office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0312018-002

Agenda Item **No. 5 (c)**
Meeting of May 1, 2018

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Nadia Sesay, Executive Director

SUBJECT: Approving a Budget for the period July 1, 2018 through June 30, 2019 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 draft proposed budget for Fiscal Year 2018-2019 at an informational workshop on April 17, 2018. On May 1, 2018, the Commission will review the final proposed budget, which is attached to the budget Resolution and is substantially similar to the draft proposed budget presented to the Commission on April 17, 2018. The changes to the draft proposed budget result in a net 0.3 % decrease in the Fiscal Year 2018-2019 budget from the draft proposed budget amount of $747.6M to the final proposed budget amount of $745.0M. The details of these changes are in Exhibit A.

The budget 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, 2018, until the full Board of Supervisors finally passes the budget on in July 2018.

Staff recommends approval of the proposed budget for the period of July 1, 2018 through June 30, 2019 and recommends authorizing the Executive Director to submit the budget and interim budget to the Mayor's Office and the Board of Supervisors.

DISCUSSION

The Commission reviewed the draft proposed budget for Fiscal Year 2018-2019 at an informational workshop on April 17, 2018. On May 1, 2018, the Commission will review the final proposed budget, which is attached to the budget Resolution. The final proposed budget is substantially similar to the draft proposed budget presented to the Commission on April 17, 2018. As discussed in the Informational workshop, the budget document describes the activities that OCII will undertake in

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Fiscal Year 2018-2019 through narrative descriptions, workplans, and various tables. The key tables are Exhibit 1, which compares the Fiscal Year 2017-2018 sources and uses to the Fiscal Year 2018-2019 sources and uses; Exhibit 2, which shows the sources and uses of the programmatic budget, debt service and pass-through to the TJPA; and Exhibit 3, which shows sources and uses by Project Area and cost center.

Changes to Draft Proposed Budget

The final proposed budget is substantially similar to the draft proposed budget presented at the workshop on April 17, 2018. There are small technical changes that result in a net budget decrease of 0.3 %. These changes are detailed in Table 1 below.

Table 1: Changes from Fiscal Year 2018-2019 Budget Workshop to Fiscal Year 2018-2019 Budget Action (Millions)

	FY18-19 Workshop Proposed	FY18-19 Action Proposed	Difference	*% Change*	Justification
Sources					
Property Tax Increment	$ 136.5	$ 134.8	$ (1.7)	*-1.3%*	Recalculated Transbay Housing Increment with more up-to-date assumptions.
New Bonds	$ 144.1	$ 143.4	$ (0.7)	*-0.5%*	Recalculated COI with more up-to-date assumptions, offset slightly by addition of staff time from Prior Period Authority to New Bonds.
Developer Payments	$ 23.5	$ 23.5	$ -	*0.0%*	
Other	$ 15.8	$ 15.8	$ -	*0.0%*	
Fund Balance	$ 98.3	$ 98.3	$ -	*0.0%*	
Prior Period Authority	$ 329.4	$ 329.2	$ (0.1)	*0.0%*	Bond Issuance staff time reallocated to New Bonds.
Total Sources	**$ 747.6**	**$ 745.0**	**$ (2.6)**	***-0.3%***	
Uses					
Uses - Operations	$ 43.3	$ 43.2	$ 0.03	*0.1%*	Rounding.
Uses - Non-Operations	$ 569.9	$ 567.4	$ (2.6)	*-0.5%*	Recalculated COI with more up-to-date assumptions.
Prior Period Authority	$ 134.4	$ 134.4	$ -	*0.0%*	
Total Uses	**$ 747.6**	**$ 745.0**	**$ (2.6)**	***-0.3%***	
Sources vs. Uses	$ -	$ -	$ -		

The changes to the sources are due to:

1) A recalculation in Transbay Housing Increment with more up-to-date assumptions,
2) A recalculation in the Cost of Issuance (“COI”) for the new bonds planned for issuance in Fiscal Year 2018-2019 with more up-to-date assumptions, and
3) A reallocation of staff time for bond issuance from Prior Period Authority to New Bonds to reflect the true cost of issuance.

The changes in uses are due to:

1) A reclassification of professionalized services to recategorize the services at a more specialized level, and
2) A recalculation in the COI for the new bonds planned for issuance in Fiscal Year 2018-2019 with more up-to-date assumptions.

These changes result in a net 0.3 % decrease in the Fiscal Year 2018-2019 budget from the Budget Workshop amount of $747.6M to $745.0M.

