



Workshop Meeting A G E N D A



IMPERIAL BEACH CITY COUNCIL REDEVELOPMENT AGENCY PLANNING COMMISSION PUBLIC FINANCING AUTHORITY

NOVEMBER 2, 2009 – 5:30 P.M.

**Community Room (Behind City Hall)
825 Imperial Beach Boulevard
Imperial Beach, CA 91932**

**THE CITY COUNCIL ALSO SITS AS THE CITY OF IMPERIAL BEACH REDEVELOPMENT AGENCY,
PLANNING COMMISSION, AND PUBLIC FINANCING AUTHORITY.**

The City of Imperial Beach is endeavoring to be in total compliance with the Americans with Disabilities Act (ADA). If you require assistance or auxiliary aids in order to participate at City Council meetings, please contact the City Clerk's Office at (619) 423-8301, as far in advance of the meeting as possible.

CALL TO ORDER BY MAYOR

ROLL CALL BY CITY CLERK

PUBLIC COMMENT - *Each person wishing to address the City Council regarding items not on the posted agenda may do so at this time. In accordance with State law, Council may not take action on an item not scheduled on the agenda. If appropriate, the item will be referred to the City Manager or placed on a future agenda.*

REPORTS

1. DISCUSS GENERAL FUND AND RDA FUNDS. (0330-30)

ADJOURNMENT

Copies of this notice were provided on 10-30-09 to the San Diego Union-Tribune, I.B. Eagle & Times, I.B. Sun.

AFFIDAVIT OF POSTING)
STATE OF CALIFORNIA)
CITY OF IMPERIAL BEACH)

I, Jacqueline M. Hald, City Clerk of the City of Imperial Beach, hereby certify that the Agenda for the Workshop Meeting as called by the City Council, Redevelopment Agency, Planning Commission, and Public Financing Authority of Imperial Beach was provided and posted on October 30, 2009. Said meeting to be held at 5:30 p.m., November 2, 2009, in the Community Room (behind City Hall), 825 Imperial Beach Boulevard, Imperial Beach, California. Said notice was posted at the entrance to the Community Room and City Council Chambers on October 30, 2009 at 10:00 a.m.

Jacqueline M. Hald, CMC
City Clerk

Any writings or documents provided to a majority of the City Council/RDA/Planning Commission/Public Financing Authority regarding any item on this agenda will be made available for public inspection in the office of the City Clerk located at 825 Imperial Beach Blvd., Imperial Beach, CA 91932 during normal business hours.



**STAFF REPORT
CITY OF IMPERIAL BEACH**

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: GARY BROWN, CITY MANAGER

MEETING DATE: NOVEMBER 2, 2009

SUBJECT: WORKSHOP TO DISCUSS GENERAL FUND & RDA FUNDS

BACKGROUND & DISCUSSION:

Please see the attached materials that will be discussed at the Workshop on November 2.

Given the adequacy of funding for many projects, I suggest that Council focus on making value judgments as to whether projects meet your goals. We'd also like to get a sense of Council on the questions posed at the end of the presentation.



Gary Brown, City Manager

- Attachments:
1. Workshop materials.

Workshop to Discuss General Fund & RDA Funds

November 2, 2009

GENERAL FUND

General Fund Summary

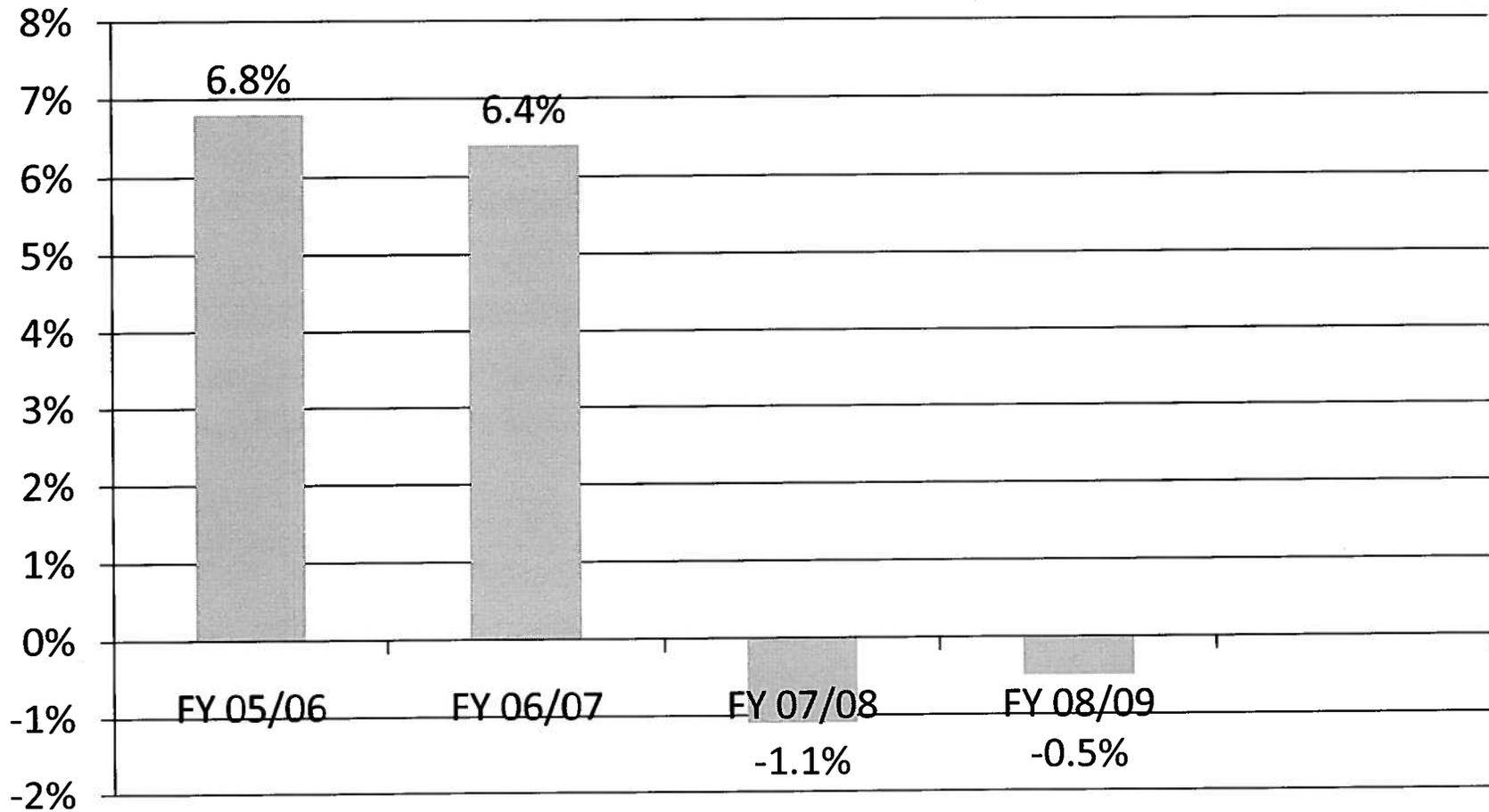
- **General Fund Revenues**
 - Tax base is declining
 - Property Tax and Sales Tax no/low potential for growth
 - Tax Base is dependent on assessed value growth for Motor Vehicle In Lieu
- **General Fund Expenditures**
 - Expenditure savings offsets tax revenue declines
 - Savings from high turnover increased fund balance reserves
 - Limited salary adjustments
- **Reserves**
 - General Fund has approximately \$9.0 million in Reserves
 - May be needed in 3-5 years to offset expenditure growth and act as transition funding

