O C I I
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0342017-002

Agenda Item **No. 5 (b)**
Meeting of April 18, 2017

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Nadia Sesay, Interim Executive Director

SUBJECT: Fiscal Year 17-18 Draft Budget – Operations and Debt Service

EXECUTIVE SUMMARY

This memo describes the proposed budgets for the Office of Investment and Infrastructure's (OCII) operation and debt service payments. The total proposed cost to operate OCII is $15.6 million. Of this $15.6 million, OCII expends $8.8 million to fund the project areas, affordable housing, and development services and expends $6.8 million to fund administrative costs. Of the $6.8 million in administrative cost, OCII expends $3.6 million for labor and non-labor costs that indirectly support the project areas, affordable housing, and development services and expends $3.2 million for retiree health and pension costs.

The proposed FY 17-18 budget contains 47 full-time equivalent positions (FTE) and seven limited term appointments (LTA), which is the same as the FY16-17 budget. OCII's proposed debt service budget is $113.1 million, which is primarily composed of debt service payments on outstanding bonds.

OCII staff will incorporate the Commission's feedback and present the budget to the Commission for its approval on May 2, 2017. Pending Commission approval, staff will submit the FY17-18 budget to the Mayor on May 3, 2017. Following Mayor's Budget Office review, on June 1, 2017, the Mayor will submit OCII's FY17-18 budget to the Board of Supervisors. The Board of Supervisors will review and take action on OCII's FY17-18 budget in July 2017. OCII staff will update the Commission as the budget process evolves.

DISCUSSION

This memo describes the proposed budgets for OCII's operations and debt service.

One S. Van Ness Ave.
5th Floor
San Francisco, CA
94103

415 749 2400

www.sfocii.org

Exhibit 1. FY 17-18 Proposed Budget, *$ Thousands*

	Operations	Debt Svc	Total
Sources	$ -	$ -	$ -
Property Tax Increment - Debt Svc	$ -	$ 91,106	$ 91,106
Property Tax Increment - Mission Bay	$ -	$ 17,057	$ 17,057
Property Tax Increment - TJPA	$ -	$ -	$ -
Property Tax Increment - Transbay	$ -	$ -	$ -
Property Tax Increment - Other	$ 3,223	$ 98	$ 3,321
Property Tax Increment - ACA	$ 3,591	$ -	$ 3,591
Property Sales	$ -	$ -	$ -
New Bonds - Housing	$ -	$ -	$ -
Developer Payments	$ -	$ -	$ -
Rent, Lease & Garage Revenue	$ -	$ -	$ -
US Navy Cooperative Agreement	$ -	$ -	$ -
Loan Repayments	$ -	$ -	$ -
City Reimbursements for OCII Staff	$ -	$ -	$ -
Hotel Tax	$ -	$ 4,830	$ 4,830
Fund Balance - Housing	$ -	$ -	$ -
Fund Balance - Non-Housing	$ -	$ -	$ -
CY Budget Sources	$ 6,814	$ 113,092	$ 119,906
			$ -
Prior Period Authority - Housing	$ -	$ -	$ -
Prior Period Authority - Non-Housing	$ -	$ -	$ -
			$ -
Total CY Sources	**$ 6,814**	**$ 113,092**	**$ 119,906**
			$ -
Uses - Operations			$ -
Allocated Staff & Operating Expenses	$ (8,829)	$ 98	$ (8,731)
Salaries and Benefits	$ 8,386	$ -	$ 8,386
Affordable Housing Services	$ 823	$ -	$ 823
Rent	$ 501	$ -	$ 501
Retiree Health and Pension Costs	$ 3,223	$ -	$ 3,223
Auditing & Accounting Services	$ 245	$ -	$ 245
Legal Services	$ 390	$ -	$ 390
Planning & Infrastructure Rvw	$ -	$ -	$ -
Asset Management	$ -	$ -	$ -
Workforce Development Services	$ -	$ -	$ -
Other Professional Services	$ 1,181	$ 31	$ 1,211
Grants to Community-Based Organizat	$ -	$ -	$ -
Payments to other Public Agencies	$ -	$ -	$ -
Other Current Expenses	$ 894	$ -	$ 894
Subtotal CY Uses - Operations	$ 6,814	$ 129	$ 6,943
Uses - Non-Operations			
Affordable Housing Loans	$ -	$ -	$ -
Affordable Housing Unit Purchase	$ -	$ -	$ -
Development Infrastructure	$ -	$ -	$ -
Pass-through to TJPA	$ -	$ -	$ -
Debt Service	$ -	$ 112,963	$ 112,963
Fund Balance - Housing	$ -	$ -	$ -
Fund Balance - Non-Housing	$ -	$ -	$ -
Subtotal CY Uses - Non-Operations	$ -	$ 112,963	$ 112,963
Prior Period Authority - Housing	$ -	$ -	$ -
Prior Period Authority - Non-Housing	$ -	$ -	$ -
Total Budget Uses	**$ 6,814**	**$ 113,092**	**$ 119,906**

The information below details these expenditures.

