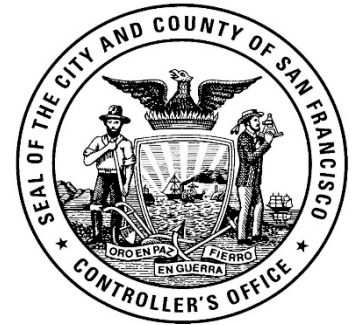


Treasure Island Board of Directors

Informational Item No. 9: FY 2024-25 Budget Planning
Update



December 13, 2023

City & County of San Francisco
Treasure Island Development Authority

FY2024-25 Budget Timeline

- **December 13th** – FY 2024-25 Budget Introduction to TIDA Board
- **Mid-December** – Mayor releases FY25 & FY26 Budget Instructions
- **January 10th** – Bring draft budget to the TIDA Board for review/comment
- **February 14th** – Bring proposed budget to the TIDA Board for approval to submit to Mayor’s Budget Office
- **Early February** – TIDA proposed budget submission to City Administrator’s Central Budget & Planning Office
- **Mid/late-February** – City Administrator submits budget to Mayor’s Budget Office
- **March** – Proposed department budgets are published on the Controller’s Office website. Controller publishes an update to the 5-Year Financial Plan (Joint Report), which highlights near-term budgetary shortfalls
- **June 1st** – Mayor’s Budget Office publishes two-year budget
- **June** – Budget and Finance Committee hearings
- **July 1st** – Mayor’s Proposed Budget is loaded into financial system by Controller’s Office
- **July** – Board of Supervisors adopts FY2024-25 & FY2025-26 Budget



Mayor's Budget Instructions

- In October 2023, the Mayor's Budget Office issued instructions for current year budget reductions, which amount to approximately \$75 million in the current fiscal year 2023-24, and ongoing, around \$35 million in each year thereafter
- In mid-December, the Mayor's Budget Office will release budget instructions for the next 2 fiscal years. In partnership with the Controller's Office and Budget & Legislative Analyst, the Mayor's Budget Office is projecting a deficit that grows to over \$1 billion by FY 2027-28 if no further actions are taken
- To balance the citywide budget, General Fund departments will be asked to decrease ongoing General Fund support
- **Non-General Fund departments are being directed to balance within their own revenue projections.** TIDA is considered a Non-General Fund department, as it does not receive any revenue support from the General Fund.



Fiscal Year 2022-2023 Year-End Close

Revenues

- Commercial leasing revenues were approx. \$1.3M* above adopted budget
- Residential leasing revenues were approx. \$450K* under adopted budget
- Higher than budgeted commercial rent revenues was largely due to conservative budget estimates, improved rent collection efforts, and identifying new lease opportunities; lower than budgeted residential revenues was largely due to a deferral of revenues to cover property maintenance costs

Expenses

- TIDA operating expenditures were approx. \$5.57M* below adopted budget
- Savings largely due to development professional contracts that were not entered into due to scheduling delays, unfilled TIDA staffing positions

TICD City Costs and Shortfall Payment

- TICD was invoiced \$4,952,762 for direct development costs (City Costs)
- Since TIDA's total Authority Cost expenses were below total revenues, no shortfall payment was invoiced to TICD
- Approximately \$9.89M below adopted budget expected from TICD reimbursements

**Amounts are unaudited and may not be representative of any back-rent collected after year-end close.*

Fiscal Year 2024-2025 Budget Introduction

TREASURE ISLAND DEVELOPMENT AUTHORITY



TICD Shortfall Payment

DDA Requirement

- TIDA to track costs of City agencies in support of development (City Costs) and to separately track costs of TIDA staff, contracts and costs of City agencies supporting operation and maintenance of TIDA facilities (Authority Costs)
- Prior to 2015, TIDA revenues exceeded all expenses
- Surplus revenues were put into a reserve account
- Subsequent to 2015 as expenses exceeded revenues, funds from the reserve account were used to balance revenues
- Per the DDA, when the reserve account is exhausted, TIDA is to invoice TICD for an amount to balance revenues and expenses

Payments To-Date

- FY 2020 was the first year in which it became necessary to invoice TICD to avoid a TIDA budgetary shortfall; TICD was invoiced \$5,320,248 to cover City Costs
- In FY 2021, TICD was invoiced \$2,103,123 to balance FY 2021 Authority Costs and \$5,862,840 for FY 2021 City Costs
- In FY 2022, TICD was not invoiced any additional amount to balance FY 2022 Authority Costs; TICD was invoiced \$5,860,475 to cover City Costs
- In FY 2023, TICD was not invoiced any additional amount to balance FY 2023 Authority Costs; TICD was invoiced \$4,952,762 to cover City Costs



Fiscal Year 2023-24 Mid-Year Performance

- Commercial leasing revenues are tracking at/near budget
- Residential leasing revenues are tracking under budget, and likely to remain below budget due to anticipated expenses related to impending housing transitions
- Commercial rent collections have improved and stabilized to pre-pandemic levels
 - The majority of commercial tenants became current with their rent
 - During Covid-19, a small number of tenants terminated their leases or decreased their leaseholds, though there have been other tenants who have back-filled vacancies
- Total expenditures are expected will be within budget
- TICD Payments:
 - TICD will be responsible for funding various Subsidies as required by the DDA (\$20M DDA Subsidies revenue budgeted in FY 2024, \$18M of which related to housing subsidies)
 - TICD will be responsible for direct development costs, i.e. City Costs, on a quarterly basis (\$11.5M City Cost revenue budgeted in FY 2024, but actual costs are expected to be \$5-6M)
 - As anticipated in the budget, total FY 2023-24 Authority expenses may exceed TIDA leasing revenues. If there is a budgetary shortfall, TICD will be responsible for supplementing TIDA revenues to balance current FY expenses as required under the DDA



FY 2024-25 Budget Planning

- Mayoral Budget Instructions will be released in mid-December
- Department-phase of budget planning:
 1. Starting point – start with second year of prior 2-year adopted budget: \$49.32M in FY 2024-25
 2. Budget adjustments:
 - What will the revenue projections look like in FY23-24? Is there revenue uncertainty?
 - Where do we anticipate budget growth and possible increases?
 - Are there areas where we can identify cost savings?
 - Align Authority Cost Budget with projected leasing revenues
 3. Review proposed budget with TICD
 4. Present proposed budget to TIDA Board for review and approval for submission to City Administrator's Budget and Planning Office who will share with Mayor's Budget Office
- Mayor-phase of budget planning: typically minor changes made by Mayor's Budget staff
- Mayor's Proposed Budget published and presented to the Board of Supervisors



FY 2024-25 Budget Planning

Anticipated Budget Growth:

- Developer Housing Subsidies to support future affordable housing development
- Maintenance for newly completed parks
- Transitional housing related fees/costs
 - Relocations to Star View Court
 - Unit turnovers and interim moves
 - Securing or demolishing vacant buildings
- SF Planning staff support for Equity Program

FY 2024-25 Budget Planning

Contract Services:

- Park planning and operations support
- Task-Force/program management support
- Environmental assessment/planning studies

Discussion