Final Proposed Budget Summary

As shown in Table 2, the proposed Fiscal Year 2018-2019 budget of $745.0 million represents an increase of $208.2 million compared to the Fiscal Year 2017-2018 budget. Of this amount, $610.6 million in uses ($43.2 million for Operations and $567.4 million for Non-Operations) is new budget authority and $134.4 million is Current Year (CY) Prior Period Authority carried forward from Fiscal Year 2017-2018. CY Prior Period Authority is expenditure carried forward from Fiscal Year 2017-2018, including affordable housing loans awarded but not drawn down, multi-year construction budgets, unbudgeted bond proceeds, and pledged Redevelopment Property Tax Trust Fund (RPTTF) dollars.

Changes to current year revenue sources compared to Fiscal Year 2017-2018 are due primarily to (1) an increase in new bond proceeds due to three planned bond issuances in Fiscal Year 2018-2019 (one SB 107 Housing Bond, one Mission Bay Housing Bond, and one Mission Bay Infrastructure Bond), (2) an increase in Prior Period Authority due to bonds issued in Fiscal Year 2016-2017, and (3) an increase in property tax to fund debt service for the new bonds. These increases are offset by decreases in Developer Payments, Fund Balance, and Other.

Changes to current year uses compared to Fiscal Year 2017-2018 are due primarily to an increase in affordable housing loans. In Fiscal Year 2018-2019, OCII plans to enter into nine affordable housing loans, including four gap loans (CP10A, CP11A, MBS 6W, MBS 9) and five predevelopment loans (HPS 52/54, HPS 56, MBS 9A, TBY Block 2E, TBY Block 2W). The increase in affordable housing loans is offset by a decrease in Payments Due to Other Public Agencies following the anticipated transfer of Yerba Buena Gardens (YBG) in this fiscal year. In Fiscal Year 2017-2018, OCII will transfer the fund balance of the CDBG program funds, which is estimated at $20.0 million, to the City as part of the transfer of YBG. In Fiscal Year 2018-2019, no major fund transfers are planned, therefore the Payments due to Other Public Agencies are much smaller than the prior fiscal year.

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Table 2: Proposed Fiscal Year 2018-2019 Budget Compared to Fiscal Year 2017-2018 Budget, *Millions**

	FY17-18 Budgeted	FY18-19 Proposed	YOY Difference
Sources			
Property Tax	$ 124.6	$ 134.8	$ 10.2
New Bonds	$ -	$ 143.4	$ 143.4
Developer Payments	$ 31.0	$ 23.5	$ (7.6)
Other	$ 20.0	$ 15.8	$ (4.2)
Fund Balance	$ 173.8	$ 98.3	$ (75.5)
Prior Period Authority	$ 187.4	$ 329.2	$ 141.8
Total Sources	**$ 536.8**	**$ 745.0**	**$ 208.2**
Uses			
Uses - Operations			
Operational Salaries and Benefits	$ 8.4	$ 8.6	$ 0.2
Affordable Housing Services	$ 0.8	$ 1.2	$ 0.4
Rent	$ 0.5	$ 0.6	$ 0.1
Retiree Health and Pension Costs	$ 3.2	$ 3.5	$ 0.3
Auditing & Accounting Services	$ 0.6	$ 0.6	$ -
Legal Services	$ 3.4	$ 1.4	$ (2.1)
Planning & Infrastructure Rvw	$ 12.6	$ 9.1	$ (3.4)
Asset Management	$ 4.3	$ 0.2	$ (4.1)
Workforce Development Services	$ 0.6	$ 0.5	$ (0.1)
Other Professional Services	$ 10.1	$ 5.6	$ (4.4)
Grants to Community-Based Organizations	$ 4.7	$ 0.5	$ (4.2)
Payments to other Public Agencies	$ 27.8	$ 10.4	$ (17.4)
Other Current Expenses	$ 0.9	$ 1.0	$ 0.1
Subtotal CY Uses - Operations	**$ 78.0**	**$ 43.2**	**$ (34.7)**
Uses - Non-Operations			
Affordable Housing Loans	$ 71.0	$ 220.3	$ 149.3
Development Infrastructure	$ 141.9	$ 120.9	$ (21.0)
Pass-through to TJPA	$ 3.9	$ 5.5	$ 1.6
Debt Service - OCII TAB Bonds	$ 95.3	$ 109.8	$ 14.5
Other Debt	$ 7.1	$ 29.7	$ 22.5
Fund Balance - Housing	$ 36.3	$ 70.1	$ 33.9
Fund Balance - Non-Housing	$ 2.9	$ 11.1	$ 8.2
Subtotal CY Uses - Non-Operations	**$ 358.3**	**$ 567.4**	**$ 209.0**
Prior Period Authority - Housing	$ 73.1	$ 63.7	$ (9.4)
Prior Period Authority - Non-Housing	$ 27.4	$ 70.7	$ 43.3
Subtotal CY Prior Period Authority	**$ 100.5**	**$ 134.4**	**$ 33.9**
Total Budget Uses	**$ 536.8**	**$ 745.0**	**$ 208.2**
Sources vs. Uses	$ -	$ -	$ -

