

**CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST**

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TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: June 15, 2015 Budget and Finance Committee Meeting

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BUDGET REVIEW EXECUTIVE SUMMARY

Budget Changes

The Department’s proposed \$494,173,000 budget for FY 2015-16 is \$116,706,000 or 30.9% more than the original FY 2014-15 budget of \$377,467,000.

Personnel Changes

The number of full-time equivalent positions (FTEs) budgeted for FY 2015-16 is 46.00 FTEs, which is 4.60 FTEs less than the 50.60 FTEs in the original FY 2014-15 budget. This represents a 9.1% decrease in FTEs from the original FY 2014-15 budget.

Revenue Changes

The Department’s revenues of \$494,173,000 in FY 2015-16 are \$116,706,000 or 30.9% more than FY 2014-15 revenues of \$377,467,000. OCII does not receive General Fund support.

RECOMMENDATIONS

YEAR ONE: FY 2015-16

The Budget and Legislative Analyst’s recommended reductions to the proposed budget total \$416,797 in FY 2015-16. Of the \$416,797 in recommended reductions, \$133,244 are ongoing savings and \$283,553 are one-time savings. These reductions would still allow an increase of \$116,289,203 or 30.8% in the Department’s FY 2015-16 budget.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS, FISCAL YEAR 2015-16**

DEPARTMENT: OCII – OFFICE OF COMMUNITY INVESTMENT AND INFRASTRUCTURE

SUMMARY OF PROGRAM EXPENDITURES

FY 2015-16 Proposed Budget, \$ Thousands

Sources	FY 2014-15 Budget	FY 2015-16 Proposed	Increase/ (Decrease)	Percent
Property Tax Increment – Debt Service	97,583	98,234	651	0.7%
Property Tax Increment – Mission Bay	17,120	6,300	(10,820)	-63.2%
Property Tax Increment – Admin Allowance	2,910	3,508	598	20.5%
Property Tax Increment – Other	13,695	22,480	8,785	64.1%
Subtotal Property Tax Increment	131,309	130,522	(787)	-0.6%
Land Sale Proceeds	19,000	257,240	238,240	1253.9%
New Bond Proceeds	300	44,679	44,379	14793.0%
Developer Payments	123,724	12,226	(111,498)	-90.1%
Rent, Lease & Garage Revenues	22,873	16,009	(6,864)	-30.0%
US Navy Cooperative Agreement	290	350	60	20.7%
Loan Repayments	106	50	(56)	-52.6%
City Reimbursements for OCII Staff	536	303	(233)	-43.5%
Hotel Tax/Moscone Revs for Debt Service	11,805	5,024	(6,781)	-57.4%
Subtotal Current Revenues	178,634	335,881	157,247	88.0%
Fund Balance - Housing	49,829	21,432	(28,397)	-57.0%
Fund Balance - Other	17,695	6,338	(11,357)	-64.2%
Total Sources	377,467	494,173	116,706	30.9%
Uses - Operations				
Salaries and Benefits	8,414	7,817	(596)	-7.1%
Affordable Housing Services	619	827	208	33.6%
Rent	441	454	13	3.0%
Retiree Health and Pension UAAL Contribution	1,040	1,577	537	51.6%
Auditing & Accounting Services	210	545	335	159.5%
Legal Services	1,395	2,215	820	58.8%
Planning & Infrastructure Rvw	2,815	2,415	(400)	-14.2%
Asset Management	6,879	6,770	(109)	-1.6%
Workforce Development Svcs	189	250	61	32.3%
Other Professional Services	7,322	4,058	(3,265)	-44.6%
Grants to Community Based Organizations	5,312	4,005	(1,307)	-24.6%
Payments to other Public Agencies	4,456	4,177	(278)	-6.2%
Other Current Expenses	4,010	2,008	(2,001)	-49.9%
Subtotal Operations	43,102	37,118	(5,984)	-13.9%
Affordable Housing Loans	103,172	96,500	(6,672)	-6.5%
Affordable Housing Reserve	69,098		(69,098)	-100.0%
Development Infrastructure	24,283	5,860	(18,423)	-75.9%
YBG Capital Reserve	3,167		(3,167)	-100.0%
Community Grants Reserve	1,496		(1,496)	-100.0%
Pass-through to TJPA	3,000	245,700	242,700	8090.0%
Public Art	1,378		(1,378)	-100.0%
Other Use of Bond Proceeds	9,217		(9,217)	-100.0%
Debt Service	119,555	108,995	(10,560)	-8.8%
Total Uses	377,467	494,173	116,706	30.9%

