



June 12, 2020

TO: CADA Board of Directors

SUBJECT: **June 19, 2020, Board Meeting**
AGENDA ITEM 5
FY 2020 – 2021 GENERAL OPERATIONS BUDGET AND CAPITAL
INVESTMENT PROGRAM BUDGET

CONTACT: Noelle Mussen, Finance Director

RECOMMENDED ACTION:

Staff recommends that the Board adopt resolutions:

- Approving the FY 20-21 General Operations Budget of \$13,854,214 and the FY 20-21 Capital Investment Program (CIP) Budget consisting of the Major Construction Projects Budget of \$1,526,660 and a Development Projects Budget of \$226,655.
- Approving an increase of \$85,000 in the FY 04-05 CIP Development Project Budget
- Approving an increase of \$20,000 in the FY 07-08 CIP Development Project Budget
- Approving an increase of \$130,000 in the FY 08-09 CIP Development Project Budget
- Approving a decrease of \$65,000 in the FY 09-10 CIP Development Project Budget
- Approving an increase of \$60,000 in the FY 14-15 CIP Development Project Budget
- Approving an adjustment of \$3,344.87 to close out FY 16-17 CIP Development Project Budget
- Approving an adjustment of \$337,902 to close out the FY 17-18 CIP Major Construction Budget

The resolution adopting the FY 19-20 General Operations Budget establishes the transfer threshold for budget changes the Executive Director may make without prior approval by the Board for FY 20-21 at a cumulative seven percent (7%) of a major expense category's annual operating budget. The resolution also continues the policy of providing the Executive Director with the authority to submit applications for project funding but requiring Board action prior to the acceptance of such funding.¹

BACKGROUND

Annually, in the spring of each year, management staff submit budget requests to the CADA Finance Director for the upcoming fiscal year. This information is compiled by her, further refined, and then presented to the Executive Director for review and approval prior to being presented to the Board for adoption.

In accordance with CADA budget policy, the **General Operations Budget** reflects funding sources and expenditures for the Authority's on-going operational activities. The **Capital Investment Program Budgets (CIP)** are multi-year budgets that reflect specifically-identified major construction and

¹ Notwithstanding the CADA policy, certain agencies require CADA staff to submit the agencies' boilerplate resolutions once they have been approved by the CADA Board.

development projects originally approved for expenditure in a given fiscal year. All budgets meet CADA's balanced-budget directive so that total budgeted revenues always equal total budgeted expenditures.

The activities of multiple funds are consolidated into the budget presented for adoption by the Board in an All Funds format, which means that all funds are presented within the budget. **Attachment 1** provides a description of each fund.

FISCAL IMPACT

FY 20-21 GENERAL OPERATIONS BUDGET

The proposed FY 20-21 General Operations Budget supports CADA's annual operations exclusive of specific major construction and development project activities, which are reflected in the CIP budgets. The General Operations budget is summarized in **Table 1** and discussed below:

TABLE 1: SUMMARY BUDGET COMPARISON

| Sources of Funds: | FY 2019-20 Final Budget | FY 2020-21 Proposed Budget | Difference |
|--|------------------------------------|---------------------------------------|-----------------------|
| Rental Income | \$ 8,297,457 | \$ 8,094,910 | \$ (202,547) |
| Tax increment | 5,350,000 | 5,350,000 | - |
| Investment Income | 442,749 | 370,900 | (71,849) |
| Other | 47,361 | 42,100 | (5,261) |
| Utilization of Reserves | - | - | - |
| Utilization of Fund Balance | 1,312,795 | - | (1,312,795) |
| Contribution to Available Fund Balance | (1,717) | (3,696) | (1,979) |
| Total Funding Sources | \$ 15,448,645 | \$ 13,854,214 | \$ (1,594,431) |
| Uses of Funds: | | | |
| Salaries | \$ 2,704,000 | \$ 2,756,000 | \$ 52,000 |
| Benefits | 1,645,152 | 1,666,090 | 20,938 |
| Post Employment Trust contribution | 201,338 | 201,338 | - |
| Outside Services | 1,486,639 | 1,366,090 | (120,549) |
| Maintenance & Repair | 1,477,700 | 1,527,601 | 49,901 |
| Utilities | 1,185,705 | 1,133,110 | (52,595) |
| Overhead | 716,930 | 731,010 | 14,080 |
| Debt Service | 1,495,847 | 1,492,301 | (3,546) |
| Contributions to Reserves | 1,177,738 | 1,646,261 | 468,523 |
| Investment in Major Construction | 1,230,046 | 1,107,758 | (122,288) |
| Investment in Development | 2,127,550 | 226,655 | (1,900,895) |
| Total Uses of Funds | \$ 15,448,645 | \$ 13,854,214 | \$ (1,594,431) |

