OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0582017-002

Agenda Item **No. 5 (b)**
Meeting of May 2, 2017

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Nadia Sesay, Interim Executive Director

SUBJECT: Approving a Budget for the period July 1, 2017 through June 30, 2018 and authorizing the Executive Director to submit the Budget and Interim Budget to the Mayor's Office and the Board of Supervisors

EXECUTIVE SUMMARY

The Commission reviewed the proposed budget for Fiscal Year 2017-18 at two informational workshops on April 4, 2017 and April 18, 2017. On May 2, 2017 the Commission will review the final proposed budget, which is attached to the accompanying Resolution. The Resolution provides for the approval of the budget and authorizes the Executive Director to submit the approved budget to the Mayor and the Board of Supervisors for their review. The resolution also authorizes the Executive Director to submit the interim budget, which is based on the annual budget submitted to the Board of Supervisors. By convention, the interim budget is in effect from July 1, 2017, until the full Board of Supervisors finally passes the budget on in July 2017.

Staff recommends approval of the proposed budget for the period of July 1, 2017 through June 30, 2018 and recommends authorizing the Executive Director to submit the budget and interim budget to the Mayor's Office and the Board of Supervisors.

DISCUSSION

As discussed in the budget workshops, the budget document describes the activities that OCII will undertake in FY 2017-18 through narrative descriptions, workplans, and various tables. The key tables are Exhibit 1, which compares the Fiscal Year 2016-17 sources and uses to the FY 2017-18 sources and uses, Exhibit 2, which shows the sources and uses of the programmatic budget, which is the OCII budget not including debt service and pass-through to the TJPA, and Exhibit 3, which shows sources and uses by Project Area.

The attached budget is substantially similar to the information presented in the workshops on April 4, 2016 and April 18, 2016. There are a small number of changes with policy implications. These changes are described below.

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a. **Decreased Property Tax Increment - Other and decreased Property Tax - ACA:** Following the distribution of the materials for the April 18, 2017 Budget Workshop #2, the Department of Finance (DOF) notified OCII that DOF had denied $689,106 of OCII's $1,114,303 request for property tax to fund implementation of the Long-Range Property Management Plan (LRPMP). Property tax to fund implementation of the LRPMP is shown as Property Tax Increment – Other in the FY2017-18 budget. The reduction in Property Tax Increment – Other required that OCII reallocate Property Tax - ACA dollars from general administrative costs to fund implementation of the Long Range Property Management Plan. This change reduces the amount of Property Tax – ACA available to fund general administrative costs. OCII is challenging DOF's determination through the meet and confer process established in the Redevelopment Dissolution Law.

b. **Decreased debt service for 2006A, 2009E, and 2011E and increased Mission Bay Housing Increment:** The 2017C Mission Bay Housing bonds refunded the portions of housing bonds 2006A, 2009E, and 2011E funded by the Mission Bay housing pledge. The Mission Bay housing pledge is property tax generated in Mission Bay that is pledged to fund affordable housing in Mission Bay. As the refundings decreased the amount of the Mission Bay housing increment required to pay debt service, more of the increment is available to fund affordable housing in Mission Bay on a pay-go basis or to fund future affordable housing debt for projects in Mission Bay.

c. **Decreased debt service for planned refunding bonds.** The debt service budget presented to the Commission on April 18, 2017 reflected estimated debt service for planned refunding bonds but did not reflect the impact on debt service for the refunded bonds. As a result, estimated debt service was over-stated. As the total impact of a refunding is uncertain until the transaction is complete, the FY2017-18 budget does not reflect the planned refunding. The debt service for the refunding bonds and the commensurate reduction in debt service for the refunded bonds will be budgeted at the time of issuance. This practice conforms with OCII past practice.

d. **Decreased Property Tax Increment and increased Rent, Lease and Garage Revenue:** Debt service for the Cal Boating Loans, entered into by the San Francisco Redevelopment Agency to fund the rehabilitation of South Beach Harbor, is funded by lease revenue generated by the harbor. The debt service budget presented to the Commission on April 18, 2017 incorrectly utilized property tax increment to fund the debt service for the Cal Boating Loan. The proposed FY2017-18 budget now reflects the correct funding source for the debt service for Cal Boating Loans.

NEXT STEPS

Upon the Commission's approval, staff will submit the approved budget to the Mayor's Budget Office for review. OCII will present the approved budget to the Budget and Finance Committee in June 2017. The full Board of Supervisors will consider the budget recommended by the Budget and Finance Committee in July 2017. Staff will inform the Commission of any material changes to the Budget required by the Mayor or Board of Supervisors.

As the full Board of Supervisors will not consider the budget until July 2017, which is after the start of the fiscal year, the Board routinely passes an interim budget based on OCII's annual budget submission. The resolution authorizes the Executive Director to submit this interim budget to the Board of Supervisors for its review. The interim budget is in place until the Board of Supervisors finally passes the annual budget in July.

(Originated by Bree Mawhorter, Deputy Director of Finance and Administration)

for
Nadia Sesay
Interim Executive Director