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS, FISCAL YEAR 2015-16**

DEPARTMENT: OCII – OFFICE OF COMMUNITY INVESTMENT AND INFRASTRUCTURE

FY 2015-16

The Department's proposed FY 2015-16 budget has increased by \$116,706,000 largely due to a pass through of land sale proceeds from the Transbay Project Area to the Transbay Joint Powers Authority (TJPA). OCII estimates the value of this sale and its pass through to TJPA to be \$245,700,000. The value of this pass through is reflected in both the Department's revenues and uses. After accounting for this pass through, OCII's budget in FY15-16 decreases by \$128,994,000 from its original FY14-15 budget.

The Department is proposing to decrease its budget by ceasing additional funding for three reserves, including for (1) affordable housing; (2) capital improvements in Yerba Buena Gardens & Center for the Arts; and, (3) community grants. The Department is also proposing reductions in debt service payments and affordable housing loans as well as funding for professional services, grants to community organizations, and administrative expenses.

The Department is proposing additional funding for legal services, auditing and accounting services, affordable housing services, and for workforce development services.

PROGRAM EXPENDITURES BY PROJECT AREA/COST CENTER

A Project Area is a designated redevelopment area, which has been approved by the Board of Supervisors. As shown in the table below, there are seven ongoing Project Areas¹. OCII's proposed budget for work related to these Project Areas in FY 2015-16 is \$385,952,000, which is \$122,435,000 or 46.5% higher than the original budget of \$263,517,000 for FY 2014-15. Changes to funding for individual Project Areas are as follows²:

¹ Additional Project Areas include Western Addition, South of Market, Hunters Point, Bayview Industrial Triangle. These Project Areas (included in the 'Other' category in the chart below) have expired, were completed, or the Redevelopment Dissolution Law severely curtailed the San Francisco Redevelopment Agency's work program, but OCII still expends resources for staff oversight, asset management and debt service for these Project Areas.

² The difference in the table below and sources and uses summary above are due to rounding differences.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS, FISCAL YEAR 2015-16**

DEPARTMENT: OCII – OFFICE OF COMMUNITY INVESTMENT AND INFRASTRUCTURE

FY 2015-16 Proposed Budget by Project Area/Cost Center, \$ Thousands

	Approved Budget FY 2014-15	Proposed Budget FY 2015-6	Increase/ (Decrease)	Percent
Administrative	2,502	3,000	498	19.9%
Debt Service	111,448	105,222	(6,226)	-5.6%
Subtotal	113,950	108,222	(5,728)	-5.0%
Project Area				
1 Hunters Point Shipyard/Candlestick Point	62,035	19,486	(42,549)	-68.6%
2 Mission Bay North	7,362	2,536	(4,826)	-65.6%
3 Mission Bay South	31,281	38,843	7,562	24.2%
4 Transbay	123,425	302,504	179,079	145.1%
5 Yerba Buena Center	6,504	4,639	(1,865)	-28.7%
6 Yerba Buena Gardens & Center for the Arts	13,295	12,158	(1,137)	-8.6%
7 South Beach Harbor	2,685	1,738	(947)	-35.3%
8 Other ¹	16,930	4,048	(12,882)	-76.1%
Project Area Total	263,517	385,952	122,435	46.5%
Total	377,467	494,174	116,707	30.9%

Hunters Point Shipyard and Candlestick Point

The decrease in funding for the Hunters Point Shipyard and Candlestick Point Project Area is due largely to a decrease in loans for affordable housing, as well as a reduction of funding for the Community Grants Reserve and elimination of some grants to community organizations.