General Fund Taxes

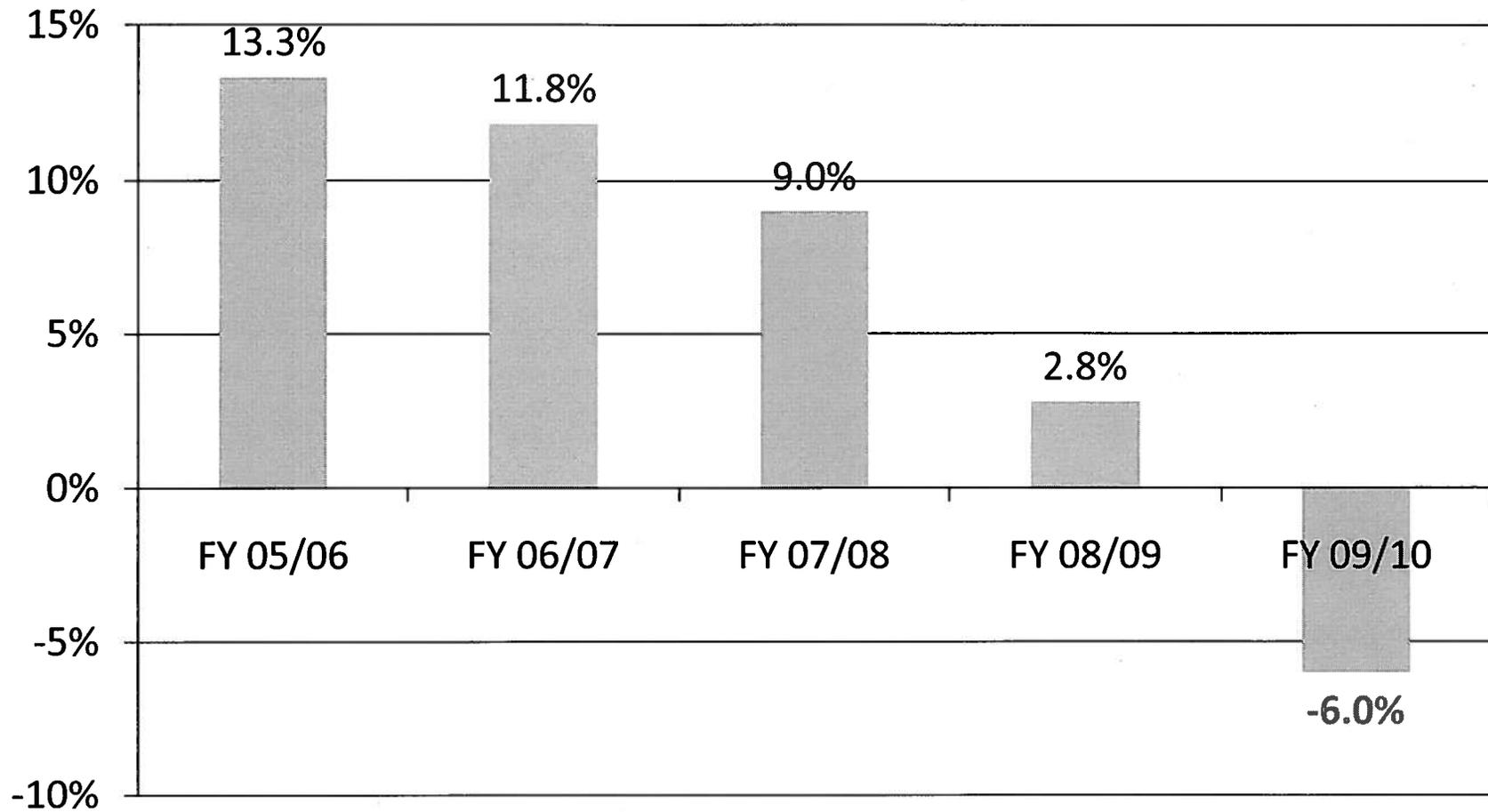
	Tax Revenue	% of Total	Comment
Base Property Tax	\$ 1.9	33%	Frozen, will not grow
Sales Tax	\$ 0.8	14%	Near lowest per capita in CA
T.O. Tax	\$ 0.2	4%	Declining
Subtotal	\$ 2.9	51%	
VLF In Lieu	\$ 2.2	39%	Tied to Assessed Value
TI Pass Thru	\$ 0.4	7%	Tied to Assessed Value
All Other	\$ 0.2	4%	
Total Tax	\$ 5.7	100%	

