



107-0152022-002

Agenda Item **No.5(d)**
Meeting of April 18, 2023

MEMORANDUM

TO: Commission on Community Investment and Infrastructure

FROM: Thor Kaslofsky, Executive Director

SUBJECT: Approving a Budget for the period July 1, 2023, through June 30, 2024, and authorizing the Transmittal of 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 ("FY") 23-24 at an informational workshop on April 4, 2023. On April 18, 2023, the Commission will take action on the final proposed budget, which is attached to Resolution 11-2023 and is substantially similar to the draft proposed budget. The change results in a 0.04% decrease from the draft proposed budget amount of \$717.7 million at the workshop to the final proposed budget amount of \$717.4 million.

London N. Breed
MAYOR

Thor Kaslofsky
EXECUTIVE DIRECTOR

Bivett Brackett
CHAIR

Alex Ludlum
Tamsen Drew
Dr. Carolyn Ransom-Scott
COMMISSIONERS

Resolution 11-2023 provides for the approval of the final proposed budget for FY 23-24 ("FY 23-24 OCII Budget") and authorizes the Executive Director to submit the approved FY 23-24 OCII Budget to the Mayor and the Board of Supervisors for their review. Resolution 11-2023 also authorizes the Executive Director to submit the approved FY 23-24 OCII Budget and the interim budget to the Mayor's Office and the Board of Supervisors. The interim budget is in place from July 1, 2023, until the Board of Supervisors finally passes the annual budget at a later date.

Staff recommends approval of Resolution 11-2023 approving the proposed budget for the period of July 1, 2023 through June 30, 2024, and authorizing the transmittal of the budget and the interim budget to the Mayor's Office and the Board of Supervisors.

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

415 749 2400

www.sfocii.org

DISCUSSION

The proposed FY 23-24 OCII Budget totals \$717.4 million, which is \$0.1 million more than the FY 22-23 budget of \$717.3 million. Of this amount, \$444.0 million is new budget authority and \$273.4 million is Prior Period Authority carried forward from FY 22-23. Prior Period Authority (“PPA”) is expenditure carried forward from prior fiscal years, including affordable housing loans awarded but not drawn down and multi-year construction budgets.

The Commission reviewed the draft proposed budget for FY 23-24 at an informational workshop on April 4, 2023. On April 18, 2023, the Commission will consider approval of the final proposed budget, which is attached to Resolution 11-2023. The final proposed FY 23-24 OCII Budget is substantially similar to the draft proposed budget. As discussed in the informational workshop, the budget document describes the activities that OCII will undertake in FY 23-24 through narrative descriptions, workplans, and various tables.

Budget Update

The change from the workshop to the action is due to a mayoral request for a 5% reduction in property tax support of the FY 23-24 OCII Budget. OCII’s property tax support at the workshop was \$146.5 million, and most of these funds are committed to long-term obligations. Of the \$146.5 million, \$3.5 million is set aside for OCII’s Administrative Cost Allowance per the State Department of Finance¹; \$92.4 million pays for debt service on bonds; \$41.0 million is pledged to affordable housing loans and infrastructure reimbursements, which are mayoral priorities and exempt from the Mayor’s budget reduction request; and \$3.5 million is for retiree health and pension payments. The remaining \$6.1 million can be considered for a 5% reduction which results in a \$0.3 million reduction.

The FY 23-24 OCII Budget includes an increase in attrition savings by holding a 1.0 Full Time Employee (“FTE”) Senior Engineer position vacant to meet this 5% reduction goal or \$0.3 million of property tax support. This increase in attrition savings will not negatively impact OCII’s workplans in FY 23-24.

This change results in an overall decrease of \$0.3 million or 0.04% from \$717.7 million at the workshop to \$717.4 million. Table 1 shows the change by sources and the decrease in property tax support of the FY 23-24 OCII Budget.

¹ Assembly Bill (“AB”) 26, as amended by AB 1484, states the Administrative Cost Allowance is paid to the Successor Agency from property tax revenues allocated by the County Audit-Controller and is defined as an amount, subject to the approval of the Oversight Board, which is up to 3% of the property tax allocated for enforceable obligations from the Redevelopment Property Tax Trust Fund from the prior year for each fiscal year.

Table 1: Changes in Sources from FY 23-24 Budget Workshop to FY 23-24 Budget Action

Sources	FY 23-24 Workshop Proposed (\$M)	FY 23-24 Action Proposed (\$M)	Difference (\$M)	% Change	Justification
Property Tax	\$146.5	\$146.2	(\$0.3)	-0.2%	Increase attrition savings by holding 1.0 Full Time Employee ("FTE") Senior Engineer position vacant
Bonds	\$127.9	\$127.9	\$0.0	0.0%	
Developer Payments	\$22.4	\$22.4	\$0.0	0.0%	
Other Funds	\$5.5	\$5.5	\$0.0	0.0%	
Fund Balance	\$142.1	\$142.1	\$0.0	0.0%	
Prior Period Authority*	\$273.4	\$273.4	\$0.0	0.0%	
Total Sources	\$717.7	\$717.4	(\$0.3)	-0.04%	

*Prior Period Authority is expenditure carried forward from prior year, including affordable housing loans awarded but not yet drawn down fully and multi-year construction budgets.

Table 2 shows the change in uses and the impact on Project Management and Operations. There is a 1.5% decrease in the operating budget. This reduction does not negatively impact OCII's workplans.

Table 2: Changes in Uses from FY 23-24 Budget Workshop to FY 23-24 Budget Action

Uses	FY 23-24 Workshop Proposed (\$M)	FY 23-24 Action Proposed (\$M)	Difference (\$M)	% Change	Justification
Direct Program Spending					
Affordable Housing	\$331.6	\$331.6	-	-	Increase attrition savings by holding 1.0 Full Time Employee ("FTE") Senior Engineer position vacant
Infrastructure & Other Non-Housing	\$178.5	\$178.5	-	-	
Project Management & Operations	\$20.3	\$20.0	(\$0.3)	-1.5%	
Community Development & Workforce	\$2.1	\$2.1	-	-	
Direct Programmatic Subtotal	\$532.5	\$532.2	(\$0.3)	-0.04%	
Indirect Program Spending					
Debt	\$151.0	\$0.2	-	-	
Pass-through to TJPA	\$33.7	\$151.0	-	-	
Other	\$0.4	\$33.7	-	-	
Asset Management	\$0.2	\$0.4	-	-	
Indirect Programmatic Subtotal	\$185.3	\$185.3	-	-	
Total	\$717.7	\$717.4	(\$0.3)	-0.04%	

The Proposed Budget attached to the Resolution as Exhibit A provides more detail on the activities that OCII will undertake in FY 23-24 through narrative descriptions, workplans, and various tables.

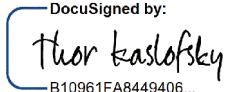
107-0152022-002

Page 4

NEXT STEPS

Pending Commission approval, staff will submit the proposed FY 23-24 OCII Budget to the Mayor on May 1, 2023. Following the Mayor's Budget Office review, the Mayor will submit the FY 23-24 OCII Budget to the Board of Supervisors on June 1, 2023. The Board of Supervisors will review and act on OCII's budget in July 2023. OCII staff will update the Commission as the budget process evolves.

(Originated by Mina Yu, Budget & Project Finance Manager)

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Thor Kaslofsky,
Executive Director