



Community Redevelopment Agency of Atascadero

Staff Report – Executive Director

Mid-Year and Mid-Cycle Budget Revisions

RECOMMENDATION:

Board adopt the attached Draft Resolution amending the 2007-2008 and 2008-2009 budgets.

REPORT-IN-BRIEF:

Like most public agencies in the State of California, the Redevelopment Agency is in a period of economic downturn. Property taxes are coming in lower than expected and operating expenses are coming in slightly higher than expected. The Agency has adopted an aggressive capital improvement program for the current budget cycle. Taken together with the reduced revenues and increased expenses, this program will leave the Agency with a negative uncommitted reserve fund balance as of June 30, 2009. However, many of the capital projects have not yet been started and the full financial effect of these capital projects may not impact the current budget cycle. Therefore, it is anticipated that for the Agency will remain in the black through June 30, 2009.

DISCUSSION:

Revenue and Expense Projections

Property tax current increment for fiscal year 2007-2008 is coming in a healthy 18% above the prior year; however it is still falling just short of current year budget projections. Current increment is expected to come in at a total of \$2,227,630 with \$1,653,590 being deposited into the Agency General Fund and \$574,040 being deposited in to the Agency Debt Service Fund in accordance with bond covenants. For 2008-2009, staff believes that due to the stagnant real estate and development market, that the Agency will not see nearly the growth in current increment that it has seen in

the past. This means a projected shortfall of \$340,000 for Current Increment Revenues in 2008-2009.

Supplemental Tax Increment revenues are directly related to property sales within the Redevelopment Agency. As the number of properties selling drops, so does the amount that the Agency receives from these supplemental tax billings. In 2006-2007, the Agency received \$284,400 in Supplemental Tax Increment. This revenue is expected to fall to \$135,000 in the current fiscal year and to remain at that level in fiscal year 2008-2009. This will cause a budgeted shortfall in Supplemental Tax Increment of \$134,000 in 2007-2008 and \$175,000 in 2008-2009.

Rent income and interest income are expected to come as budgeted for both fiscal years; however an expected contribution of \$70,000 from the Colony Square Project for the pedestrian bridge may not come in as expected.

Most operating expenses are coming in as expected, however some budget adjustments are being proposed for items such as a small proposed increase to salaries and benefits due to changes to the labor contracts and a \$20,000 annual increase in contract costs to account for the increased need for legal advice as the Agency becomes more active. A \$4,230 change is also proposed in 2008-2009 for increased liability insurance costs. The Agency is a member of CJPIA which is a cost sharing pool and must share in the cost of several large settlements that have been incurred by other members of the pool.

There are also a number of special projects that have been undertaken or are proposed to be undertaken by the Agency that require additional funding:

- ***Historic Printery Consultant***

\$40,000 for fiscal year 2007-2008

At the February 27, 2007 meeting, the City Council agreed to a process for the Printery whereby the Redevelopment Agency would hire an independent historical consultant to prepare the historic analysis for the Printery CEQA document. At that time, it was intended to bring the \$40,000 appropriation before the Redevelopment Agency Board for consideration, whether as part of the regular budget cycle or as a separate item. This budget appropriation was never formally brought before the Agency's Board. Therefore, staff recommends this amount be included in the mid-year adjustments.

- ***Holiday Lights***

\$9,970 for fiscal year 2007-2008

The Sunken Gardens Holiday Enhancement Project had an adopted budget of \$20,000 for festive holiday decorations in Sunken Gardens. Originally, these new decorations were intended as a replacement for the tree lights which were removed as part of the safety tree trimming project. After the lights were removed, the community indicated a preference for the tree lights rather than any other decoration. The tree lights had been an important part of the community's holiday tradition for a long time. The cost to put the old lights back up was

equivalent to having new, more efficient lights installed. The \$9,970 budget adjustment represents the additional cost of the tree lights over the alternate decorations that were originally planned.

- ***City Hall Landscaping***

\$19,610 for fiscal year 2007-2008

The proximity of City Hall to the new Colony Square project required that some renovations occur in front of City Hall. The Colony Square project performed a significant amount of improvements in the parking lot area, including a change in all of the elevations for drainage, curbs, gutters, water lines, irrigation and landscaping. The Agency is responsible to maintain the landscaping in front of City Hall as part of the agreement with the City. Madrone Landscapes, Inc. was hired to repair all of the irrigation and replace landscaping as a result of the improvements done by Colony Square. The new elevations and landscaping are consistent with the requirements for the upcoming construction of the pedestrian bridge.

- ***Façade Improvement Program***

No adjustment recommended.

Recently, the Board requested that staff research the Agency's capacity to renew the Façade Improvement Grant program. Staff recommends that Board should not commit the Agency to any new or expanded programs until the economy turns around and the Agency is in a better fiscal environment.