\$ in Millions

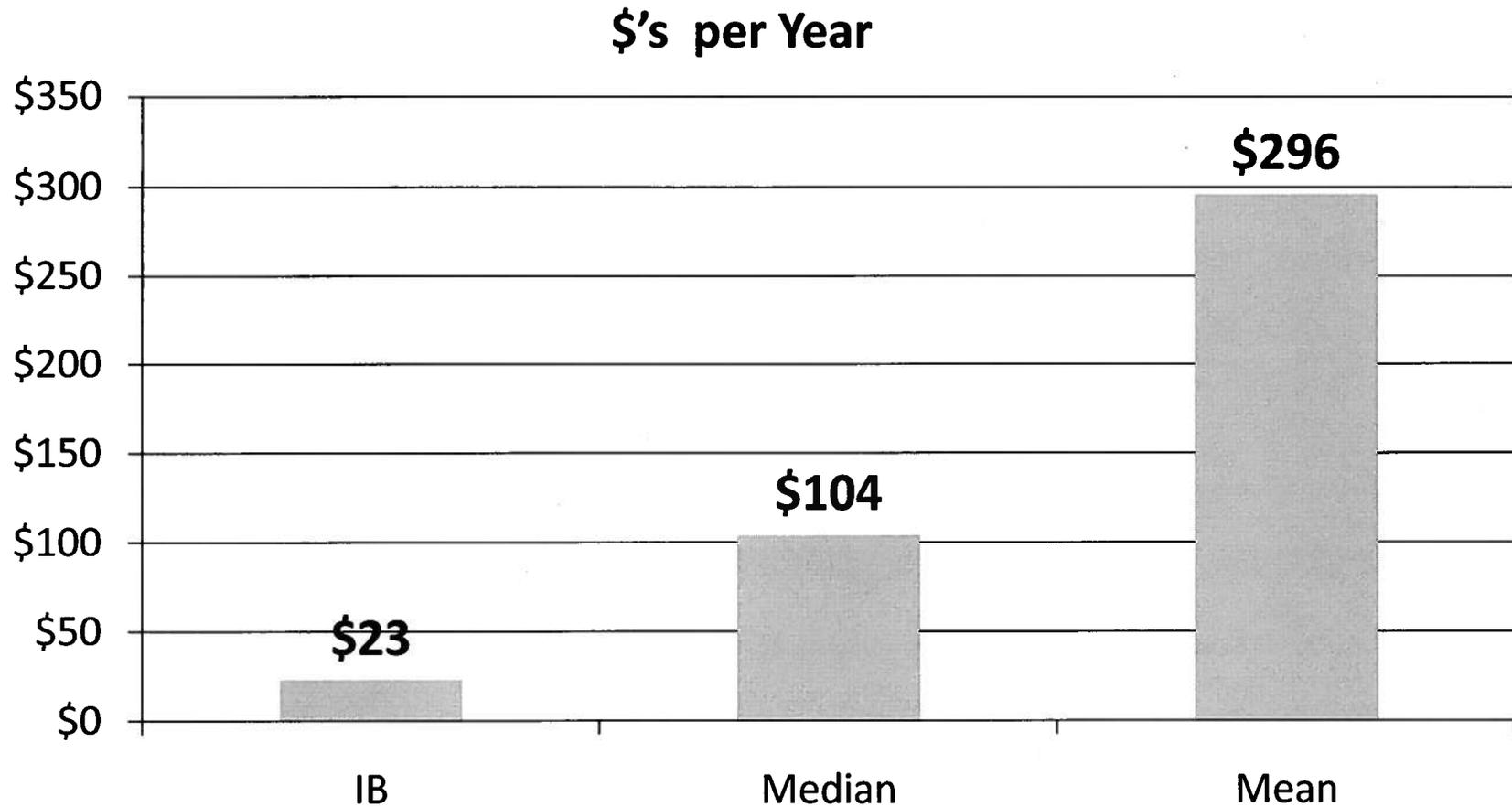
Declining General Fund Tax Base



Declining Assessed Value Growth in IB

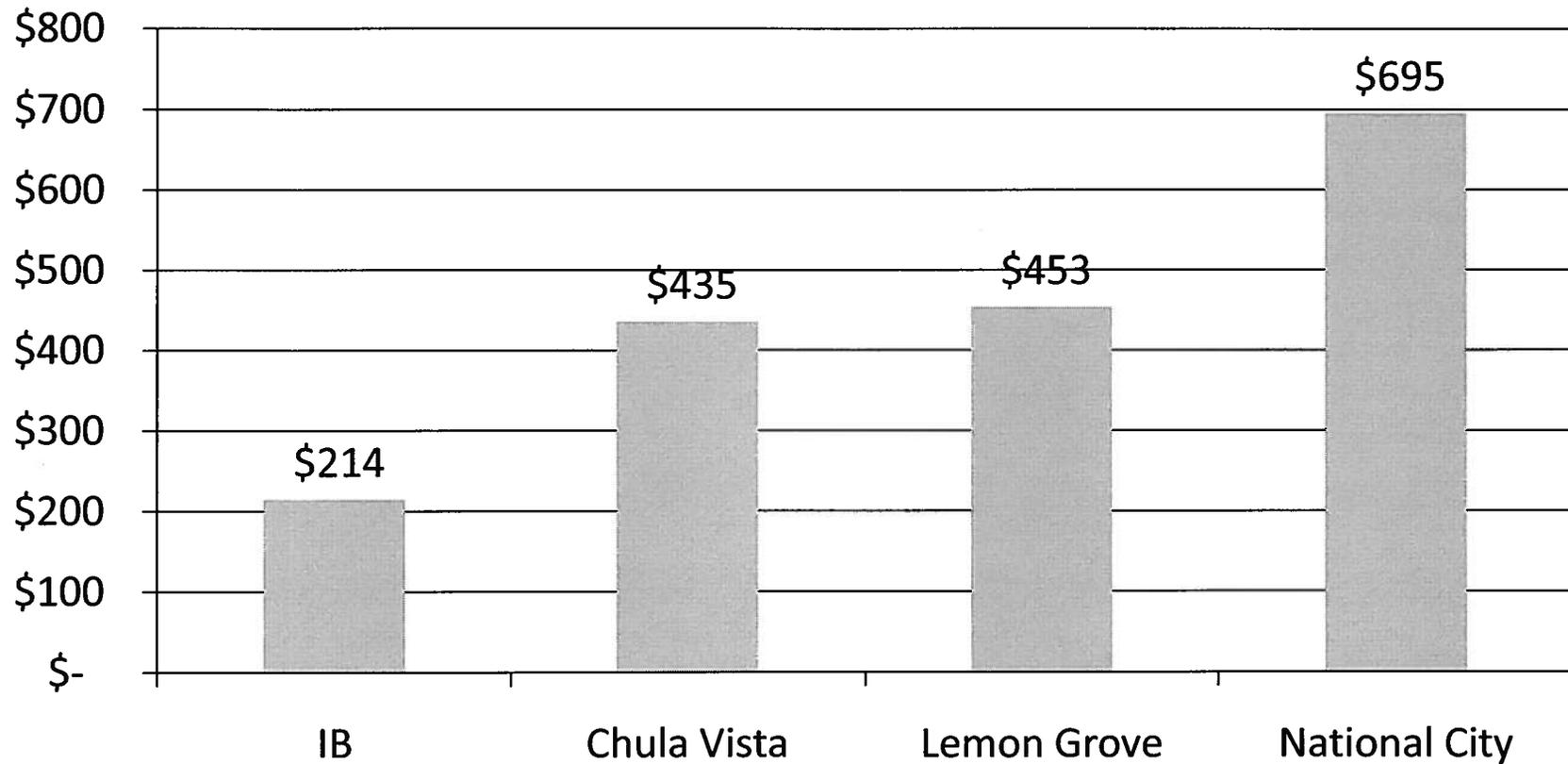


Way Below Average Sales Tax per Capita



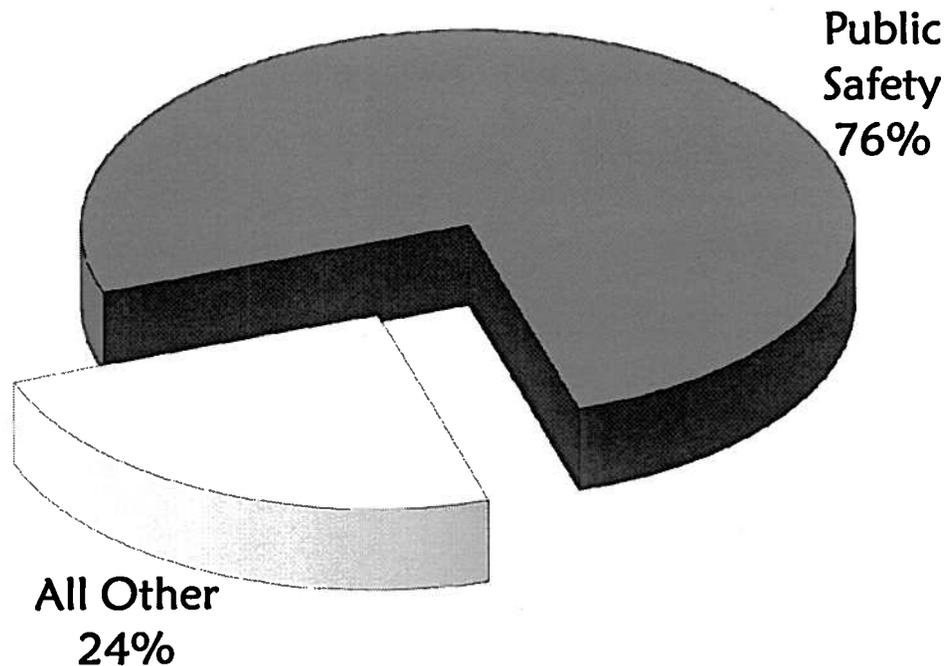