General Operations – Sources of Funds

CADA's primary funding sources consist of Rental Income, Tax Increment Revenue and Investment Income. In addition, if necessary to meet CADA's balanced-budget directive, the Available Fund Balance is utilized as a funding source. The tables below break out funding sources.

Rental Income

| | FY 2019-20 Final Budget | FY 2020-21 Proposed Budget | Difference |
|---------------------------|----------------------------|-------------------------------|---------------------|
| Residential Rent CSSP | \$ 7,415,000 | \$ 7,415,000 | \$ - |
| Special Management Rent | \$ 1,463,416 | \$ 1,529,500 | 66,084 |
| Ground Lease Revenue | 252,000 | 192,000 | (60,000) |
| Commercial Rental Revenue | 440,000 | 303,000 | (137,000) |
| Parking | 259,700 | 244,700 | (15,000) |
| Special Management Fees | 212,485 | 241,210 | 28,725 |
| Other Rental Revenue | 37,500 | 37,900 | 400 |
| Rental Vacancy Loss | (494,444) | (516,500) | (22,056) |
| Loss to Lease* | (502,200) | (560,900) | (58,700) |
| Low Income Subsidy | (786,000) | (791,000) | (5,000) |
| | <u>\$ 8,297,457</u> | <u>\$ 8,094,910</u> | <u>\$ (202,547)</u> |

*"Loss to Lease" is defined as losses incurred due to receipt of lease revenue lower than market rate revenue. In CADA's case, CADA does not increase all resident leases to market rate so as to

Rental Income consists primarily of residential rental income net of the vacancy loss and the CADA low income subsidy. The proposed net decrease of \$202,547 is mainly due to the following:

- Residential Rental Revenue for the Special Management properties is proposed to be increased by \$66,084. This is a result of an increase to the FY 19-20 actual revenue for these properties and rent calculations required by the various regulatory agreements. For the Residential Rental Revenue for CADA's Scattered Site Program (CSSP), no increases are proposed for next fiscal year.
- Ground Lease Income and Commercial Rental Revenue are proposed to be decreased to reflect possible full rent credit given to the majority of these tenants for the first three months of the new fiscal year and a possible 50% credit for the succeeding three months. This is in response to the Covid-19 situation.
- Parking Revenue is proposed to be decreased by \$15,000 due to the loss of the 1330 N parking lot, which is part of the Site 21 project now under development.
- Rental Vacancy Loss and Low Income Subsidy are proposed to be increased to reflect actual FY 19-20 expense levels, with Loss to Lease proposed to be increased to correct for an under-estimate of Loss to Lease in the FY 19-20 budget and for current tenants whose rents will not be brought to the current market rent level in the next fiscal year.