- ***Main Street*** – The Agency Board expressed interest in increasing funding to Main Street to enhance existing events and create new events. One alternative discussed would provide up to \$5,000 per event of matching funds to a maximum of \$25,000. Matching funds would be sponsorships or other new funds raised by Main Street to support individual events. There was discussion regarding the need to create a monitoring program to determine the success of this effort including hotel room sales, number of businesses open, attendance, etc. The events would not result in additional City cost. Main Street would be responsible for coordination and administration of the events so there would not be an impact to City services. There are other alternatives including a simple contract increase. Anticipated costs of this expanded program are \$25,000 to be included in the 2008-09 operating budget.

The Redevelopment Agency budgeted for a very aggressive capital improvement program as part of the 2007-2009 budget process. Eighteen projects totaling over \$11.6 million were projected to be completed in the two year budget. While projects such as the Lewis Avenue Bridge and the Colony Park Community Center have been completed, there are a number of projects that are still in the design phase and therefore will not be constructed until the spring or summer of 2009. This means that costs to complete construction will be incurred in later years than originally proposed.

Available Fund Balance

Over the 2007-2008 and 2008-2009 fiscal years, revenues are projected to come in \$767,400 short of projections, operating expenses are expected to come in \$64,560 over projections and special projects are expected to come in \$29,580 over projections. Attachment B - Budget Projections for the Community Redevelopment Agency of Atascadero shows detailed revenues and expense projections for the Agency General Fund for each of the fiscal years. The worksheet was prepared assuming all capital projects will be completed by June 30, 2009. While this assumption is probably not realistic at this time, the worksheet does show how much of its available funds the Agency has committed to budgeted projects. Currently, the Agency has committed **\$102,000 more** than it has available in the next two fiscal years.

This means that because of the economic downturn, the Agency has potentially overextended itself. The expected delays in a number of projects (those projects that have not been started are indicated by an "*" on Attachment B), however, leads staff to believe that the Agency is fine at this time. The Agency will not need to borrow additional funds to meet its commitments, but instead can use 2009-2010 funds to complete its capital program.

Potential Future Commitments

While this means that the Agency is able to meet its current commitments, there is another possibly large financial commitment that has not been accounted for that the Board must consider in any future funding decisions that it may make- the Restoration of Historic City Hall. The exact cost to repair Historic City Hall is unknown at this time, as is the amount that FEMA and OES will participate in the restoration; however it would not be unlikely that the Redevelopment Agency would have to contribute more than the \$2 million already budgeted in order to complete this priority project. Funding from the Redevelopment Agency will also be required to meet the cash flow needs of this very large project. (OES and FEMA funding is on a reimbursement basis.) The Redevelopment Agency does have the bonding capacity to both cover cash flow needs and to contribute additional funds to the project, should it become necessary. Bonds, however, come with required principal and interest payments that will require the commitment of future increment.

Staff Recommendations

Some basic precautions should ensure that the Agency continues to be able to meet its financial commitments both now and into the future. Staff recommends that the Board:

- Not approve any new appropriations without the elimination or reduction of a currently budgeted project or program; and
- The Board continue to monitor the long-term financial outlook for the Agency in order to ensure that the funds are available for the projects and programs that are a priority of the Board and the Community.

SUMMARY:

Overall, the Redevelopment Agency is in good financial shape, however, some watchfulness is necessary as the Agency has committed all of its reserves to budgeted projects and there is the potential that the Agency will have to issue bonds in the near future in order to complete the Historic City Hall Restoration Project. The aggressive capital improvement program adopted by the Agency as part of the 2007-2009 budget has allowed the Agency to make the much needed investment in the community now and the continued prudent stewardship of the Agency by its Board will ensure that the future is secure as well.

FISCAL IMPACT:

\$ 273,810 decrease in Redevelopment Agency reserves for fiscal year 2007-2008
\$ 612,540 decrease in Redevelopment Agency reserves for fiscal year 2008-2009

ALTERNATIVES:

Board has the option to add or delete any budget item. This will decrease or increase the remaining reserve balance at June 30, 2008 and June 30, 2009 by the amount adjusted.

ATTACHMENTS:

- | | |
|--------------|---|
| Attachment A | Draft Resolution Amending the 2007-2008 and 2008-2009 Fiscal Year Budgets |
| Attachment B | Budget Projections for the Community Redevelopment Agency of Atascadero. |

DRAFT RESOLUTION

RESOLUTION OF THE
COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO
AMENDING 2007-2008 AND 2008-2009 FISCAL YEAR BUDGETS

WHEREAS, the Community Redevelopment Agency of Atascadero Board adopted Resolution RA2007-002 setting for the budget for fiscal years 2007-2008 and 2008-2009; and,

WHEREAS, the Community Redevelopment Agency of Atascadero Board hereby wishes to amend said budget.