Limited Revenue: Tax Comparisons to Other Cities

General Fund Taxes per Capita per Year



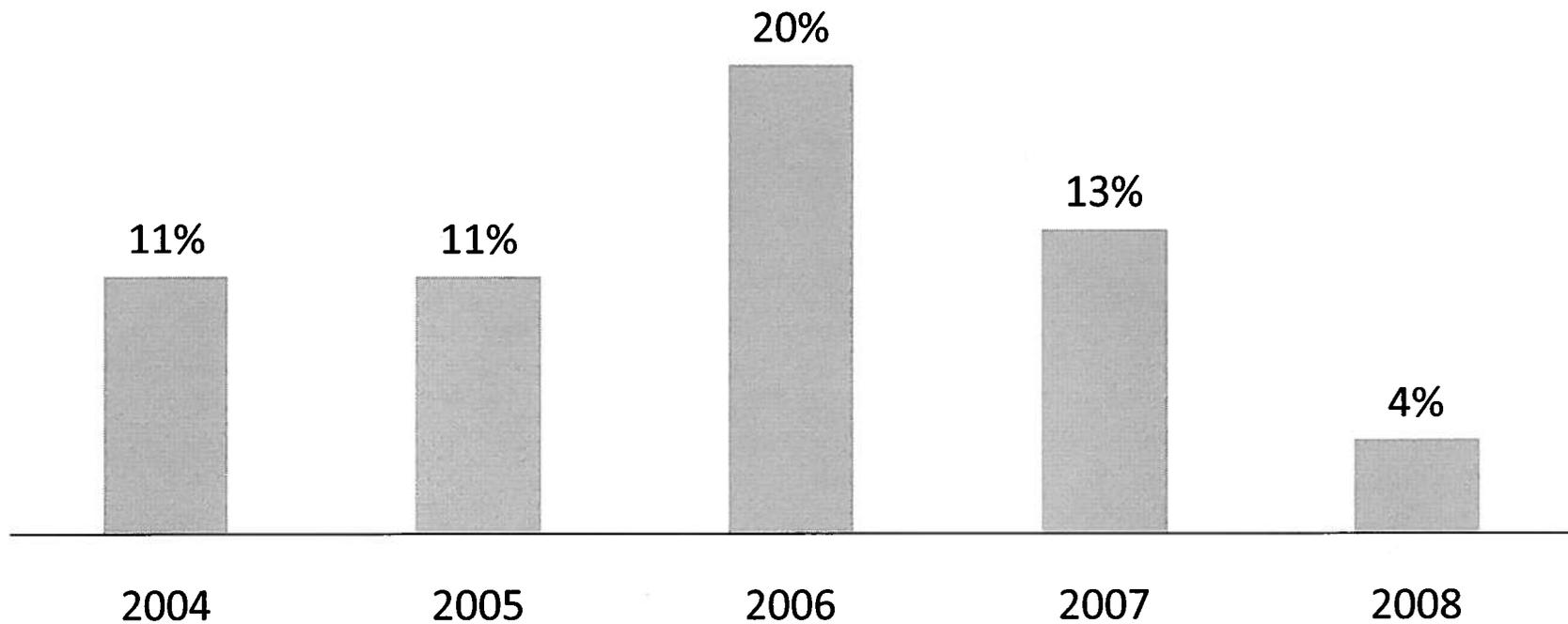
General Fund Tax Supported Programs: Public Safety

- **Public Safety** represents **76%** of the discretionary **General Fund Budget**