This decrease is partially offset by additional funding for professional services, staff and operating expenses, and for legal expenses.

Mission Bay North

The decrease in funding for Mission Bay North Project Area is due to decreases in funding for staff time, workforce development services, affordable housing loans, the affordable housing reserve, public art, and debt service. The Department is proposing a small increase in funding for auditing and accounting services.

Mission Bay South

The increase in funding for the Mission Bay South Project Area is due to an increase in loans for affordable housing. This increase is offset by ceasing additional funding for the Project Area's affordable housing reserve, decrease in development infrastructure, and decreases in in staff time and planning and workforce development services.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS, FISCAL YEAR 2015-16**

DEPARTMENT: OCII – OFFICE OF COMMUNITY INVESTMENT AND INFRASTRUCTURE

Transbay

The increase in funding for the Transbay Project Area is due largely to the proceeds from land sales that will be passed through to TJPA. There is also an increase in affordable housing loans, payments to other city departments, and funding for staff and operating expenses. These increases are partially offset by a decrease in the Project Area's affordable housing reserve, as well as funding for development infrastructure, and legal expenses.

Yerba Buena Center

The decrease in funding for the Yerba Buena Center Project Area is due to decreases for miscellaneous expenses, grants to community based organizations, and for staff and operating expenses. These decreases are partially offset by additional payments to other public agencies and increased funding for asset management expenses,

Yerba Buena Gardens & Center for the Arts

The decrease in funding for the Yerba Buena Garden & Center for the Arts Project Area is due to the ceasing additional funding for the Yerba Buena Garden capital reserve, as well as decreases in staff and operating expenses, payments to other public agencies and miscellaneous expenses. These decreases are partially offset by increased funding for development infrastructure and asset management.

South Beach Harbor

The decrease in funding for the South Beach Harbor Project Area is due entirely to a reduction in funding for staff and operating expenses that are no longer being dedicated to this Project Area.

Other

The decrease in funding for the remaining Project Areas is due to reduced debt service payments, funding for staff and operating expenses, payments to other public agencies, and asset management expenses – all partially offset by a small increase in legal expenses.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS, FISCAL YEAR 2015-16**

DEPARTMENT: OCII – OFFICE OF COMMUNITY INVESTMENT AND INFRASTRUCTURE

SUMMARY OF DEPARTMENT POSITION CHANGES:

FY 2015-16

The number of full-time equivalent positions (FTEs) budgeted for FY 2015-16 are 46.0 FTEs, which are 4.60 FTEs less than the 50.60 FTEs in the original FY 2014-15 budget. This represents a 9.1% decrease in FTEs from the original FY 2014-15 budget.

This change reflects a transfer of 8.60 FTEs of OCII's South Beach Harbor staff to the Port of San Francisco due to the assumption of responsibility for operation of the South Beach Harbor by the Port. It also includes the transfer of 2.0 FTEs to the Mayor's Office of Housing and Community Development to continue work on former SFRA housing programs transferred to the City after dissolution of the Redevelopment Agency.

These transfers are partially offset by the proposed addition of 6.0 FTEs for administrative purposes (including a Deputy General Counsel and a HR and Administration Services Manager) and increased work on affordable housing production (including a Project Manager, Management Assistant, and Senior Development Specialists).

INTERIM EXCEPTIONS

The Office has requested approval of 8.0 FTE positions as interim exceptions. This request reflects the election by 8.0 OCII FTEs to become employees of the City of San Francisco, as permitted by Proposition D which was passed by the voters in 2014. These staff will now be located at the City Administrator's office solely for administrative purposes. The Budget and Legislative Analyst recommends approval of all 8.0 positions as interim exceptions. Salary and benefit expenses will be paid to the City Administrator's office by a work order from OCII. Approval of these exceptions by the Board of Supervisors has no change on the total budgets for either department.

DEPARTMENT REVENUES:

FY 2015-16

The Department's revenues of \$494,173,000 in FY 2015-16 are \$116,706,000 or 30.9% more than FY 2014-15 revenues of \$377,467,000. OCII does not receive General Fund support.