**Dollar amounts will be slightly off due to rounding.*

As shown in Table 3 below, OCII will expend $133.3 million of the proposed Fiscal Year 2018-2019 budget of $745.0 million on debt service and the Transbay Joint Powers Authority (TJPA) property tax pledge. OCII will use the remaining $611.6 million for programmatic needs: $365.5 million for affordable housing, $213.7 million for infrastructure, $17.9 million for asset management, and $16.5 million for project management and operations costs. Table 3 demonstrates that OCII expends the majority of its budget on direct expenditures for affordable housing and infrastructure (49.0 % and 28.6 % respectively).

Table 3: Fiscal Year 2018-2019 Programmatic Uses Summary, *Millions**

Use		Total	*Percent*
Affordable Housing	$	365.5	*49.1%*
Infrastructure	$	213.7	*28.7%*
Asset Management	$	17.9	*2.4%*
Project Mgmt & Operations	$	16.5	*2.2%*
Programmatic SubTotal	**$**	**611.6**	*82.1%*
Debt Service	$	127.9	*17.2%*
Pass-through to TJPA	$	5.5	*0.7%*
Non-Programmatic SubTotal	**$**	**133.3**	*17.9%*
Total	**$**	**745.0**	*100.0%*

**Dollar amounts will be slightly off due to rounding.*

Note: Cost of Issuance and debt management costs are programmatic costs.

Table 4 below shows the total proposed Fiscal Year 2018-2019 budget of $745.0 million by project area and cost center. The column headers describe OCII's four major active project areas: Hunters Point Shipyard / Candlestick Point (HPS/CP), Mission Bay North (MBN), Mission Bay South (MBS), and Transbay (TBY), as well as Yerba Buena Center (YBC) and Yerba Buena Gardens (YBG), Operations, and Debt Service. Expenditure unrelated to the four major active project areas, Operations, and Debt Service is rolled-up and shown in the Other column. Table 4 integrates the proposed budget for affordable housing into the appropriate project area, according to each project's location, and shows the proposed asset management budget in the columns labeled YBC, YBG, and Other.

Table 4: Proposed Fiscal Year 2018-2019 Budget by Project Area/Cost Center, *Millions**