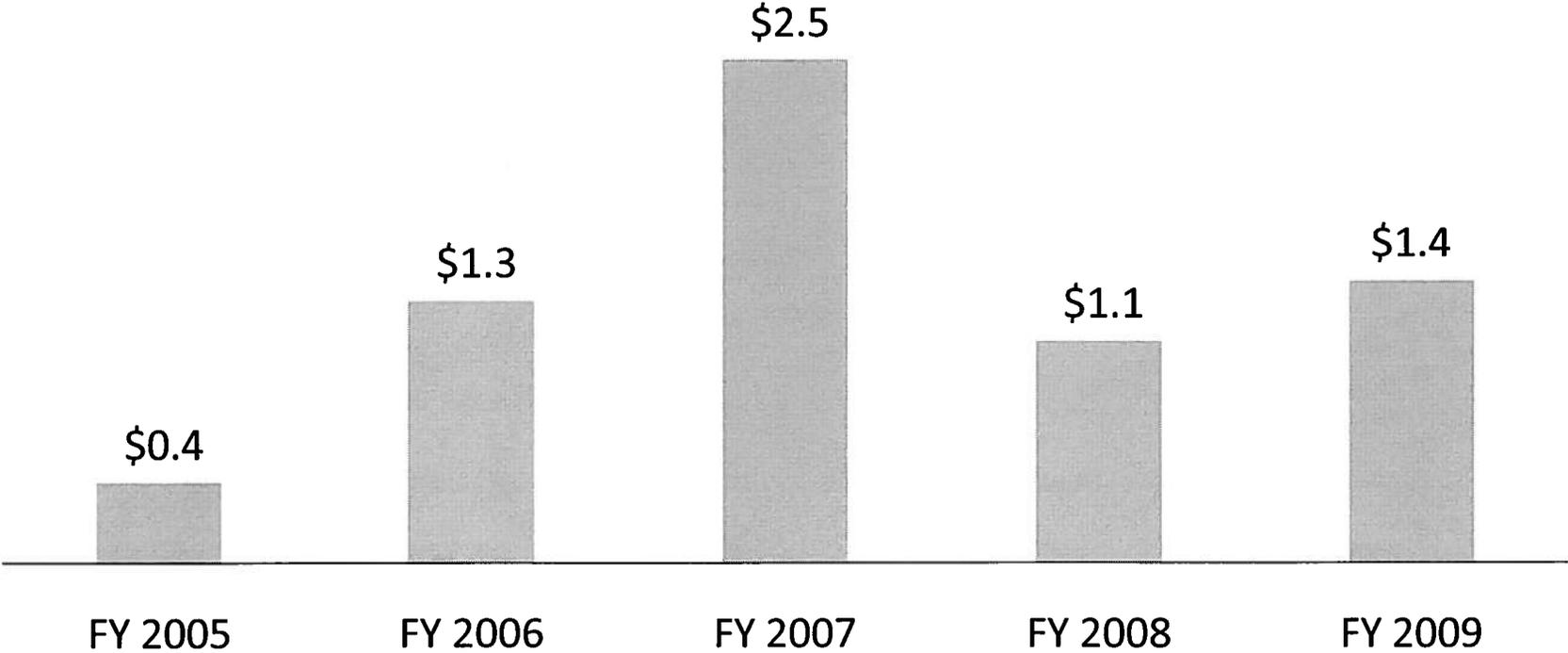
Expenditure Savings Offsets Tax Decline

**Turnover Rate per Year:
59% Cumulative 2004-2008**



Growth in General Fund Reserves

**Total Available Reserves is
\$9.0 million**



General Fund 5 Year Projection Before Other Impacts

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Revenues						
Property Tax	1,875,200	1,875,200	1,875,200	1,875,200	1,875,200	1,875,200
VLF in Lieu	2,163,000	2,215,000	2,215,000	2,215,000	2,215,000	2,215,000
Port Reimbursements	3,394,000	3,732,000	3,803,300	3,917,400	4,035,000	4,156,050
Sales Tax	885,800	815,000	815,000	815,000	815,000	815,000
Pass Thru	363,024	452,000	452,000	452,000	452,000	452,000
T.O. Tax	249,700	210,000	210,000	210,000	210,000	210,000
All Other Revenue	7,109,434	7,217,800	7,296,400	7,289,100	7,289,200	7,289,200
Subtotal Revenue	16,040,158	16,517,000	16,666,900	16,773,700	16,891,400	17,012,450
Expenses						
Employee Costs	5,559,368	5,564,000	5,577,000	5,577,000	5,577,000	5,577,000
Sheriff Contract	5,461,700	5,762,000	6,079,000	6,382,950	6,702,100	7,037,200
All Other Expense	5,019,090	5,043,000	5,009,000	4,942,160	4,942,200	4,942,200
Subtotal Expense	16,040,158	16,369,000	16,665,000	16,902,110	17,221,300	17,556,400
Net Change per Year	-	148,000	1,900	(128,410)	(329,900)	(543,950)

General Fund 5 Year Projection With Potential Impacts

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Revenues						
Property Tax	1,875,200	1,875,200	1,875,200	1,875,200	1,875,200	1,875,200
VLF in Lieu	2,163,000	2,215,000	2,215,000	2,215,000	2,215,000	2,215,000
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Subtotal Expense	16,040,158	16,369,000	16,665,000	16,902,110	17,221,300	17,556,400
Net Change per Year	-	148,000	1,900	(128,410)	(329,900)	(543,950)
Potential Impact 1: Sheriff increase over 5.5%			(500,000)	(500,000)	(500,000)	(500,000)
Potential Impact 2: Investment Earnings PERS				(450,000)	(450,000)	(450,000)
Potential Impact 3: Continued Stormwater Subsidy				(300,000)	(300,000)	(300,000)
Potential Impact 4: 2% Labor Adj.		(120,000)	(120,000)	(120,000)	(120,000)	(120,000)
Net Change per Year	-	28,000	(618,100)	(1,498,410)	(1,699,900)	(1,913,950)

RDA NON-HOUSING FUND

\$1.4 million Annually

Available for Projects, Debt Service, or State Impacts

- \$1.4 million is available each year after paying the current bond debt, housing set aside, admin costs, pass thru payments, etc.
- Total State Impact is \$3.2 million

RDA Projects

- Old Palm Improvements
- 9th and Palm Redevelopment
 - Increased Assessed Value approximately \$19 million
 - (\$115,000 TI revenues/yr, \$50,000 increase in General Fund)
- Potential Hotel
 - Increased Assessed Value approximately \$22 million
 - \$132,000 TI revenues per yr, \$60,000 per yr increase in General Fund Motor Vehicle, \$295,000 per yr Hotel Tax Revenue
- Bay Access Projects
- Façade Program

RDA Five Year Forecast

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Resources:					
FY 2009-10 Net Available	\$1,000,000	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000
Additional Requirements:					
State Hit	(\$2,665,000)	(\$549,000)	\$0	\$0	\$0
Additional Projects:					
Airport Property	(\$200,000)	\$0	\$0	\$0	\$0
Bikeway Access Project	(\$50,000)				
Eco-Bikeway Grant Match	(\$200,000)				
Soccer Fields	(\$200,000)	\$0	\$0	\$0	\$0
Skate Park Phase I+2	(\$200,000)	\$0	\$0	\$0	\$0
Subtotal Res less Reqs	(\$2,515,000)	\$851,000	\$1,400,000	\$1,400,000	\$1,400,000
Additional Resources:					
Suspended CIP Savings	\$900,000	\$0	\$0	\$0	\$0
Add savings from S/D Calla	\$251,000	\$0	\$0	\$0	\$0
General Fund Loan	\$1,364,000	\$0	\$0	\$0	\$0
Other Operating Savings	\$0	\$97,000	\$98,000	\$98,000	\$0
General Fund Repayment	\$0	(\$498,000)	(\$498,000)	(\$498,000)	\$0
Subtotal	\$0	\$450,000	\$1,000,000	\$1,000,000	\$1,400,000
New Bond Debt Service		(\$550,000)	(\$1,100,000)	(\$1,100,000)	(\$1,100,000)
Total per Year	\$0	(\$100,000)	(\$100,000)	(\$100,000)	\$300,000

Unfunded

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Total per Year	\$0	(\$100,000)	(\$100,000)	(\$100,000)	\$300,000
Unfunded					
Street Improvements	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)
Storm Drain Calla	(\$251,000)				
SCOUP			(\$39,000) *		
Eco Tourism			(\$55,000) *		
Marina Vista Master Plan			(\$121,000) *		
PW Admin/Bay Access			(\$286,000) *		
Sports Park Master Plan			(\$180,000) *		
Bayside Master Plan			(\$171,000) *		
Total	(\$1,251,000)	(\$1,000,000)	(\$1,852,000)	(\$1,000,000)	(\$1,000,000)
Hotel Impact					
TI Increase (net)			\$108,000	\$108,000	\$108,000
T.O Tax Increase (net)			\$213,000	\$213,000	\$213,000
Unfunded per Year Total	(\$1,251,000)	(\$1,000,000)	(\$1,531,000)	(\$679,000)	(\$679,000)

