

Agenda Item: 6  
Meeting Date: April 3, 2023

## Renewal Enterprise District Action Item

TO: Board of Directors  
FROM: Michelle Whitman, Executive Director  
SUBJECT: Fiscal Year 2023-2024 Preliminary Budget

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**Summary:** Review and Consider approval of Fiscal Year 2023-2024 Preliminary Budget and Budget Resolution.

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### Background

The JPA for the Renewal Enterprise District (Section 8.05 – Budget) states “By a date no later than sixty (60) days before the end of each Fiscal Year, the Board shall adopt a budget for the Agency for the ensuing Fiscal Year.” A Preliminary Budget for FY2023-2024 is presented today for Board consideration and possible approval.

The Renewal Enterprise District’s (RED) startup costs and general operations have been supported primarily by a \$1,000,000 grant from the William and Flora Hewlett Foundation. An additional \$1,306,000 in grants and donations has been awarded to the RED, with the majority of these funds restricted to fund the design, launch, and startup operation of the RED Housing Fund (RHF). The remaining balances of the less restrictive Hewlett Foundation grant, as well as more restricted revenue, will carry over to the FY2023-2024 budget. The FY2023-2024 starting fund balance is estimated to total \$229,668. Of that total, \$100,000 will be retained from the Kaiser grant to compensate the RED for administrative services provided to the RHF, leaving an estimated net fund balance of \$129,668 available to budget for RED operations and programming. The projected fund balance results from unspent revenue carried over from prior fiscal years. At a minimum, the RED expects new revenue recognition in FY2023-2024 totaling \$77,500, resulting in the estimated \$207,168 available for RED operations and programming in FY2023-2024, assuming no additional revenue. However, at its Budget Workshop on February 6, 2023, the RED Board considered three different budget scenarios modeled on the assumptions above, and following deliberations, recommended a budget that includes and depends upon FY2023-2024 Member Assessments of \$50,000 per Member, for a total of \$100,000, to fund both baseline and enhanced RED programming, including:

- Obligated activities involving public meetings, insurance, website maintenance, audit, accounting, reporting, and provision of administrative support to the RED Housing Fund; and
- Building support for and helping to facilitate a City/County Joint Housing meeting; and
- Monitoring, participating in, and reporting on the Bay Area Housing Finance Authority and potential regional bond measure; and
- Collaborative grant seeking and fund development; and
- Advancing an analysis of and possible deployment of Essential Function Bonds as a financial tool to increase and preserve the inventory of affordable housing between 30-120% of Area Median Income, expediting housing production, providing greater levels of public benefit, and fostering the addition of new JPA Members.

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### Discussion and Forecast

RED expenditures for FY2020-2021 were \$341,200; \$874,878 in FY2021-2022; and are estimated to total \$844,002 in FY2022-2023. These annual budgets contained significant one-time costs to design, launch and operate the RHF through its startup years. For comparison, basic annual overhead for the RED's core operation and programming has generally ranged between \$250,000 and \$270,000.

Over the horizon of the next 18 months, the RED can expect a budget with a starting fund balance plus one source of stable revenue resulting from a Grant and Services Agreement between the RED and the RED Housing Fund (RHF). The RED/RHF agreement compensates the RED for administrative services provided to the RHF during three years of startup operations, at the rate of \$6,250 monthly, for a total of \$75,000 annually. Administration fee revenue, along with the projected fund balance and proposed Member Assessments, will achieve full agency funding and a balanced budget through the end of FY2023-2024.

The RED's budget has been elastic as the agency incubated and operationalized the RHF. Today, the RED is positioned to be scalable, depending on Board direction, as well as the availability of funding. Given that the RED launched as a pilot project and is still developing, there are factors that will affect the size of the agency and its budget in the future. Stakeholder investment and Board direction determine when and whether the RED scales up or down now that the RHF has been established to provide financial resources to help fulfill the RED's purpose of incentivizing higher density, infill, and transit-oriented housing to help achieve fire recovery rebuild goals.

Initiatives and structures under consideration that could utilize the RED for administration and/or financing include the Bay Area Housing Finance Authority (BAHFA), a regional housing finance structure intended to eventually generate funding by formula to each of the nine Bay Area counties, including Sonoma County; collaboration with Sonoma County's Community Development Commission; coordination between the County and cities to meet Regional Housing Needs Assessment obligations; the production of housing on public properties within the RED's jurisdiction that are deemed surplus; and the utilization of the RED's JPA powers to issue bonds to acquire, preserve or produce affordable, income-restricted housing.