NOW, THEREFORE, BE IT RESOLVED, by the Community Redevelopment Agency of Atascadero Board

SECTION 1. The appropriation amounts are amended as follows:

Table with 4 columns: 2007-2008 Increase / (Decrease) Revenue Budget Adjustments, 2007-2008 Increase / (Decrease) Expenditure Budget Adjustments, 2008-2009 Increase / (Decrease) Revenue Budget Adjustments, 2008-2009 Increase / (Decrease) Expenditure Budget Adjustments. Rows include Redevelopment Agency General Fund, Low / Moderate Income Housing Fund, and TOTAL.

Draft Resolution

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SECTION 2. These changes are effective immediately upon adoption of this resolution.

On motion by Board Member _____ and seconded by Board Member _____, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

AYES:

NOES:

ABSENT:

ADOPTED:

COMMUNITY REDEVELOPMENT AGENCY OF ATASCADERO

By: _____
Chairperson Ellen Béraud

ATTEST:

Marcia McClure Torgerson, Board Secretary

APPROVED AS TO FORM:

Brian Pierik, Board Counsel

Budget Projections for the Community Redevelopment Agency of Atascadero

	2007-2008			2008-2009		
	<u>Adopted Budget</u>	<u>Projected</u>	<u>Variance</u>	<u>Adopted Budget</u>	<u>Projected</u>	<u>Variance</u>
Current Tax Increment	\$ 1,701,340	\$ 1,653,590	\$ (47,750)	\$ 2,137,980	\$ 1,797,600	\$ (340,380)
Supplement Tax Increment	269,430	135,000	(134,430)	309,840	135,000	(174,840)
Rental income	373,600	373,600	-	373,600	373,600	-
Investment Earnings	327,620	327,620	-	257,310	257,310	-
Other	-	-	-	70,000	-	(70,000)
Total Expenses	<u>2,671,990</u>	<u>2,489,810</u>	<u>(182,180)</u>	<u>3,148,730</u>	<u>2,563,510</u>	<u>(585,220)</u>
Employee Services	(84,710)	(86,390)	(1,680)	(88,310)	(91,060)	(2,750)
Operations	(431,090)	(475,380)	(44,290)	(448,680)	(468,820)	(20,140)
Interest	(122,500)	(121,200)	1,300	(122,500)	(119,500)	3,000
Main Street	(59,160)	(59,160)	-	(59,160)	(59,160)	-
Sunken Gardens Holiday Lights	(20,000)	(29,970)	(9,970)	-	-	-
Sunken Gardens Tree Pruning	(19,000)	(19,000)	-	-	-	-
Economic Development	(131,500)	(20,000)	111,500	-	(111,500)	(111,500)
Colony Square Assistance Project	(50,000)	(30,000)	20,000	-	(20,000)	(20,000)
Police Station Frontage	(15,000)	-	15,000	-	(15,000)	(15,000)
Graffiti Removal	(15,000)	(15,000)	-	(15,000)	(15,000)	-
City Hall Frontage Improvements	-	(19,610)	(19,610)	-	-	-
Downtown Pedestrian Bridge	(100,000)	(2,000)	98,000	(250,000)	(348,000)	(98,000)
Alvord Field Enhancement	(25,000)	(2,000)	23,000	(125,000)	(148,000)	(23,000)
Lake Park Sign & Frontage Improvements	(30,000)	(5,000)	25,000	(240,000)	(265,000)	(25,000)
Zoo Entrance & Restroom Project	(97,000)	(9,000)	88,000	(666,000)	(754,000)	(88,000)
Zoo Wall & Signage	(30,000)	(5,000)	25,000	(240,000)	(265,000)	(25,000)
Streetscape Improvements	-	-	-	(397,500)	(397,500)	-
Shoreline Wall & Walkway*	(70,000)	-	70,000	(285,000)	(355,000) *	(70,000)
Creek Improvements*	-	-	-	(300,000)	(300,000) *	-
Parking Improvements*	-	-	-	(500,000)	(500,000) *	-
Acquire Fire Station #1 Property*	-	-	-	(2,000,000)	(2,000,000) *	-
Underground Utility Project*	(40,000)	-	40,000	(120,000)	(160,000) *	(40,000)
Historic City Hall Rehabilitation	(120,000)	-	120,000	(1,880,000)	(2,000,000)	(120,000)
Total Expenses	<u>(1,459,960)</u>	<u>(898,710)</u>	<u>561,250</u>	<u>(7,737,150)</u>	<u>(8,392,540)</u>	<u>(655,390)</u>
Net income	1,212,030	1,591,100	<u>\$ 379,070</u>	(4,588,420)	(5,829,030)	<u>\$ (1,240,610)</u>
Available Balance Beginning of Year	6,135,929	6,135,929		5,727,029	5,727,029	
Reserved for Colony Square Assistance*	-	(2,000,000) *		-	-	
Available Balance End of Year	<u>\$ 7,347,959</u>	<u>\$ 5,727,029</u>		<u>\$ 1,138,609</u>	<u>\$ (102,001)</u>	