



REDEVELOPMENT AGENCY AGENDA REPORT

ITEM NO: IX. 1
MEETING DATE: 5/9/06

**SUBJECT: CONSIDERATION OF BUDGET ADOPTION
FOR FISCAL YEAR 2006-2007**

DATE : APRIL 27, 2006

FROM: FINANCE DEPARTMENT/ MARC R. PUCKETT, DIRECTOR

CONTACT: BOBBY YOUNG, ACCOUNTING SUPERVISOR, 714-754-5048

RECOMMENDATION:

Adopt Resolution approving the proposed budget of the Costa Mesa Redevelopment Agency for fiscal year 2006-2007.

BACKGROUND:

The fiscal year 2006-2007 proposed budget is presented in two parts: the first part is a summary of the budget highlights (analysis section); the second part is a detail of proposed operating appropriations (Attachment #1).

ANALYSIS:

The fiscal year 2006-2007 proposed budget details total estimated revenue, total appropriations, and utilization of fund balance as follows:

	<u>Low/Moderate Housing</u>	<u>Tax Increment</u>	<u>Downtown Project</u>	<u>Combined Totals</u>
2006-2007 Est. Revenue	\$ 712,341	\$2,685,107	\$605,559	\$4,003,007
2006-2007 Appropriations	<u>(712,351)</u>	<u>(2,557,567)</u>	<u>(605,559)</u>	<u>(3,875,477)</u>
Total Excess Revenues (Appropriations)	(10)	127,540	0	127,530
2006-2007 Projected Beginning Fund Balance	<u>431,234</u>	<u>282,770</u>	<u>0</u>	<u>714,004</u>
2006-2007 Proj. Ending Fund Balance	<u>\$ 431,224</u>	<u>\$ 410,310</u>	<u>\$ 0</u>	<u>\$ 841,534</u>

A. Budget Highlights

- Full funding of the Redevelopment Agency's low and moderate income housing set aside requirement for fiscal year 2006-2007.
- Full funding of the interest and principal portions of the Agency's promissory note to the City of Costa Mesa in the amount of \$1,299,705, based on the amortization schedule.
- Repayment in the amount of \$43,318 of the deferred set aside amount owed to the Low/Moderate Income Housing Fund.
- Funding in the amount of \$374,559 in the Downtown Project Fund for administration.
- Funding in the amount of \$231,000 in the Downtown Project Fund for projects. Projects include replacement of City entry signs on 19th Street and on Newport Blvd. and improvements to the Vehicle Parking District located west of Newport Blvd.
- A reduction in the First Time Homebuyer Program appropriation due to all prior years' carryover funds being expended in the current fiscal year. Only new revenue is available to fund the Program for 2006-2007. As a result, funds are only being budgeted for 1-2 new loans. However, any unexpended funds from 2005-2006, as well as any program income received by the end of the current fiscal year, will be carried over and added to the funds budgeted for the Program which may result in additional loans.

B. Affordable Housing Projects:

Included in the 2006-2007 budget is administrative funding for the proposed St. John's Manor Senior Project. As discussed at the February 14, 2006 joint City Council/Redevelopment Agency Meeting, it is anticipated that \$1.5 million in actual projects costs will be appropriated to this Project when it is taken to the Agency for final approval in June 2006.

Highlights of existing projects include the following:

1901 Newport Plaza Project: In June 2005 the Redevelopment Agency appropriated \$892,000 for a 145-unit residential condominium project at 1901 Newport Boulevard called the Plaza Residences project. However, due to the project not being anticipated to be completed for 5 years, the Agency chose to release \$400,000 of the original appropriation for other uses. Subsequently, the Agency must re-appropriate \$100,000 for the next four years back to the Project to complete the original commitment to the developer. The 06-07 Budget includes the second year of the \$100,000 re-appropriation.

Habitat 1925 Pomona Project: This project was completed in 2005 but administrative costs continue to be carried over in order to fund the escrows when

the homebuyers take ownership of the units. It is anticipated this will occur in 2006-2007.

C. Carryover Balances For 2006-2007

In August 2005 the Redevelopment Agency and the City Council, acting as a joint body, chose not to fund the proposed Mary Erickson/Affordable Housing Clearinghouse affordable housing project. Instead, the Agency/City Council chose to reappropriate the \$1.7 million dollars of City & Agency funds designated for the Project to the Single Family Rehabilitation Program and the Homebuyer Assistance Program. Of these funds, \$1.2 million was Agency funds. The balance came from federal HOME funds which were reappropriated in the City budget.

Of the \$1.2 million in Agency funds, \$867,899 was appropriated to the Homebuyer Assistance Program and has already been expended during the current year. The remaining \$336,000 was appropriated to the Agency's Single Family Rehabilitation Program. These funds, when combined with the City's HOME funds, were more than existing staff could have expended in a single fiscal year. As a result, in September 2005 the Agency/City Council decided to authorize the hiring of an outside consultant, GRC Associates, for approximately three years to assist with the timely expenditure of these additional funds. These funds will be carried over into future years including 2006-2007 until they have been fully expended. It is anticipated full expenditure will not occur until 2008.

D. ERAF Transfer Payments Information:

The Educational Revenue Augmentation Fund (ERAF) was established as part of a reallocation of property taxes mandated by the State in fiscal years 1992-93 and 1993-94 during the State's last budget crisis. Property taxes are reallocated from cities, redevelopment agencies, counties, and special districts to school districts via the ERAF, thereby reducing the State's General Fund allocations to school districts. Allocations are calculated based on formulas contained in the Revenue and Taxation Code Sections 97.2 and 97.3. In each county, all payments are deposited into a countywide fund held by the County Auditor Controller.

According to a recent report from the California Redevelopment Association, Governor Schwarzenegger presented his 2006-07 budget and it did not include any ERAF transfer shifts from local governments, including redevelopment agencies. Therefore, there will be no ERAF payments to the County budgeted in fiscal year 2006-07.

ALTERNATIVE CONSIDERED:

An alternative to adopting this budget for the Agency would be to adopt a modified budget (specified changes to the proposed budget based upon direction received from the Agency Board). As presented, the proposed budget reflects the funding necessary to meet the Agency's current needs and future requirements for all projects.

FISCAL REVIEW:

Low/Moderate Income Housing and Downtown Project Funds

As illustrated in the combined totals for all funds (within the table on page 1), there is sufficient resources in the Low/Moderate Income Housing and Downtown Project Funds to adequately support the proposed budget for the fiscal year 2006-2007.

Tax Increment Fund

As illustrated in the combined totals for all funds (within the table on page 1), the Tax Increment Fund has sufficient resources to fully fund its' debt obligations for the fiscal year 2006-2007.

LEGAL REVIEW:

Resolution approved as to form.

CONCLUSION:

It is recommended that the Agency Board adopt the attached Resolution approving the Costa Mesa Redevelopment Agency Budget for the fiscal year 2006-2007.

Marc R. Puckett
Director of Finance

Bobby Young
Accounting Supervisor

Donald D. Lamm
Executive Director

Muriel Ullman
Neighborhood Improvement Manager

Hilda Veturis
Management Analyst

Attachments: [1-Operating Budget](#)
[2-Estimated Revenue Budget](#)
[3-Projected Available Funds](#)
[4-Debt Information](#)
[5-Resolution](#)