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OFFICE OF THE IBA
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Memorandum

Date: May 14, 2007

To: Council President and Members of the City Council

From: Carolyn Y. Smith, President

Subject: Item No. 1 - Fiscal Year 2008 Budget (Redevelopment Agency)
Item No. 331/Item No. 2 SEDC 2007 Bond Issuance (City Council/Redevelopment Agency)

This memorandum is in response to the memorandum dated May 11, 2007 from the Office of the Independent Budget Analyst (IBA) regarding SEDC's 2007 Tax Allocation Bond (TAB) Issuance and Fiscal Year 2008 Budget. The following notations and/or corrections are provided for your use:

SEDC Bond Issuance

The IBA's memorandum correctly identifies that the amount of bond proceeds in SEDC's bond memorandum is different from SEDC's original submittal. The process of determining the actual proceeds had not been completed at the time we were required to submit our budget to Financial Management.

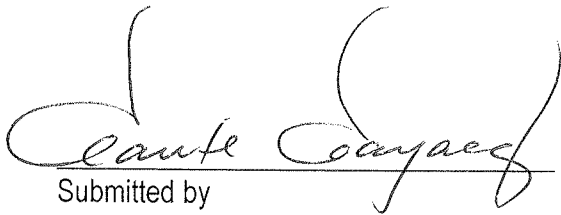
The difference reflects the Cost of Issuance of approximately \$2,740,000, which is the difference between the approximate par amount of \$24, 495,000 and the net bond proceeds of \$21,755,000. Based upon a proposed closing date for the FY 2007 Bonds of June 20, 2007 and depending on the market conditions, there may be variance from the bond proceed amount budgeted by SEDC. If this is the case, SEDC will recommend a budget amendment to reflect the final amount.

SEDC Administrative Budget

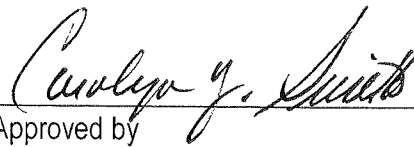
The Administrative Budget for SEDC is 5% of the total budget, which is a decrease from the FY 07 budget which was approved at 7%. The IBA's memorandum identified an increase to the salary ranges of 30% which is incorrect. The following breakdown was submitted to the IBA to clarify the proposed salary increases on Friday, May 11, 2007. Apparently, it was too late for consideration and inclusion in the IBA's memorandum to the City Council. The proposed amount of increase to the salary range is a 4% increase to the base and not the 30% as reported. The analysis of the IBA reflects the total amount of personnel cost which includes base salary, additional positions and various payments for merit, cost of living and in-lieu sick or vacation.

	<u>FY 07</u>	<u>FY 08</u>
• The budgeted positions & base salary for FY 07 & FY 08 are with the Salary Ranges & 4% increase.	\$834,000	\$867,360
• Funding for the Manager of Projects and Development and making the part-time Clerk Messenger full-time		128,000
• This amount reflects the SEDC employment policy which allows for in-lieu payments, merit and cost of living adjustments for all positions including the new positions.	<u>106,000</u>	<u>197,640</u>
Total	\$940,000	\$1,193,000

I hope this clarifies the information you have been provided.



Submitted by
Dante Dayacap
Director of Finance



Approved by
Carolyn Y. Smith
President

CYS:kk