1. Operations Budget and Budgeted Positions

The total proposed cost to operate OCII is $15.6 million. Of this $15.6 million, OCII expends $8.8 million to fund the project areas, affordable housing, and development services and expends $6.8 million to fund administrative costs. Of the $6.8 million in administrative cost, OCII expends $3.6 million for labor and non-labor costs that indirectly support the project areas, affordable housing, and development services and expends $3.2 million for retiree health and pension costs.

OCII proposes to expend $8.4 for staff salaries and benefits, including OCII staff and City Administrator staff contracted to and funded by OCII. Budget highlights related to staff salaries and benefits include:

- A proposed Cost of Living Allowance (COLA) contemplated in the on-going negotiations regarding an extension of the 2015-2017 Memorandums of Agreement between OCII and its labor partners, the International Federation of Professional and Technical Engineers Local 21 and Service Employees International Union Local 1021. The proposed COLA is three percent in the first year, and three percent in the second year, assuming the City meets certain budget targets. The budget includes an equivalent increase for City Administrator staff contracted to and funded by OCII, as negotiated in the 2017-2019 Memorandums of Understanding between the City and its labor partners. The impact of the COLA is offset by the supplemental employee contribution to OCII's pension plan, which decreases OCII's cost to provide retirement benefits. The Commission approved the supplemental employee contribution in December 2016.

- $2.2 million to fund health benefits for retirees. This cost includes $1.4 million for retiree FY17-18 health premiums and $0.8 million to reduce OCII's future liability for retiree health benefits. This is the first time OCII has made a payment towards its future retiree health liability. This payment represents a significant investment in the long-term financial health of OCII and shows the organization's commitment to its retirees.

- $1.0 million payment to reduce OCII's unfunded pension liability. As per OCII's actuarial valuation, holding all else constant, if OCII makes this payment on an annual basis, OCII will fully fund its pension obligation to retirees over the amortization period.

In accordance with the Mayor's budget directive, the OCII budget contains no new full-time equivalent positions (FTE).

Other items of note include:

- **Affordable Housing Services:** The proposed FY 17-18 budget includes $0.8 million for affordable housing construction monitoring and marketing provided by the Mayor's Office of Housing and Community Development.

- **Legal Services:** The proposed FY 17-18 legal budget of approximately $0.4 million includes:

- $340,000 for specialized legal support, provided by outside counsel and funded by property tax increment, and
- $50,000 for general legal support, including housing program support, provided by the City Attorney's Office and funded by property tax increment or bond proceeds.

- **Other Professional Services:** The proposed FY 17-18 professional services budget of approximately $1.2 million for professional services includes:

  - $690,000 for professional services expended to implement the Property Management Plan and Yerba Buena Gardens,
  - $150,000 for temporary salaries to fund flexible staffing in response to short-term work surges,
  - $140,000 for general professional services,
  - $100,000 for public communications support, including website design, and
  - $100,000 for specialized services provided by staff from various departments in the City and County of San Francisco.

- **Other Current Expenses:** The proposed FY 17-18 budget of approximately $0.9 million includes:

  - $400,000 for insurance premiums and allowance for deductibles,
  - $200,000 for technology infrastructure and support such as virtual server maintenance, e-mail, telephone, copy machines, software licensing fees, and hardware replacement.
  - $170,000 for facilities improvements, materials and supplies, off-site records storage, mail and reproduction, and other current expenses
  - $ 90,000 for Commission and Oversight Board meeting expenses, including audiovisual recording of Commission meetings by SFGOV TV, and
  - $ 45,000 for recruitment, employee training, and field expenses.

Positions

The exhibit below shows budgeted positions and salary ranges. These positions reflect OCII employees plus City Administrator staff contracted to and funded by OCII. City Administrator staff are former OCII employees who transferred to the City Administrator post-dissolution and continue to work full-time on OCII-related work. The proposed FY 17-18 budget contains 47 full-time equivalent positions (FTE) and seven limited term appointments (LTA), which is the same number of LTA positions as the FY16-17 budget. OCII uses LTA positions in cases where the development cycle requires a short-term increase in resources.

