



Item #9

DATE ISSUED: January 15, 2009

ATTENTION: Centre City Development Corporation
Meeting of January 21, 2009, Agenda 674

SUBJECT: Fiscal Year 2008-2009 Budget Amendment –
Centre City Redevelopment Project

STAFF CONTACT: Frank Alessi, Vice President and Chief Financial Officer

REQUESTED ACTION: That the Centre City Development Corporation (“Corporation”) approve and recommend that the Redevelopment Agency (“Agency”) approve an amendment to the Fiscal Year 2008-2009 Budget (“FY09 Budget”) increasing the provision for City Payments from \$7.5 million to \$11.315 million to accommodate payments for debt service on the Ballpark Bonds.

STAFF RECOMMENDATION: That the Corporation approve and recommend that the Agency approve an amendment to the FY09 Budget increasing the provision for City Payments from \$7.5 million to \$11.315 million to accommodate payments for debt service on the Ballpark Bonds.

SUMMARY: During the FY09 budget process staff worked on a long-term financial plan that included repayments to the City of San Diego (“City”). Following requests from the Mayor’s office, the concept of early repayment was evaluated and as a result, a \$5 million City repayment was incorporated into the FY09 Budget. At the City’s Fiscal Year 2009 Budget hearing on June 9, the City Council voted 6-2 to increase the City repayments from the Agency by \$2.5 million bringing the total repayment to \$7.5 million in FY09. Recently, with the continuation of slow economic growth and the City budget crisis, the Mayor’s office has requested an increase in payments to cover the \$11.3 million of debt service on the Ballpark Bonds. A separate item on the agenda “Second Amendment to the Ballpark Cooperation Agreement” provides for the appropriate action of the Agency and the City Council to allow for the Agency to make payments for the debt service on the Ballpark Bonds. This amendment to the FY09 Budget facilitates the payment for this year.

FISCAL CONSIDERATIONS: The FY09 Budget totals \$235.5 million financed with tax allocation bonds, developer proceeds, interest income, and other income. Included in the \$235.5 million is a line item identified as Future Year Project Carryforward which provides for funding of programs being implemented in multi-years. The additional \$3.815 million repayment reduces this line item and defers or reduces the amount available for future year projects. The City Repayment line item will increase by a like amount.

COMMITTEE RECOMMENDATIONS: On January 7, 2009, the Budget/Finance and Administration Committee voted unanimously (Brown, Cruz, Kilkenny, LeSar, McNeely, Shaw) to approve an amendment to the FY09 Budget increasing the provision for City Payments from \$7.5 million to \$11.315 million to accommodate payments for debt service on the Ballpark Bonds.

CENTRE CITY ADVISORY COMMITTEE RECOMMENDATION: On January 14, 2009, the Centre City Advisory Committee voted (23) and the Project Area Committee voted (21) unanimously to recommend approval of an amendment to the FY09 Budget increasing the provision for City Payments from \$7.5 million to \$11.315 million to accommodate payments for debt service on the Ballpark Bonds.

CHANGES SINCE BOARD COMMITTEE MEETING: **This item has not changed since the Committee action noted above.**

BACKGROUND: On March 26, 2008, the Corporation approved the FY09 Budget for the Centre City and Horton Plaza Redevelopment Project areas. On April 30, 2008 the Corporation approved an amendment to the FY 09 Budget by increasing the City Repayment line item to \$5.0 million. On May 20, 2008 the Agency approved the FY09 Budget as approved by the Corporation. Subsequently, the Independent Budget Analyst (“IBA”) presented and recommended to the City Council various changes to the City’s overall annual budget. To facilitate the funding for the changes proposed by the IBA, it was recommended that the Agency increase the City Repayment. On June 9, 2008, the City Council voted 6-2 to increase the Agency repayment to \$7.5 million in lieu of \$5 million which was already incorporated in the FY09 Budget. On June 18, 2008, the Corporation approved an amendment increasing the amount to \$7.5 million. This amendment will increase the amount to \$11.315 million to accommodate full payment on debt service on the Ballpark Bonds.

DISCUSSION: The impact of commencing repayments to the City at this time will not stop current capital projects from being completed; however, the timing of projects may be impacted in subsequent years depending on the ultimate revenues of the Agency. At this time the additional \$3.815 million increase in City Repayment will come from the future year project activities. The Fiscal Year 2010 Budget will identify potential impacts as it is formulated.

ENVIRONMENT IMPACT: This activity is not a project, and therefore not subject to CEQA per CEQA Guidelines Section 15060(c)(3).

CONCLUSION: The City Council voted to increase the Agency’s payments to the City from \$5.0 million to \$7.5 million and subsequently to \$11.318 million. To facilitate the increase, a budget amount is requested increasing the payment to the City to accommodate the payments for the debt service on the Ballpark Bonds.

Respectfully submitted,

Concurred by:

Frank J. Alessi
Vice President and Chief Financial Officer

Barbara A. Kaiser
Vice President – Real Estate Operations