* Previous Council Action delayed these projects for 2 years

RDA Projects

Project	Description	Cost	Options	Timing
Airport Property	Bayfront property to be connected to Bikeway Village	\$200,000	Land Lease	Flexible
Bikeway Access Project	Access to Bikeway	\$50,000	10% Match	Grant submitted
PW Admin/Bay Access	Corpyard renovation and bay access	\$286,000		Flexible
Eco-Bikeway Grant Match	Design and implementation of bikeway from Bayfront to Seacoast Drive	\$200,000	10% Match	Grant applications due
Soccer Fields	Artificial turf field located in Sports Park	\$200,000	Grant Potential	Bid In
Skate Park Phase I+2	Construct Phase 2 of skateboard park located in Sports Park	\$200,000		Under Design
Storm Drain Calla	Installation of drainage interceptor	\$251,000		Flexible
SCOUP	Sand replenishment from compatible construction activities	\$39,000		Occurs sporadically
Eco Tourism	Increase ecological tourism, development of a placemaking and way finding system.	\$55,000		Flexible
Marina Vista Master Plan	Renovations to Marina Vista	\$121,000	CDBG Potential	Flexible
Sports Park Master Plan	Various improvements to the park	\$180,000	Grant Identified	As required / grants possible
Bayside Master Plan	Bayside Neighborhood planning	\$171,000		Flexible
Street Improvements	\$1 million/yr street improvements	\$5,000,000		1-5 years

Factors to Consider

- Continued uncertainty with State Budget Impacts
- Assessed value unlikely to increase
 - Except for new redevelopment projects i.e. 9th and Palm project, potential hotel, etc.
- Economy Impact
 - Lower investment returns on City investments
 - Increased contribution to Cal PERS due to lower returns
- Less flexibility to do future projects
- Need some cushion for unexpected costs

Conclusion

- Funds are available for these projects
- What projects would Council like to do?
- Do You want staff to continue to seek grants?

	<u>FY 2009-10</u>
Resources:	
FY 2009-10 Net Available	\$1,000,000
Additional Requirements:	
State Hit	(\$2,665,000)
Additional Projects:	
Airport Property	(\$200,000)
Bikeway Access Project	(\$50,000)
Eco-Bikeway Grant Match	(\$200,000)
Soccer Fields	(\$200,000)
Skate Park Phase I+2	(\$200,000)
Subtotal Res less Reqs	<u>(\$2,515,000)</u>
Additional Resources:	
Suspended CIP Savings	\$900,000
Add savings from S/D Calla	\$251,000
General Fund Loan	\$1,364,000
Other Operating Savings	\$0
General Fund Repayment	\$0
Total per Year	<u>\$0</u>



**STAFF REPORT
CITY OF IMPERIAL BEACH**

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: GARY R. BROWN, CITY MANAGER
MEETING DATE: AUGUST 19, 2009
ORIGINATING DEPT.: FINANCE DEPARTMENT *MB*
SUBJECT: AMEND FISCAL YEAR 2009-10 BUDGET TO ADDRESS
STATE BUDGET IMPACTS

BACKGROUND:

This report discusses the State Budget impacts to the City of Imperial Beach and requests Council approval to reprioritize programs to rebalance the budget as a result of these impacts.

DISCUSSION:

The Governor signed the budget on July 28, 2009. The State bridged a projected \$26 billion budget gap in part by diverting local funds back to the State. These actions will cause serious negative impacts to local agencies. Moreover, the State will likely face more deficit funding decisions in the near future given the economy, reliance on onetime fixes, and the threat of several State Budget law suits. State proposals that were not adopted, warn us of potential future actions. These potential actions include: the diversion of the entire street maintenance local Gas Tax funds; elimination of COPS police funding, and re-establishment of jail booking costs.

Given the continued State budget problems, the key discussion question is: what level of budget reduction measures should the City adopt now to deal with probable continued State taking of local funds. If the City adopts draconian measures in order to have greater flexibility to respond to the State, then there is a corresponding severe impact to local programs and redevelopment efforts. Severe impacts could translate to reductions in: street maintenance, graffiti elimination, reductions in housing programs such as the Clean and Green program, and the stoppage of all redevelopment funded capital projects. If the City takes a more moderate policy by utilizing reserves to mitigate impacts to current programs, then there is a potential of exacerbating our own tentative financial situation. Low impact strategies would use reserves or temporary loans to the Redevelopment Agency to cover the cost of the State impact, thereby minimizing the State impacts to city programs, but moderately reducing General Fund reserves for three years.

FISCAL IMPACT:

The following is a brief description of the State Budget impacts:

Redevelopment Agency Impacts:

One of the actions the State of California took to balance their budget was to take \$2.085 billion in local redevelopment agency revenues. The impact to the Imperial Beach Redevelopment Agency is \$2.7 million in the current fiscal year and \$0.5 million in Fiscal Year 2010-11. Without corrective action, the State's action of taking redevelopment funds will cause the fund to go from a \$1.0 million positive balance to a \$1.7 million deficit. The \$3.2 million State hit is equivalent to wiping out over 2 years of available annual redevelopment non-housing funds.

Redevelopment Non-Housing	
Revenue	
Tax Increment Revenues	\$6,312,000
Interest Income	\$229,000
Total Revenues	\$6,541,000
Expenses	
Pass Thru to Other Districts	(\$1,547,000)
County TI Admin Costs	(\$50,000)
Debt Service	(\$1,673,400)
Graffiti Removal Program	(\$209,000)
CIP Projects FY 2009-10	(\$417,000)
Operations Labor	(\$781,000)
Operations Other Costs	(\$897,000)
Total Expenses	(\$5,574,400)
Available for Programs/New Debt	\$966,600
State Budget Impact (09-10)	(\$2,665,000)
Imbalance After State Impact	(\$1,698,400)

The California Redevelopment Association has threatened to sue the State to prevent this transfer of redevelopment tax increment funds. Similarly, last fiscal year the State attempted to take \$370 million from redevelopment agencies and \$0.5 million from the City's redevelopment Agency. A judge ruled the action illegal primarily because it was not ultimately used for redevelopment purposes. The Legislature tried to address this issue by passing the redevelopment funds to schools within redevelopment areas. The payment to the State is due in May 2010.

City General Fund Impacts:

The State Budget approved "borrowing" \$1.9 billion of local property taxes from local governments as allowed under Proposition 1A (some may question the legality of this borrowing and this memo is not meant to address legality) . The impact to the City of Imperial Beach is \$345,000. The State is required to repay (with interest) the borrowed funds by June 30, 2013. The interest rate is to be determined by the State Controller not to exceed 6%.

Recommended Actions to Offset State Budget Impacts:

Due to the State induced imbalance to the Redevelopment Non-Housing Fund, staff is proposing a moderate approach to rebalance the fund by: (1) suspending some currently approved redevelopment funded projects; and (2) earmarking General Fund reserves to be utilized to establish a short term loan to the redevelopment fund.

Table 1 lists six projects recommended for suspension for two years (could be reinstated sooner if the State Budget impact is ruled illegal). This savings and savings from projects recently completed would reduce the imbalance from \$1.7 million to approximately \$0.7 million.