Tax Increment Revenue

| | FY 2019-20 Final Budget | FY 2020-21 Proposed Budget | Difference |
|---------------|----------------------------|-------------------------------|-------------|
| Capitol Area | \$ 3,750,000 | \$ 3,750,000 | \$ - |
| R Street area | 1,600,000 | 1,600,000 | - |
| | <u>\$ 5,350,000</u> | <u>\$ 5,350,000</u> | <u>\$ -</u> |

There is no proposed change to CADA's total Tax Increment revenue; this is due to several unknown factors including the uncertainty as to where properties' values will be in the next fiscal year, whether there will be any rate increases by the County, if there will be continued property transactions that affect Tax Increment, and if there will be any requested adjustments to property values including potential refunds.

Tax Increment revenues fund payment of Bond Debt Service, the I-Bank debt service for the 16 Powerhouse alleyway infrastructure, Development and Major Construction expenses, contributions to the R Street Reserves and R Street Affordable Housing Reserves, low income subsidies for residents on CADA rent-assistance programs, R Street staff salaries and benefits, and contributions when necessary to meet budgeted expenses that exceed rental revenue for CADA's General Fund and Special Management properties.

Interest and Other Investment Income

| | FY 2019-20 Final Budget | FY 2020-21 Proposed Budget | Difference |
|--|----------------------------|-------------------------------|--------------------|
| Interest Income on Investments with City | \$ 367,200 | \$ 373,900 | \$ 6,700 |
| Bond-related Interest Income | 11,000 | - | (11,000) |
| Note Receivable Interest Income | 29,148 | - | (29,148) |
| Note Receivable Principal Payment | 38,751 | - | (38,751) |
| Interest Income - reserve allocation | (3,350) | (3,000) | 350 |
| | <u>\$ 442,749</u> | <u>\$ 370,900</u> | <u>\$ (71,849)</u> |

The main change to this category is the removal from income sources of the Notes Receivable for the Fremont Mews project, which was paid in full on May 20, 2020, including principal and interest income from both of the two notes. Interest Income reflects an increase in actual investment revenue in FY 19-20. Staff anticipates that interest rates (primarily bond yields) in FY 20-21 will be similar to the current year.

Utilization of Financial Resources

| | FY 2019-20 Final Budget | FY 2020-21 Proposed Budget | Difference |
|--|----------------------------|-------------------------------|--------------------|
| Utilization of Available Fund Balance | | | |
| - General Fund Balance Utilization - Originally Budgeted | \$ 113,084 | \$ - | (113,084) |
| - General Fund Balance Utilization - Prior Year TI | 1,199,710 | - | (1,199,710) |
| Utilization of Reserves | | | |
| - Development Reserve Draw Down | - | - | - |
| | <u>1,312,794</u> | <u>-</u> | <u>(1,312,794)</u> |
| Contribution to Available Fund Balance | | | |
| - Special Management Funds | 1,717 | 3,696 | 1,979 |
| - Bond Funds | - | - | - |
| | <u>1,717</u> | <u>3,696</u> | <u>1,979</u> |

The Utilization of Available Fund Balance is used to budget available funds that have accumulated over prior years in the Fund Balance account that are either unreserved or unrestricted. This account is used in various ways and changes from year to year based on budget needs in a given fiscal year. These funds can be used to balance the budget and are only drawn down if there is a need by Year End. In addition, tax increment revenue received but not utilized or budgeted for in a prior year is made available through this account, usually at Mid-Year. Staff is not proposing any Utilization of Fund Balance for FY 20-21 to meet CADA's balanced budget directive.

In prior years, budgets for three Special Management Funds (Brannan Court, 17th Street Commons and Fremont/Wilshire) reflected positive cash flow. This excess revenue was budgeted to Fund Balance in order to meet the balanced budget directive yet remain available for future years' needs. In FY 20-21, the estimated excess is \$346 for 17th Street Commons and \$3,350 for Fremont/Wilshire.

