salary and other forms of compensation by employee position and estimated overtime.

SEDC's FY 2010 Proposed Budget lacks some of the presentation information required in the Audit. This includes three years of budget versus actual data and precise information on base salary and other forms of compensation. SEDC management has indicated that the CFO and a temporary auditor are currently working to collect prior year information.

The information provided by SEDC to the City's Financial Management department for their Technical Review does include detailed salary and benefit information. This information is included in the City Agencies Section of Volume I of the FY 2010 Proposed Budget. Salary information will also be presented as part of Financial Management's Technical Review.

- *The SEDC Chief Financial Officer should include project goals and accomplishments information by project into the City's budget presentation, which will require SEDC to tie program goals and objectives to their budget.*

SEDC's FY 2010 Proposed Budget does include a work plan and FY 2009 status by Project area. The FY 2010 Proposed budget also includes revenue and expenditure in-

formation for each project area. When developing the FY 2010 Proposed Budget, SEDC management included the project managers in the development of each area budgets. In previous years this was not occurring.

Salary & Benefits

SEDC's FY 2010 Proposed Budget does not assume a reduction of employee salary or benefits, nor does the budget assume merit increases or bonuses for FY 2010.

Corporation Reorganization

The FY 2010 SEDC Proposed Budget includes the reduction of 3.00 positions including 1.00 Director of Finance, 1.00 Community Relations Manager, and 1.00 Senior Project Manager. SEDC management has stated that these positions are vacant and their duties have been assumed by other employees. The savings from the reduction of these positions was used to offset the increase in personnel expenses related to the addition of 1.00 Chief Financial Officer, 1.00 Human Resources Director, and .50 of a Messenger Clerk.

Issues for consideration

Repayment of Community Development Block Grant (CDBG) Loans

As of June 2008, SEDC has a total of \$51 million in outstanding CDBG loans (Principal and Interest) that are owed to the City. The City of San Diego and the Redevelopment Agency are currently in negotiations with HUD on the establishment of an

City Agencies

acceptable repayment plan. SEDC's FY 2010 Proposed budget assumes \$100,000 in repayment of CDBG loans to the City of San Diego. These funds are budgeted in the Central Imperial Project area under Debt Service Payments. SEDC's management has stated that once an agreement has been reached with HUD, the corporation will bring forward a repayment plan to the City Council and Redevelopment Agency for consideration.

In addition to the \$51 Million, the Inspector General of HUD's identified \$1.7 million in CDBG funds that were expended on ineligible purposes and activities in SEDC project areas. These funds are required to be paid back using nonfederal funds. The FY 2010 Proposed Budget does not include funding for this purpose. However, SEDC management is currently in negotiations with HUD concerning this claim.