Table 1: Suspend for 2 Years		
Sand Compatibility (SCOUP)	R09801	\$ 39,000
Eco Route Tourism Study	S04101	\$ 55,000
Marina Vista Master Plan	F05501	\$ 121,000
PW Admin/Community Access	F05101	\$ 286,000
Sports Park Master Plan	P05401	\$ 180,000
Bayside Master Plan	R05101	\$ 171,000
Total Suspended		\$ 852,000

In addition to the imbalance caused by the State, the Redevelopment Fund potentially may be the funding source for other redevelopment opportunities as decided by Council. These potential projects could total \$0.7 million. A three year loan from the General Fund of \$2.0 million would cover the remaining imbalance, potential projects costs, and provide cash flow for the first year debt service. At 6.0% interest, the General Fund would receive approximately \$60,000 of interest per year for three years.

Table 2 lists other redevelopment non-housing projects. Three projects are suggested to be held pending further information (such as potential grant funding). These projects could be suspended for additional savings if certain events do not materialize. Staff is proposing that 4 high priority projects continue.

Hold until Further Information		
Palm Ave Com Corridor MP	R05205	\$ 196,000
Reg Beach Sand Project 2	R08801	\$ 167,000
Date Ave Street End Imp.	S08103	\$ 418,000
Total Hold		\$ 781,000
Continued Projects		
S/D Intercep @ 8th Calla	D08101	\$ 251,000
Street Improvement Phase 3	S04108	\$ 1,213,000
Façade Improvement Program	R05102	\$ 269,000
Palm Ave Street End Plaza	S08102	\$ 20,000
Total Continuing		\$1,753,000

Staff is further recommending that the General Fund Reserve be used to offset the State "borrowing" of General Fund property taxes (\$345,000). The General Fund Reserve will total approximately \$5 million after the redevelopment loan and the property tax State loan.

DEPARTMENT RECOMMENDATION:

Staff recommends that Council approve the attached resolutions that amend the Fiscal Year 2009-10 Budget to rebalance funds impacted by the State Budget.

CITY MANAGER'S RECOMMENDATION: Approve Department recommendation.



Gary R. Brown, City Manager

Attachments:

1. Resolution 2009-6798
2. Redevelopment Resolution R-09-190
3. Listing of Non-Housing Tax Increment Projects

RESOLUTION NO. 2009-6798

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IMPERIAL BEACH, CALIFORNIA, AMENDING THE FISCAL YEAR 2009-10 BUDGET TO ADDRESS STATE BUDGET IMPACTS

WHEREAS, the City Council has reviewed the negative financial impacts of the State Budget relative to the City of Imperial Beach; and

WHEREAS, these impacts have caused an imbalance in the Redevelopment Non-Housing Fund: and

WHEREAS, The State intends to borrow City of Imperial Beach property tax revenues

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Imperial Beach as follows:

1. The General Fund Fiscal Year 2009-10 Budget is hereby amended by adding \$345,000 from General Fund Reserves to offset the State Prop 1A property tax borrowing.
2. The General Fund Fiscal Year 2009-10 Budget is hereby amended by up to \$2,000,000 from General Fund Reserves to loan the Imperial Beach Redevelopment Agency funds to offset imbalances caused by State Budget impacts.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Imperial Beach at its meeting held on the 19th day of August 2009, by the following roll call vote:

AYES: COUNCILMEMBERS:
NOES: COUNCILMEMBERS:
ABSENT: COUNCILMEMBERS:

JAMES C. JANNEY, MAYOR

ATTEST:

JACQUELINE M. HALD, CMC
CITY CLERK

RESOLUTION NO. R-09-190

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IMPERIAL BEACH, CALIFORNIA, AMENDING THE FISCAL YEAR 2009-10 BUDGET TO ADDRESS STATE BUDGET IMPACTS

WHEREAS, the Board has reviewed the negative financial impacts of the State Budget relative to the Redevelopment Agency of the City of Imperial Beach; and

WHEREAS, these impacts have caused an imbalance in the Redevelopment Non-Housing Fund: and

NOW, THEREFORE, BE IT RESOLVED that the Redevelopment Agency of the City of Imperial Beach as follows:

1. The Redevelopment Agency non-housing fund suspends \$852,000 of Capital Improvement projects to offset imbalances caused by State Budget impacts.
2. The Redevelopment Agency non-housing fund's Fiscal Year 2009-10 Budget is hereby amended by adding \$2,665,000 for the State Budget payment in May 2010.
3. The Redevelopment Agency non-housing fund's Fiscal Year 2009-10 Budget is amended to make debt payments to the City's General Fund for a loan for up to \$2,000,000 caused by the State Budget impacts.

PASSED, APPROVED, AND ADOPTED by the Redevelopment Agency of the City of Imperial Beach at its meeting held on the 19th day of August 2009, by the following roll call vote:

AYES:	BOARDMEMBERS:
NOES:	BOARDMEMBERS:
ABSENT:	BOARDMEMBERS:

JAMES C. JANNEY, CHAIRPERSON

ATTEST:

**JACQUELINE M. HALD, CMC
CITY CLERK**

ATTACHMENT 3

Non-Housing Tax Increment Projects

Program	Project Description	Project #	Project Budget	Total Committed	Budget Remaining
Comm Development	BAYSIDE MASTER PLAN	R05101	\$171,000	\$0	\$171,000
	FACADE IMPROVEMENT PRGRAM	R05102	\$950,000	\$681,138	\$268,862
	Palm Ave Com Corridor MP	R05205	\$300,000	\$103,584	\$196,416
	Reg Beach Sand Project 2	R08801	\$167,000	\$0	\$167,000
	SAND COMPATIBILITY(SCOUP)	R09801	\$40,000	\$100	\$39,900
Comm Development Total			\$1,628,000	\$784,822	\$843,178
Drainage	S/D Intercep @ 8th Calla	D08101	\$279,000	\$27,648	\$251,352
Drainage Total			\$279,000	\$27,648	\$251,352
Facilities	MARINA VISTA MASTER PLAN	F05501	\$204,000	\$82,202	\$121,798
	PUBLIC WORKS MASTER PLAN	F05101	\$676,000	\$390,258	\$285,742
Facilities Total			\$880,000	\$472,460	\$407,540
Parks	SPORTS PARK MASTER PLAN	P05401	\$204,000	\$24,145	\$179,855
Parks Total			\$204,000	\$24,145	\$179,855
Streets	Date Ave Street End Imp.	S08103	\$500,000	\$82,093	\$417,907
	ECO-ROUTE (TOURISM STUDY)	S04101	\$60,000	\$5,079	\$54,921
	Palm Ave Street End Plaza	S08102	\$50,000	\$30,000	\$20,000
	STREET IMPROVE PHASE III	S04108	\$2,376,178	\$1,162,921	\$1,213,257
Streets Total			\$2,986,178	\$1,280,092	\$1,706,086
Grand Total			\$5,977,178	\$2,589,166	\$3,388,012



**STAFF REPORT
CITY OF IMPERIAL BEACH**

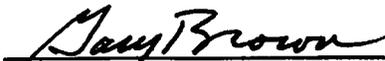
TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: GARY BROWN, CITY MANAGER
MEETING DATE: OCTOBER 21, 2009
SUBJECT: ANALYSIS OF NON-HOUSING TAX INCREMENT FUNDS

BACKGROUND & DISCUSSION:

Please see the attached memorandum from Finance Director McGrane.