General Operations – Uses of Funds

Employee Services and Benefits

| | FY 2019-20 Final Budget | FY 2020-21 Proposed Budget | Difference |
|------------------------------|----------------------------|-------------------------------|------------------|
| Salaries | \$ 2,704,000 | \$ 2,756,000 | \$ 52,000 |
| PERS Retirement | 590,500 | 590,500 | - |
| Post Employment Contribution | 201,338 | 201,338 | - |
| Other | 1,054,652 | 1,075,590 | 20,938 |
| | <u>\$ 4,550,490</u> | <u>\$ 4,623,428</u> | <u>\$ 72,938</u> |

The Salaries and Benefits category is proposed to increase by 2%. The major items that are contributing to the increase are the following:

- Salaries are anticipated to increase overall by a net 2%. This proposed increase will require a \$52,000 increase to the current budget. This is a general increase to allow for salary adjustments due to staff performance.

CalPERS Retirement reflects no proposed changes next fiscal year. This is a result of current staffing levels, CalPERS payroll rates and the flat fee CalPERS imposes to cover CADA's unfunded liability. The new CalPERS Classic rate is 11.68%, up from 10.86%, and the new PEPRA rate is 7.87% from 7.07% for current vested benefits only. The flat fees will be \$363,000 and \$4,500, respectively. Even with the rates having increased from the prior year due to changes within CADA staff, no increase is proposed. CADA has experienced changes in the number of employees in the Classic category, which has a higher rate, and a decline in the number of employees in the PEPRA category, which has a lower rate and a mostly-funded pool, resulting in a slowing-down of increases to this expense category. Accordingly, for this year no additional funds are anticipated to be needed. This may change in the future depending on any losses or gains within these two pools.

- For the Post Employment Contribution, no change is proposed at this time. CADA is currently engaged in completing the required actuarial report on our OPEB liability and will adjust this expense at Mid-year to reflect the actual contribution amount.

Outside Services

| | FY 2019-20 Final Budget | FY 2020-21 Proposed Budget | Difference |
|--|----------------------------|-------------------------------|---------------------|
| Community Activities | \$ 150,000 | \$ 30,000 | \$ (120,000) |
| Asset Mgmt Other Professional Services | 27,000 | 46,000 | 19,000 |
| Insurance | 263,000 | 285,000 | 22,000 |
| Self-Insured Losses | 102,500 | 77,500 | (25,000) |
| Admin Temporary Services | 52,000 | 10,000 | (42,000) |
| Temporary Outside Services | 200,000 | 230,000 | 30,000 |
| Other | 692,139 | 678,889 | (13,250) |
| | <u>\$ 1,486,639</u> | <u>\$ 1,357,389</u> | <u>\$ (129,250)</u> |

Outside Services is proposed to be decreased by a net 9%. The major items that contribute to the net decrease are as follows:

- Community Activities is proposed to decrease by \$120,000, \$100,000 of which was for a contribution to the City of Sacramento for the Capitol Mall streetscape project. This will not be re-budgeted in FY 20-21 but instead has been posted as a payable in the current budget year.
- Asset Movement Other Professional Services is proposed to be increased for consultant work related to the implementation of additional modules within the Maintenance Connection software.
- Insurance is proposed to increase based on new cost information received from our carrier. Similar to the current year, this increase is not due to CADA's loss experience but due to increases occurring within the insurance industry.
- Admin Temporary Services is proposed to decrease by the prior year's budgeted increase amount, which was intended to help fill an open Administration position and to give assistance to the Leasing Department while staff members were out on leave. The funding will not be needed in the new fiscal year.
- Temporary Outside Services is proposed to increase by \$30,000, to allow Maintenance to continue to engage temporary maintenance techs when needed to help complete deferred maintenance work and assist with major rehabilitation projects.