Specific changes in the Department's FY 2015-16 revenues include:

- Land sale proceeds from the Transbay Project Area which will be passed through to TJPA.
- The anticipated issuance and use of new taxable bond proceeds to finance affordable housing in the Mission Bay South and Hunters Point Shipyard/Candlestick Point Project Areas. The Office's authority to issue these new bonds depends on passage of SB 441 by the California Assembly and approval of the Governor.
- Reduction in one-time developer payments and prior year fund balances included in the FY 2014-15 budget and designated for affordable housing.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS, FISCAL YEAR 2015-16**

DEPARTMENT: OCII – OFFICE OF COMMUNITY INVESTMENT AND INFRASTRUCTURE

- Reduction in anticipated property tax revenues from the Mission Bay Project Area due to a one-time correction resulting in additional property tax allocated to Mission Bay in FY 2014-15.
- Reduction in hotel tax revenues for debt service due to the final payment made during FY 2014-15 on 1992 hotel tax bonds for the Moscone Convention Center, leaving only one remaining series of hotel tax-funded bonds.

Affordable Housing Obligations

As the successor agency to SFRA, OCII retains Affordable Housing Obligations associated with the three critical redevelopment projects (Hunters Point Shipyard, Mission Bay and Transbay) and must continue to implement under enforceable obligations consistent with the Dissolution Law.

The Department anticipates issuing loans for affordable housing development, mainly in the Transbay and Mission Bay South Project Areas. The Department's proposed reduction in expenditures on loans for affordable housing is due to changes in construction and development timelines for ongoing Project Areas.

The Department reduced the amount of resources the City expected to collect from developer fees at the Transbay Project Area because developers have committed to funding the development of inclusionary housing directly, reducing the need for funds to pass through OCII. The Department also anticipates decreased developer payments at the Hunters Point Shipyard Project Area because the next phase of construction for the Alice Griffith public housing/HOPE SF project is not scheduled until FY 2016-17.

The Department still holds funding in reserve for affordable housing development; the Department does not propose additional funding for this reserve in FY2015-16.

RECOMMENDATIONS:

FY 2015-16

The Budget and Legislative Analyst's recommended reductions to the proposed budget total \$416,797 in FY 2015-16. Of the \$416,797 in recommended reductions, \$133,244 are ongoing savings and \$283,553 are one-time savings. These reductions would still allow an increase of \$116,289,203 or 30.8% in the Department's FY 2015-16 budget.

**Recommendations of the Budget and Legislative Analyst
For Amendment of Budget Items in the FY 2014-15 and FY 2015-16 Two-Year Budget
CII - Office of Community Investment & Infrastructure**

Object Title	FY 2015-16					
	FTE		Amount		Savings	1T
	From	To	From	To		
CRD - Community Redevelopment						
Overhead - OCII Salary			\$4,584,869	\$4,360,966	\$223,903	X
Overhead - OCII Benefits & Employer Tax Budget			\$2,346,248	\$2,286,598	\$59,650	X
			<i>Total Savings</i>		\$283,553	
Reduce OCII's Overhead - Salary Cost and Benefits & Employer Tax Budget to reflect the delayed hiring of five new positions and two currently vacant positions.						
Overhead - OCII Salary			\$4,584,869	\$4,487,552	\$97,317	
Overhead - OCII Benefits & Employer Tax Budget			\$2,346,248	\$2,320,322	\$25,926	
			<i>Total Savings</i>		\$123,244	
Deny addition of Senior Development Specialist. The division currently has one Senior Development Specialist position and two vacant support positions. BLA recommends delaying addition of new staff until vacant positions are filled and division further evaluates its staffing needs.						
Training			\$36,000	\$26,000	\$10,000	
Reduce based on historical expenditures. Amended amount is still far above level expended in current fiscal year and sufficient for anticipated training needs for new staff.						

FY 2015-16

Total Policy Recommendations

	One-Time	Ongoing	Total
General Fund	\$0	\$0	\$0
Non-General Fund	\$283,553	\$133,244	\$416,797
Total	\$283,553	\$133,244	\$416,797