CITY MANAGER'S RECOMMENDATION:

Receive report, provide comment and direction as needed.



Gary Brown, City Manager

Attachments:

1. Memorandum from Michael McGrane, Finance Director

Memorandum

To: Gary Brown, City Manager
From: Michael McGrane, Finance Director
Date: 10/16/2009
Re: Analysis of Non-Housing Tax Increment Funds

Background

This memo updates you on the status of the Non-Housing Tax Increment Fund and provides a five year projection with potential projects that the City Council may choose to fund.

As you recall, the Approved CIP included projects that were to be funded from our second tax increment bond issue. This bond would have provided \$5 million for street improvements as well as \$10 million for other redevelopment projects. Given unfavorable interest rates last January, the issuing of the bonds was postponed until a change in the bond market.

Since the release of the CIP, the Non-Housing TI Fund has been impacted by the State. The State intends to divert \$3.2 million of City tax increment funds to offset their deficit. To address this hit and potential other capital priorities, staff recommended the Non-Housing TI Fund borrow up to \$2 million from the General Fund. This debt was to be repaid over the following 3 years. It was further recommended that \$900,000 of capital projects be suspended for at least two years or until a favorable legal ruling prohibiting the State from taking redevelopment funds.

Five Year Tax Increment Projection

Each year approximately \$1.4 million (\$1.0 million in current year) of tax increment funding is available to: (1) cash fund redevelopment projects; or (2) pay new debt service for a new bond issue. However, the \$2.6 million first year State hit causes a deficit in this fund. The following chart highlights the impact of the first year of the State budget hit as well as potential high priority redevelopment projects. Without corrections, this fund would have a \$2.2 deficit.

In August, the City took corrective action to offset the State imposed deficit by suspending \$900,000 of

previously approved capital projects, approved borrowing from the General Fund and now further recommending that the storm drainage diverter at 9th and Calla be suspended. This brings the fund

Figure 1: State Induced Imbalance

	FY 2009-10
Resources:	
FY 2009-10 Net Available	\$1,000,000
Additional Requirements:	
State Hit	(\$2,665,000)
Additional Projects:	
Airport Property	(\$200,000)
Bikeway Access Project	(\$50,000)
Eco-Bikeway Grant Match	(\$200,000)
Soccer Fields	(\$200,000)
Skate Park Phase I+2	(\$200,000)
Subtotal Res less Reqs	(\$2,515,000)

Figure 2: Fixes

	FY 2009-10
Imbalance	(\$2,515,000)
Additional Resources:	
Suspended CIP Savings	\$900,000
Add savings from S/D Calla	\$251,000
General Fund Loan	\$1,364,000
Total	\$0

into balance. Figure 3 below shows the projection of the annual balances over the next five years with the State hit, the suspension of certain capital projects, and the repayment of the General Fund loan.

Figure 3: Five Year Projection with General Fund Repayment

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Resources:					
FY 2009-10 Net Available	\$1,000,000	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000
Additional Requirements:					
State Hit	(\$2,665,000)	(\$549,000)	\$0	\$0	\$0
Additional Projects:					
Airport Property	(\$200,000)	\$0	\$0	\$0	\$0
Bikeway Access Project	(\$50,000)				
Eco-Bikeway Grant Match	(\$200,000)				
Soccer Fields	(\$200,000)	\$0	\$0	\$0	\$0
Skate Park Phase I+2	(\$200,000)	\$0	\$0	\$0	\$0
Subtotal Res less Reqs	(\$2,515,000)	\$851,000	\$1,400,000	\$1,400,000	\$1,400,000
Additional Resources:					
Suspended CIP Savings	\$900,000	\$0	\$0	\$0	\$0
Add savings from S/D Calla	\$251,000	\$0	\$0	\$0	\$0
General Fund Loan	\$1,364,000	\$0	\$0	\$0	\$0
General Fund Repayment	\$0	(\$498,000)	(\$498,000)	(\$498,000)	\$0
Total	\$0	\$353,000	\$902,000	\$902,000	\$1,400,000

If the City wishes to proceed with a new bond issue to fund a variety of redevelopment projects such as land purchases or ocean development, the fund would be fully committed for the foreseeable future. The following chart details the financial results of the State impact, funding high priority projects, and bonding to provide additional resources for other high priority redevelopment projects

Figure 4: Five Year Projection with New Bond Issue Debt Service

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Resources:					
FY 2009-10 Net Available	\$1,000,000	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000
Additional Requirements:					
State Hit	(\$2,665,000)	(\$549,000)	\$0	\$0	\$0
Additional Projects:					
Airport Property	(\$200,000)	\$0	\$0	\$0	\$0
Bikeway Access Project	(\$50,000)				
Eco-Bikeway Grant Match	(\$200,000)				
Soccer Fields	(\$200,000)	\$0	\$0	\$0	\$0
Skate Park Phase I+2	(\$200,000)	\$0	\$0	\$0	\$0
Subtotal Res less Reqs	(\$2,515,000)	\$851,000	\$1,400,000	\$1,400,000	\$1,400,000
Additional Resources:					
Suspended CIP Savings	\$900,000	\$0	\$0	\$0	\$0
Add savings from S/D Calla	\$251,000	\$0	\$0	\$0	\$0
General Fund Loan	\$1,364,000	\$0	\$0	\$0	\$0
Other Operating Savings	\$0	\$97,000	\$98,000	\$98,000	\$0
General Fund Repayment	\$0	(\$498,000)	(\$498,000)	(\$498,000)	\$0
Subtotal	\$0	\$450,000	\$1,000,000	\$1,000,000	\$1,400,000
New Bond Debt Service		(\$550,000)	(\$1,100,000)	(\$1,100,000)	(\$1,100,000)
Total per Year	\$0	(\$100,000)	(\$100,000)	(\$100,000)	\$300,000

The imbalances would be adjusted by either extending the General Fund loan repayment from or increased operating budget savings.

The following chart lists projects that there is no identified funding source given the commitments above. Funding could be available if: (1) there is a favorable legal decision relative to the State hit; or (2) a change in the economy that increases tax increment revenues; or (3) we do not bond to our maximum capacity.

Figure 5: Unfunded List

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Total per Year	\$0	(\$100,000)	(\$100,000)	(\$100,000)	\$300,000
Unfunded					
Street Improvements	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)
Storm Drain Calla	(\$251,000)				
SCOUP			(\$39,000)		
Eco Tourism			(\$55,000)		
Marina Vista Maste Plan			(\$121,000)		
PW Admin/Bay Access			(\$286,000)		
Sports Park Master Plan			(\$180,000)		
Bayside Master Plan			(\$171,000)		
Total	(\$1,251,000)	(\$1,000,000)	(\$1,852,000)	(\$1,000,000)	(\$1,000,000)

Summary

The Non-Housing Tax Increment Fund has several demands on this fund. We need to be aware of our priorities and the timing of projects to assure financial stability.