Maintenance & Repair

| | FY 2019-20 Final Budget | FY 2020-21 Proposed Budget | Difference |
|--------------------------------|----------------------------|-------------------------------|------------------|
| Operation Location Improvement | \$ 200,000 | \$ 154,000 | \$ (46,000) |
| Flooring | 187,000 | 210,000 | 23,000 |
| Countertops | 37,000 | 50,000 | 13,000 |
| Landscaping | 173,312 | 193,490 | 20,178 |
| Repair & Maint - Residential | 80,807 | 118,600 | 37,793 |
| Building Supplies | 196,000 | 210,000 | 14,000 |
| Construction Mitigation | 15,000 | 25,000 | 10,000 |
| Furniture & Appliances | 30,000 | 50,000 | 20,000 |
| Other | 558,581 | 516,511 | (42,070) |
| | <u>\$ 1,477,700</u> | <u>\$ 1,527,601</u> | <u>\$ 49,901</u> |

Maintenance & Repair is proposed to be increased by a net 3%. The major items that contribute to the net increase are as follows:

- Operations - Location Improvement is proposed to decrease by \$46,000. This account was increased in the current year to fund the remaining Administrative Office improvements and the new gate installed at Maintenance which are now complete.
- A proposed increase to the Flooring, Countertop, Landscaping, Repair & Maintenance Residential, Appliances and Building Supplies accounts, to reflect cost increases and increased activity by CADA staff within these budget items.
- Construction Mitigation is proposed to be increased to \$25,000 for rent credits given to tenants in buildings surrounding the Site 21 project in recognition of inconveniences to these tenants during the project's construction.

Utilities

| | FY 2019-20 Final Budget | FY 2020-21 Proposed Budget | Difference |
|----------------------|----------------------------|-------------------------------|--------------------|
| Garbage | \$ 62,000 | \$ 55,000 | (7,000) |
| SMUD/Electricity | 149,730 | 141,710 | (8,020) |
| PG&E/Gas | 266,575 | 250,000 | (16,575) |
| Water/Sewer | 648,400 | 617,400 | (31,000) |
| Admin Utilities | 32,000 | 32,000 | - |
| Admin/Mait Utilities | 27,000 | 37,000 | 10,000 |
| | <u>\$ 1,185,705</u> | <u>\$ 1,133,110</u> | <u>\$ (52,595)</u> |

Utilities are proposed to be decreased by a net 4%. The major items that contribute to the net decrease are as follows:

- Proposed increase to the Maintenance General Utilities account, due to increased activity and machinery usage in the Maintenance shop and additional need for large item garbage disposal.
- For Electricity, Gas, and Water utility accounts, CADA has consistently been under budget for the past few years, experiencing reductions in utilities expenses, mainly due to the concerted efforts of staff to manage and reduce CADA's utilities usage

Overhead

| | FY 2019-20 Final Budget | FY 2020-21 Proposed Budget | Difference |
|-------------------|----------------------------|-------------------------------|------------------|
| Admin Bldg Rent | 103,000 | 95,000 | (8,000) |
| Computer Software | 58,000 | 80,000 | 22,000 |
| Other | 555,179 | 556,010 | 831 |
| | <u>\$ 716,179</u> | <u>\$ 731,010</u> | <u>\$ 14,831</u> |

Overhead is proposed to be increased by a net 2%. The major items that contribute to the net increase are as follows:

- Admin Building Rent is proposed to decrease because the Administrative Office lease rate will go down due to the negotiated lease with DGS that allows CADA to receive a credit over a period of years for the improvements it has made to the building. The next decrease in rent will be in five years.

- Computer Software is proposed to increase due to increased cost for all software use and user licenses and the purchase of additional software module licenses for the Maintenance Connection software used by CADA's Maintenance office.

Debt Service

| | FY 2019-20 Final Budget | FY 2020-21 Proposed Budget | Difference |
|--|----------------------------|-------------------------------|-------------------|
| Debt Service General Fund - principal paid | \$ 281,416 | \$ 280,308 | (1,108) |
| Debt Service General Fund - Interest paid | 112,101 | 113,203 | 1,102 |
| Bond Debt Service - Principal Paid | 476,411 | 486,270 | 9,859 |
| Bond Debt Service - Interest Paid | 325,919 | 312,520 | (13,399) |
| Tax Increment Pledge - Eviva Midtown | 300,000 | 300,000 | - |
| | <u>\$ 1,495,847</u> | <u>\$ 1,492,301</u> | <u>\$ (3,546)</u> |

Debt Service is proposed to be decreased reflecting the declining annual payments of current debt.

