MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohce
Executive Director

SUBJECT: Approving a Budget for the period of July 1, 2013 through June 30, 2014 and authorizing the Executive Director to submit the Budget to the Mayor's Office and the Board of Supervisors

EXECUTIVE SUMMARY

Staff has presented the proposed budget for Fiscal Year 2013-2014 (the "Budget") to the Commission at two informational workshops, on April 16, 2013 and April 30, 2013, which described OCI's projected programmatic and administrative activities. A final proposed Budget is now attached as Attachment A to the accompanying Resolution that provides for the approval of the Budget and authorizes the Executive Director to submit it to the Mayor and the Board of Supervisors. A Board of Supervisors hearing on OCI's budget is currently scheduled for Monday, June 17, 2013.

Staff recommends approval of the Budget for the period of July 1, 2013 through June 30, 2014 and authorizing the Executive Director to submit the Budget to the Mayor's Office and the Board of Supervisors.

DISCUSSION

As described in the previous two workshops, the Budget document describes the activities that OCI will be undertaking through narrative descriptions and workplans as well as through various tables. The key tables are Table 1 which displays the Fiscal Year 2013-14 Sources and Uses as compared to the prior year as well as to the projected Fiscal Year 2014-2015 budget; Table 2 which shows the Budget by its high-level categories of spending and funding source and Table 3 which shows the sources and uses using the same categories as Table 1 by Project Area. Below is a description of how the Budget is organized, followed by detailed definitions of the Sources and Uses categories on Tables 1 and 2.

Organization of the Budget:

- Summary (includes Table 1)
- FY 2013-14 Proposed Budget Overview (includes Tables 2 & 3 and Staffing positions)
- Major Approved Development Projects:
  - Hunters Point Shipyard/Candlestick Point
  - Mission Bay North and South
  - Transbay Redevelopment Project
- Asset Management Outside Major Approved Development Projects
- Affordable Housing Obligations
- Appendix 1 - Community Facilities Districts
- Appendix 2 - Debt Service Schedule

**Budget Tables:**

Tables 1 & 3 are divided into three main sections: Sources, Uses-Operations, Uses-Non-Operations.

**Sources:**
The first section at the top shows the proposed revenues by source. Those sources are:

- **Property Tax Increment:** new tax increment deposited into the Redevelopment Property Tax Trust Fund. These funds are shown in three different categories: tax increment needed for Debt Service, Housing, and Other (i.e. non-housing, non-debt service uses).

- **Rent & Lease Revenues:** any revenues to be collected from OCII owned properties.

- **Developer Payments:** developer reimbursements for OCII costs as required by master development agreements, developer fee exactions, etc.

- **Developer Fees for Affordable Housing:** fees paid for affordable housing pursuant to development agreements or other requirements.

- **Federal & State Grants/Program Income:** grant revenues or program income from grant funded assets.

- **Garage Revenues:** revenues received from OCII owned garages.

- **City Reimbursements:** payments from other City departments to cover non-OCII related work done by OCII staff (e.g. OCII employees working at MOH who work on City-only projects).

- **New Bond Proceeds:** estimated proceeds from a proposed bond issuance.

- **Fund Balance:** funds from prior year budgets that will be needed for Fiscal Year 2013-2014 expenditures for either housing or non-housing; displayed within this Budget to reflect full workplan activity for the fiscal year. (NOTE: these funds are the subject of the Due Diligence Review process with the State Department of Finance, which is not yet complete; should any of these funds be required to be distributed to taxing entities then adjustments would be made to the Property Tax Increment request or other eligible sources).
Uses: Operations

The second section of the budget shows proposed uses that are classified as “operations”. This includes costs associated with the administration and operations of OCII, including salaries, general administration, legal services, property management, other professional services, etc. Below are descriptions of the categories:

- **Allocated Staff & Operating Expenses**: staff and operating expenses that are allocated out to project areas and are paid for either by developer payments, grants funds, or direct tax increment.
- **Salaries and Benefits**: staff salaries and fringe benefits.
- **General Administrative & Mgmt Services**: cost of staff support provided by the City Administrator’s Office.
- **Affordable Housing Project Mgmt Services**: proposed costs associated with engaging the Mayor’s Office of Housing to provide services to assist in implementing OCII’s affordable housing obligations.
- **Rent**: office space rent.
- **Retiree Health Insurance**: costs for retiree health insurance.
- **Auditing & Accounting Services**: costs for additional accounting services for various audits and other financial reports.
- **Bond Management Services**: costs associated with the management of OCII’s outstanding bonds (consultants, trustee fees, etc.).
- **Legal Services**: costs for retaining the City Attorney and other outside counsel.
- **Planning, Design Rvw, & Constr Mgmt Sves**: costs for City services required for design and construction review and monitoring (Department of Public Works, San Francisco Arts Commission, Planning Department), and for third party design, engineering, and other consultants.
- **Property Management**: costs for maintaining OCII owned property.
- **Other Professional Services**: costs for other professional services consultants and City departments necessary to implement Project Area workplans.
- **Grants to Community-Based Organizations**: these include museum operating and capital grants connected to Yerba Buena Center and Yerba Buena Gardens, including the Mexican Museum, Museum of the African Diaspora, Yerba Buena Center for the Arts and the Children’s Creativity Museum. This category also includes a disbursement to the Legacy Foundation as required by the Hunters Point Phase 1 Disposition and Development Agreement.
- **Payments to Other Public Agencies**: for Yerba Buena Center, this consists of payments of Jessie Square Garage revenues to the City of San Francisco. This category also includes Hunters Point Shipyard pass-through lease and common area maintenance payments to the U.S. Navy for use of Navy owned properties and buildings.
**Other Current Expenses:** other miscellaneous administrative and operations costs, including the operating expenses for South Beach Harbor.

**Uses - Non-Operations**
The third section of the Draft Budget Table shows the uses that are not related to operations. These uses are:

- **Affordable Housing Loans:** amounts projected to be loaned by OCII to affordable housing developers for either pre-development or construction of affordable housing projects.
- **Development Infrastructure:** costs associated with the construction and installation of public infrastructure.
- **Restricted Developer Fee Reserve:** the balance of the restricted developer payment related to the Transbay Block 6&7 project that will be paid in Fiscal Year 2013-2014 but will be committed in the second phase of the affordable housing project in a subsequent fiscal year.
- **Restricted Tax Increment Reserve:** the balance of the restricted tax increment from Mission Bay North that must be reserved per the Mission Bay Tax Increment Allocation Pledge Agreements until used for infrastructure or affordable housing in subsequent fiscal years.
- **Bldg Improvmts/Lead & Asbestos Abatement:** costs relating to building improvement and abatement activities for buildings in the Hunters Point Shipyard.
- **Public Art:** costs for the planning, fabrication, and installation of public art in Hunters Point Shipyard and Mission Bay.
- **Debt Service:** required debt service payments for bonds issued in prior years.

**NEXT STEPS**
Upon the Commission’s approval, the Budget will then be submitted to the Mayor’s Office for review, and then to the Board of Supervisors. Any material changes to the Budget required by the Mayor, Board of Supervisors, or DOF will be brought back to the Commission for review. A hearing on OCII’s budget is currently scheduled for the Board of Supervisors Budget Committee calendar for Monday, June 17, 2013.

*(Originated by Leo Levenson, Deputy Director for Finance and Administration)*

Tiffany Bohle
Executive Director