Exhibit 4: Proposed FY 17-18 Budgeted Positions and Salary Ranges

Class	Class Title	Annual Salary Range	FY 16-17 Adj Bgt	FY 17-18 Proposed	Difference
500	Executive Director	$ 198,926 - $ 241,800	1	1	0
520	General Counsel	$ 186,758 - $ 227,006	1	1	0
1060	Deputy Director, Finance and Administration	$ 174,122 - $ 211,640	1	1	0
1060	Deputy Director, Programs	$ 174,122 - $ 211,640	1	1	0
525	Deputy General Counsel	$ 150,384 - $ 182,806	1	1	0
565	Senior Civil Engineer	$ 140,894 - $ 171,262	1	1	0
930	Staff Associate V	$ 136,942 - $ 166,478	1	1	0
535	Development Services Manager	$ 132,158 - $ 160,628	1	1	0
540	Housing Program Manager	$ 132,158 - $ 160,620	1	1	0
965	Human Resources Manager	$ 132,158 - $ 160,620	1	1	0
550	Senior Project Manager	$ 130,598 - $ 158,756	1	1	0
585	Contract Compliance Supervisor	$ 123,214 - $ 149,760	1	1	0
970	Accounting Supervisor	$ 123,214 - $ 149,760	1	1	0
1065	Contract Compliance Specialist III	$ 116,688 - $ 141,830	1	1	0
630	Senior Financial Analyst	$ 116,220 - $ 141,284	2	1	-1
595	Senior Development Specialist	$ 114,166 - $ 138,762	4	4	0
590	Project Manager	$ 112,814 - $ 137,150	4	3	-1
1025	Housing Construction Specialist	$ 110,982 - $ 134,899	1	1	0
921	Staff Associate IV	$ 106,403 - $ 129,333	0	1	1
990	Assistant Project Manager	$ 106,158 - $ 129,038	2	2	0
615	Development Specialist	$ 106,158 - $ 129,038	6	7	1
670	Financial Systems Accountant	$ 102,050 - $ 124,046	1	1	0
715	Sr. Personnel Analyst	$ 95,810 - $ 116,480	1	1	0
1000	Executive Assistant to Executive Director	$ 92,118 $ 111,982	0	1	1
705	Assistant Development Specialist	$ 91,702 - $ 111,462	1	1	0
720	Senior Programmer Analyst	$ 91,442 - $ 111,150	1	1	0
640	Contract Compliance Specialist II	$ 89,102 - $ 108,290	1	1	0
695	Accountant III	$ 88,166 - $ 107,146	1	1	0
995	Commission Secretary	$ 87,412 - $ 106,236	0	1	1
760	Senior Legal Secretary	$ 77,984 - $ 94,791	1	0	-1
775	Accountant II	$ 72,930 - $ 88,634	1	1	0
810	Administrative Secretary	$ 73,164 - $ 88,920	1	1	0
855	Record Specialist II	$ 59,306 - $ 72,098	1	1	0
1030	Management Assistant III	$ 80,514 - $ 100,802	2	1	-1
1035	Management Assistant II	$ 82,940 - $ 87,932	2	2	0
Total			**47**	**47**	**0**
Additional Temporary Staff Budget (rounded)			**7**	**7**	**0**

Salary ranges shown are as of July 1, 2017. Salary ranges are informational only; should there be a discrepancy between the salary ranges shown here and the salary resolution, which reflects the salaries in the negotiated labor agreements, the salary resolution would be determinative. In special circumstances, and in accordance with OCII's Personnel Policy, individuals may receive higher salaries than the ranges shown above to reflect acting assignments or unusual recruitment conditions.

2. Debt Service

OCII's proposed debt service budget is $113.1 million. Highlights of the debt service budget include:

- **Property Tax Increment for Debt Service:** $105.8 million in property tax increment for debt service on outstanding tax allocation bonds and $1.8 million in property tax increment to repay an outstanding loan from the Low Moderate Income Housing Fund.
- **Hotel Tax for Debt Service:** $5.0 million in City and County of San Francisco Hotel Taxes to pay debt service on revenue bonds issued by the former San Francisco Redevelopment Agency.
- **Property Tax Increment for Debt Service on Low Moderate Income Housing Fund:** $1.8 million in property tax increment to repay
- **South Beach Harbor Revenue for Debt Service:** $0.5 million in South Beach Harbor revenues to pay Cal boating loans made to South Beach Harbor.

The remaining expenditures are staff time and professional services required to administer the debt portfolio.

In FY17-18, OCII will monitor its tax allocation and special tax bond portfolios to determine if market conditions favor refunding bonds. OCII will issue all refunding bonds in accordance with OCII's debt policy and ensure that all refunding bonds result in net present value debt service savings, thereby decreasing tax increment required for debt service and increasing tax increment available to finance future debt or pay housing and development expenses on a pay-go basis. The amounts of the proposed refundings will be determined and presented to the Commission at the time of the refunding. OCII's budget resolution will reflect this market uncertainty and will authorize staff to refund bonds in accordance with OCII's debt policy and upon approval of the Commission, the Oversight Board, and Department of Finance.

NEXT STEPS

OCII staff will incorporate the Commission's feedback and present the budget to the Commission for its approval on May 2, 2017. Pending Commission approval, staff will submit the FY17-18 budget to the Mayor on May 3, 2017. Following Mayor's Budget Office review, on June 1, 2017, the Mayor will submit OCII"s FY17-18 budget to the Board of Supervisors. The Board of Supervisors will review and take action on OCII's FY17-18 budget in July 2017. OCII staff will update the Commission as the budget process evolves.

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

Nadia

Nadia Sesay
Interim Executive Director