Investment in the Capital Investment Program

| | FY 2019-20 Final Budget | FY 2020-21 Proposed Budget | Difference |
|---|----------------------------|-------------------------------|------------------|
| The Investment in Major Construction is proposed to be funded as follows: | | | |
| - Tax Increment Funded | \$ 1,107,046 | 1,099,758 | \$ (7,288) |
| - Bond Investment Revenue Funded | - | - | - |
| - Affordable Housing Funded | - | - | - |
| - Operations Funded (General Fund) | - | - | - |
| - Operations Funded (Special Management) | 123,000 | 8,000 | (115,000) |
| | <u>1,230,046</u> | <u>1,107,758</u> | <u>(122,288)</u> |

The Investment in Development is proposed to be funded as follows:

| | | | |
|------------------------------------|------------------|----------------|--------------------|
| - Tax Increment Funded | \$ 2,127,550 | 226,665 | \$ (1,900,885) |
| - Bond Investment Revenue Funded | - | - | - |
| - Development Reserve Revenue | - | - | - |
| - Operations Funded (General Fund) | - | - | - |
| | <u>2,127,550</u> | <u>226,665</u> | <u>(1,900,885)</u> |

Investment in Major Construction is proposed to be slightly decreased compared to the prior year; this is for CADA's general housing stock. This funding is required to meet the anticipated capital improvement needs in the year ahead including budgeting for improvements to balconies and second story or higher walkways at multiple buildings.

Investment in Development is proposed to be less next fiscal year reflecting a decreased need for additional funds for predevelopment activities.

Special Management Funds

CADA maintains several Special Management properties, three of which require annual budget approval by the regulatory agencies that provided project construction funding. Staff expects that the budgets submitted to the State of California Department of Housing and Community Development (HCD) and

the California Housing Finance Agency (CalHFA) will be approved by these agencies; they are incorporated into the proposed CADA budget. Any changes made by HCD will be brought to the Board at Mid-Year.

With regard to the Special Management properties, 17th Street Commons continues to be self-supporting, with projected positive operations by the end of the coming fiscal year. CADA has carried forward budgeted contributions from Tax Increment from FY 19-20 to support needed major construction projects that were not completed in the prior year at Somerset Parkside, 17th Street Commons and Fremont Wilshire.

CADA completed the refinancing of the outstanding Biele Place construction loan and has entered into a new regulatory agreement with HCD. For Biele, the budget assumes a full year of revenues and expenses as allowed under the new agreement.

MAJOR CONSTRUCTION CAPITAL INVESTMENT PROGRAM (CIP)

Major Construction CIP budgets are multi-year budgets for individual projects initially funded in a given fiscal year. These budgets remain active and open for a total of three years.

Major Construction (CIP) Budget FY 17-18

This budget is proposed to be closed with a remaining balance of \$337,901 consisting of \$90,302 from the General Fund and \$247,600 from the Special Management Construction budget. This remaining funding will partially be used to fund the proposed increases to the FY 20-21 Major Construction budget. For Special Management, prior year available funds will be re-budgeted in the FY 20-21 budget to complete projects started on three properties, Somerset Parkside, 17th Street Commons, and Fremont Wilshire as noted in **Attachment 2**.

Major Construction (CIP) Budget FY 18-19

There is no proposed revision to this budget.

Major Construction (CIP) Budget FY 19-20

There is no proposed revision to this budget.

