TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Approving a Budget for the period of July 1, 2014 through June 30, 2015 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 2014-2015 (the "Budget") to the Commission at two informational workshops, on April 1, 2014 and April 15, 2015, which described OCII's projected programmatic and administrative activities. A final proposed Budget is now attached as Attachment A to the accompanying Resolution. The Resolution 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 OCII's budget is currently scheduled for Wednesday, June 18, 2014.

Staff recommends approval of the Budget for the period of July 1, 2014 through June 30, 2015 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 OCII 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 2014-15 Sources and Uses as compared to the prior year; Table 2 which shows the Budget by its high-level categories of spending and funding source; and Table 3 which shows sources and uses by Project Area.

Updates since the Budget Workshops

The attached budget is substantially similar to the information presented in the Budget Workshops on April 1 and April 15. Updates from the workshops include:

a. Budget Total: The FY 2014-15 proposed budget of $377.5 million represents an increase of $53.5 million compared to the prior year, largely due to:

- $88.4 million increase in affordable housing fees from developers;
- 13.8 million increase in use of prior year fund balances, including the programming of $9.2 million in excess pre-2011 bond balances.
$12.3 million rise in budgeted Mission Bay tax increment revenues
$58.3 million reduction from change in new bond revenues, due to the absence of any planned new money bond issuances in FY 2014-15. The budget does allow for the potential refunding of existing tax allocation bond debt if market conditions allow for debt service savings.

b. Administration Budget: Added $150,000 budget as an allowance for developer payments to cover temporary staffing to cover surge work requirements in any project area. Also shifted $100,000 from professional services contingency to an allocation for public communications support. Staff allocations to project areas changed slightly with updated estimates.

c. Hunters Point Shipyard: Added $250,000 to reflect developer contribution received to support a surety bond program for small business enterprises and a $79,000 budget to support the International African Marketplace.

d. Mission Bay North: Added $261,000 to the budget for Public Art to reflect anticipated spending from existing fund balances. This amount was in the budget for FY 2013-14 but will not be expended until FY 2014-15.

e. Yerba Buena Gardens: Used $420,000 in surplus lease revenues to cover $180,000 in additional capital expenditures and $240,000 in additional property management expenses. If projected revenues in Yerba Buena Gardens do not materialize during the fiscal year, staff will cover any budget shortfall with funds from the Yerba Buena Gardens capital reserve.

f. Use of Excess Tax-Exempt pre-2011 Bond Proceeds: As a result of OCII's Finding of Completion from the California Department of Finance (DOF), Redevelopment Dissolution Law allows OCII to use surplus balances from pre-2011 bonds that are not encumbered to enforceable obligations for other purposes consistent with original bond covenants. The FY 2014-15 budget anticipates granting the City $8.1 million in surplus housing tax-exempt bond proceeds (discussed in the FY 2014-15 Proposed Budget Section 8E). The proposed budget also anticipates granting the City a further $1.1 million in non-housing tax exempt bond proceeds from the following project areas: South of Market ($591,000), Western Addition A-2 ($83,000) and Bayview Hunters Point ($434,000). Based on initial discussions with City departments, potential projects include:

- **South of Market (SOMA):** Façade, streetscape, pedestrian safety, open space or alleyway improvements;
- **Western Addition A-2:** Façade and community and cultural center building improvements;
- **Bayview Hunters Point:** Streetscape, façade, or health center improvements.

Staff will continue to work with the related City departments to refine the proposals for the use of these funds. The actual agreements to provide these funds to the appropriate City department would then be considered for approval by the OCII Commission and Oversight Board.
g. $2.95 million First Repayment of SERAF Loan from LMIHF: As a result of OCII’s Finding of Completion from DOF, Redevelopment Dissolution Law, Health & Safety Code Section 34191.4 authorizes OCII to repay amounts borrowed from the Low and Moderate Income Housing Fund loans to pay Supplemental Educational revenue Augmentation Fund (SERAF) assessments. In Fiscal Year 2019-10, the former SFRA borrowed $16.483 million from the Low and Moderate Income Housing Fund (LMIHF) to pay its SERAF assessment. Based on a DOF formula, OCII may make an initial repayment of up $2.95 million to the City as Housing Successor Agency, for deposit into the City’s Low and Moderate Income Housing Asset Fund. Additional payments will be authorized of up to 50% of the increase in tax increment residuals released to taxing entities compared to the amount released in FY 2012-13. Actual release of the funds is contingent upon receiving a request from the City and obtaining Oversight Board and DOF approval of the payment on a future ROPS.

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.

Because the Board of Supervisors process for Committee and full Board review of the budget is expected to extend past the July 1, 2014 start date of the fiscal year, the Board routinely first passes an “Interim Budget” based on OCII’s submission with limited review, which can be fully passed by June 30, 2014 so that a budget is in place for the start of the fiscal year. The Board then is allowed a little extra time to consider and pass the final budget.

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

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