Cost Center	Operations	Debt	HPS / CP	MBN	MBS	TBY	YBC	YBG	Other	Total
Sources										
Property Tax	$ 8.6	$ 111.7	$ 1.2	$ 3.6	$ 3.2	$ 6.1	$ -	$ -	$ 0.4	$ 134.8
New Bonds	$ -	$ 15.4	$ 23.7	$ -	$ 104.4	$ -	$ -	$ -	$ -	$ 143.4
Developer Payments	$ -	$ -	$ 17.5	$ 0.3	$ 4.1	$ 1.4	$ -	$ -	$ 0.1	$ 23.5
Other	$ -	$ 10.3	$ 0.5	$ -	$ -	$ -	$ -	$ -	$ 5.0	$ 15.8
Fund Balance	$ -	$ 2.4	$ 7.3	$ -	$ 3.5	$ 79.8	$ -	$ 5.0	$ 0.3	$ 98.3
Prior Period Authority	$ -	$ -	$ 128.8	$ 14.4	$ 129.6	$ 36.8	$ 7.8	$ -	$ 11.8	$ 329.2
Total	**$ 8.6**	**$ 139.8**	**$ 179.0**	**$ 18.3**	**$ 244.7**	**$ 124.2**	**$ 7.8**	**$ 5.0**	**$ 17.6**	**$ 745.0**
Uses										
Uses - Operations										
Allocated Staff & Operating Expenses	$ (7.7)	$ 0.3	$ 3.9	$ 0.1	$ 1.4	$ 1.4	$ -	$ -	$ 0.5	$ -
Operational Salaries and Benefits	$ 8.6	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8.6
Affordable Housing Services	$ 1.2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1.2
Rent	$ 0.6	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 0.6
Retiree Health and Pension Costs	$ 3.5	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3.5
Auditing & Accounting Services	$ 0.2	$ -	$ -	$ 0.1	$ 0.3	$ -	$ -	$ -	$ -	$ 0.6
Legal Services	$ 0.3	$ -	$ 0.8	$ -	$ 0.2	$ 0.1	$ -	$ -	$ -	$ 1.4
Planning & Infrastructure Rvw	$ 0.0	$ -	$ 9.1	$ -	$ -	$ -	$ -	$ -	$ -	$ 9.1
Asset Management	$ 0.2	$ -	$ 0.0	$ -	$ -	$ -	$ -	$ -	$ -	$ 0.2
Workforce Development Services	$ 0.1	$ -	$ 0.3	$ -	$ 0.0	$ 0.0	$ -	$ -	$ -	$ 0.5
Other Professional Services	$ 0.6	$ -	$ 2.8	$ 0.1	$ 0.4	$ 1.7	$ -	$ -	$ -	$ 5.6
Grants to Community-Based Organizations	$ -	$ -	$ 0.5	$ -	$ -	$ -	$ -	$ -	$ -	$ 0.5
Payments to other Public Agencies	$ -	$ -	$ 0.5	$ -	$ -	$ -	$ -	$ 5.0	$ 5.0	$ 10.4
Other Current Expenses	$ 0.9	$ -	$ 0.0	$ -	$ -	$ -	$ -	$ -	$ -	$ 1.0
Subtotal CY Uses - Operations	**$ 8.6**	**$ 0.3**	**$ 17.9**	**$ 0.3**	**$ 2.3**	**$ 3.3**	**$ -**	**$ 5.0**	**$ 5.5**	**$ 43.2**
Uses - Non-Operations										
Affordable Housing Loans	$ -	$ -	$ 127.9	$ -	$ 85.3	$ 7.0	$ -	$ -	$ -	$ 220.3
Development Infrastructure	$ -	$ -	$ 0.2	$ 3.6	$ 105.7	$ 1.6	$ -	$ -	$ 9.8	$ 120.9
Pass-through to TJPA	$ -	$ -	$ -	$ -	$ -	$ 5.5	$ -	$ -	$ -	$ 5.5
Debt Service - OCII TAB Bonds	$ -	$ 109.8	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 109.8
Other Debt	$ -	$ 29.7	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 29.7
Fund Balance - Housing	$ -	$ -	$ -	$ 1.5	$ 6.8	$ 61.5	$ -	$ -	$ 0.3	$ 70.1
Fund Balance - Non-Housing	$ -	$ -	$ 1.0	$ -	$ -	$ 10.1	$ -	$ -	$ -	$ 11.1
Subtotal CY Uses - Non-Operations	**$ -**	**$ 139.5**	**$ 129.1**	**$ 5.2**	**$ 197.9**	**$ 85.7**	**$ -**	**$ -**	**$ 10.0**	**$ 567.4**
Prior Period Authority - Housing	$ -	$ -	$ 23.2	$ -	$ 34.7	$ 3.7	$ -	$ -	$ 2.1	$ 63.7
Prior Period Authority - Non-Housing	$ -	$ -	$ 8.7	$ 12.9	$ 9.8	$ 31.5	$ 7.8	$ -	$ -	$ 70.7
Subtotal CY Uses - Prior Period Authority	**$ -**	**$ -**	**$ 31.9**	**$ 12.9**	**$ 44.5**	**$ 35.2**	**$ 7.8**	**$ -**	**$ 2.1**	**$ 134.4**
Total Budget Uses	**$ 8.6**	**$ 139.8**	**$ 179.0**	**$ 18.3**	**$ 244.7**	**$ 124.2**	**$ 7.8**	**$ 5.0**	**$ 17.6**	**$ 745.0**

**Dollar amounts will be slightly off due to rounding.*

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 2018. The full Board of Supervisors will consider the budget recommended by the Budget and Finance Committee in July 2018. 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 2018, 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 Mina Yu, Financial and Reporting Analyst and Bree Mawhorter, Deputy Director of Finance and Administration)

Nadia Sesay
Executive Director