Major Construction (CIP) Budget FY 20-21 (Attachment 2)

The FY 20-21 Major Construction Program budget is proposed to total \$1,526,660, of which \$336,500 is allocated for capital improvements at Special Management properties, with \$1,099,758 funded by current tax increment, \$337,902 funded from tax increment carryover from the prior year, \$8,000 from Special Management operations and \$81,000 from equipment reserves and operations. The \$1,526,660 balance of funds is allocated for various projects in several CADA residential buildings. Please see **Attachment 2** for a list of projects by address. As noted above, CIP budgets are three-year budgets, so this expenditure will take place over three years.

DEVELOPMENT CAPITAL INVESTMENT PROGRAM (CIP)

Development CIP Budgets are multi-year budgets for individual projects initially funded in a given fiscal year. These budgets consist of Development Projects and Bond Projects (using unexpended proceeds from the 2004 Bond Issue), which stay open for the life of the project. Please see **Attachment 3** for proposed adjustments by project.

FY 04-05 Budget Revisions

Overall, the FY 04-05 Development Budget is being increased by \$85,000 for the R street Development project for additional marketing, events and other professional and miscellaneous expenses.

FY 07-08 Budget Revisions

Overall, the FY 07-08 Development Budget is being increased by \$10,000 to fund the Site 21 project's legal expenses.

FY 08-09 Budget Revisions

Overall, the FY 08-09 Development Budget is being increased by \$130,000 for the O Street Streetscape budget for additional site improvements, murals, and miscellaneous expenses.

FY 09-10 Budget Revisions

Overall, the FY 09-10 Development Budget is being decreased by \$65,000, to be taken from the 16th Street Streetscape project, leaving \$20,000 for the remaining landscape and site improvements expenses associated with the 16th Street storm water planters along the Fremont Park frontage

FY 14-15 Budget Revisions

Overall, the FY 14-15 Development Budget is being increased by \$60,000, reflecting an increase to the Roosevelt Park budget to fund other professional services and additional site improvements to the fencing along 9th and P Streets.

FY 16-17 Budget Revisions

Overall, the FY 16-17 Development Budget is being decreased by \$3,344.87 to close out the remaining light rail improvement project.

Bond Projects Capital Investment Program Budget Revisions

As of the end of FY 19-20 there are only \$191,155 in Taxable Low/Mod Housing proceeds remaining from the 2016 bond issue. These proceeds are currently undesignated and there are no proposed changes for FY 20-21.

DESIGNATED RESERVES

Designated Reserves reflects the balances anticipated to be held by CADA as of Year-End, net of budgeted contributions and withdrawals. Overall, Designated Reserve balances as of June 30, 2021, are anticipated to be in the range of \$10 million. **Table 3** below provides a summary of budgeted activity and projected reserve account balances, by fund.

Proposed Reserve activities of note include:

- A proposed contribution to reserves of remaining Tax Increment sources of \$209,473, consisting of \$27,753 to the General Fund Development Reserve and \$181,720 to the General Fund Affordable Housing Reserve.

- Projected withdrawals of \$97,305 from Special Management Fund Reserves consisting of the following:
 - \$17,305 to the Biele Place Operations Expense Reserve to bring this reserve balance down to the required amount that was overfunded in the prior Fiscal Year.
 - \$81,000 to the Biele Place Equipment Replacement Reserve for a courtyard improvement project.
- Required reserve contributions of \$104,883 to the Special Management Equipment Reserve.
- A proposed contribution to reserves of \$1,331,905 consisting of \$1,018,920 to the R Street Development Reserve and \$312,985 to the R Street Housing Set-Aside fund.

TABLE 3 - Designated Reserves

| <u>Designated Reserves (General Operation)</u> | Projected | | | Projected 6/30/21 |
|---|---------------------|---------------------|---------------------|----------------------|
| | 6/30/20 | (Draws) | Contributions | |
| Operations Contingency | \$ 685,144 | \$ - | \$ - | 685,144 |
| Development Reserve | 532,538 | - | 27,753 | 560,291 |
| Affordable Housing Reserve | 928,947 | - | 181,720 | 1,110,667 |
| Capital Improvement Reserve | 400,000 | - | - | 400,000 |
| Equipment Replacement Reserve | 75,000 | - | - | 75,000 |
| Debt Retirement Reserve | 955,000 | - | - | 955,000 |
| Acquisition Reserve | 1,350,149 | - | - | 1,350,149 |
| Self-Insured Risk Reserve | 675,000 | - | - | 675,000 |
| | <u>\$ 5,601,778</u> | <u>\$ -</u> | <u>\$ 209,473</u> | <u>\$ 5,811,251</u> |
| <u>Designated Reserves (Special Management)</u> | | | | |
| Equipment Replacement Reserve | \$ 362,246 | \$ (104,886) | \$ 97,305 | \$ 354,665 |
| Operation Reserve - Somerset & Biele | 123,466 | - | - | 123,466 |
| | <u>\$ 485,712</u> | <u>\$ (104,886)</u> | <u>\$ 97,305</u> | <u>\$ 478,131</u> |
| <u>Designated Reserves (R Street)</u> | | | | |
| Development Reserve | \$ 1,061,758 | \$ - | \$ 1,018,920 | \$ 2,080,678 |
| Affordable Housing Reserve | 68,374 | - | 312,985 | 381,359 |
| | <u>\$ 1,130,132</u> | <u>\$ -</u> | <u>\$ 1,331,905</u> | <u>\$ 2,462,037</u> |
| <u>Designated Reserve (Bond Interest)</u> | | | | |
| Development Reserve | \$ 9,107 | \$ - | \$ - | \$ 9,107 |
| | <u>\$ 9,107</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,107</u> |

POLICY ISSUES

The budget presented to the Board for adoption reflects the priorities established in the Business Plan and is prepared and managed in accordance with CADA Budget Policy. The Business Plan was transmitted to the Board in the June Board packet. The fiscal year General Operations Budget continues to support CADA's on-going property management operations and Special Management Fund operations. In addition, CADA strives annually to designate adequate funds for allocation to its reserves. Reserves are evaluated annually upon completion of an independent audit. Staff examines appropriateness of the funding levels, and needed adjustments are recommended to the Board at Midyear or in the next budget cycle.

The General Operations Budget Policy states that a threshold for transfers that the Executive Director may make between major budget expense categories shall be established by the Board. Accordingly, the resolution adopting the FY 20-21 General Operations Budget establishes a transfer threshold below which the Executive Director can effect transfers without prior approval by the Board. Staff is proposing that the threshold be a cumulative seven percent (7%) of a major expense category's annual operating budget. This is consistent with CADA Board practice over the past ten years. If these transfers do occur, they are reported in CADA's monthly financial reports and transmitted to the Board.

Board policy established on May 18, 2001 sets forth CADA's policy with regard to applications for project funding. Staff recommends that this policy providing the Executive Director with authority to submit applications for project funding and requiring Board action for acceptance remain unchanged for FY 20-21.

STRATEGIC PLAN

The Strategic Plan value/goal most directly pertinent to this action is "Fiscal Responsibility", but adoption of a well-conceived budget will assist in the fulfillment of all of CADA's Strategic Plan goals and CADA's FY 20-21 Business Plan objectives.

ENVIRONMENTAL REVIEW

Not applicable – the recommended action is not a project pursuant to the California Environmental Quality Act (CEQA) guidelines and does not require environmental review.

CONTRACT AWARD CONSIDERATIONS

While adoption of the budget does not directly involve the awarding of contracts, action on this item at the June Board Meeting is critical in order to enable the awarding of consultant and maintenance annual service contracts with July 1, 2020 commencement dates.

Attachments:

1. Fund Descriptions
2. FY 20-21 CIP Program Budget – Major Construction
3. Development CIP Program Budget with pertinent footnotes