Another potential revenue generator includes the formation of an Enhanced Infrastructure Financing District (EIFD) in Santa Rosa that may have an administrative or governance role for the RED. City and County public administrators and decision makers are involved in a deliberative process to study and evaluate the costs and benefits of creating an EIFD, with no final action expected until well into the next fiscal year. Should an EIFD or other Tax Increment Financing mechanism be established, there would likely be a lag between launch and the point in time when meaningful revenue might be available to support RED-aligned objectives.

### Review of Agency Funding Options

The JPA (Section 8.06 – Agency Funding) states “All fees, costs and expenses incurred by the Agency may be funded from: (i) voluntary contributions from third parties, such as grants; (ii) advances or loans from the Members or other sources; (iii) bond revenue; (iv) taxes, assessments, fees and/or charges levied by the Agency under the provisions of the Act or otherwise provided by law; (v) contributions from an infrastructure Financing District or other tax increment generating mechanism; and, (vi) subject to the unanimous vote of the Board, assessments on the Members to carry out the activities of the Agency

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generally applicable to all Members.”

### Fiscal Year 2023-2024 Draft Preliminary Budget

Fiscal Year 2023-2024 spending will total \$417,100, including costs applied to the Kaiser grant to compensate the RED for administrative support it provides to the RHF. Forecasted revenue is \$200,000 generated by the RED/RHF Grant and Services agreement, \$100,000 from FY2023-2024 Member Assessments, and \$2,500 in interest earned on pooled cash.

The RED will maintain its general fund reserve of \$100,000. Best practices from the Government Finance Officers Association of the United States and Canada recommend a total unassigned General Fund Reserve balance equal to 1/6 or 2 months of annual General Fund operating revenues. Corresponding to the FY2023-2024 preliminary budget, the recommended reserve calculates to \$69,516 for the RED’s overall budget. Given the agency’s relatively dynamic budget history, the existing reserve of \$100,000 better buffers economic uncertainty and provides a potential funding source for special one-time needs programs.

**Expenditures:** As the RED is effectively a contract agency, the largest expenses are associated with consulting services, including Executive Director, General Counsel, auditor, accounting services, strategic planning, and grant writing/technical assistance, totaling \$308,000. Administration services and supplies are estimated at \$9,100 including insurance, office supplies, equipment and subscriptions, professional dues, events, and travel. A pass-through expenditure equaling \$100,000 is reserved to compensate the RED for administrative services provided to the RHF through September 2024.

**Revenues:** Projected revenue is attributed to the Member Assessments (\$100,000), proceeds from the RED/RHF grant and services agreement (\$200,000), and interest on pooled cash (\$2,500). Projected revenue and the starting fund balance will cover the RED’s budgeted expenditures in FY2023-2024.

**Fiscal Year 2023-2024 Preliminary Budget presented on following page.**

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Fiscal Year 2023-2024 Draft Preliminary Budget

Dept ID: 66150100	Fiscal Year 2022 - 2023	Fiscal Year 2022 - 2023	Fiscal Year 2023 - 2024
	Adjusted Budget	Year End, estimated	Preliminary Budget
<b>Description</b>			
Revenues			
Other Grants - Hewlett Foundation			
Community Foundation Sonoma County			
Kaiser Permanente (EBCF) - RED Admin Services	75,000.00	75,000.00	100,000.00
Kaiser Permanente (EBCF) - Other RHF Expenses	478,784.00	478,784.00	
Burbank Housing			
Rebuild North Bay Foundation			
MidPen			
Expected Grant Revenues	-	-	
Member Assessments	-	-	100,000.00
Interest on Pooled Cash	6,000.00	6,000.00	2,500.00
Charges for Services	75,000.00	75,000.00	100,000.00
Miscellaneous			
<b>Total Revenues</b>	<b>634,784.00</b>	<b>634,784.00</b>	<b>302,500.00</b>
Expenditures			
Administration Services and Supplies	11,864.34	8,851.00	9,100.00
Client Accounting Services	18,000.00	16,885.00	15,000.00
Outside Legal Counsel	24,000.00	3,000.00	20,000.00
Consulting Services	236,354.00	198,200.00	273,000.00
Business Travel/Mileage			
RED Housing Fund Planning	-		
County Service Charge			
Contribution to Other Governments	-	15,000.00	
RED grant to housing project			
Grant Pass through for Admin Services	75,000.00	75,000.00	100,000.00
Grant Pass through for other RHF Expenses	478,784.00	478,784.00	
Other Professional Services for RHF			
<b>Total Expenditures</b>	<b>844,002.34</b>	<b>795,720.00</b>	<b>417,100.00</b>
Starting Fund Balance	944,388.00	944,388.00	229,668.00
Revenues	634,784.00	634,784.00	302,500.00
Expenditures	(844,002.34)	(795,720.00)	(417,100.00)
Unearned Revenue Adjustment - Hewlett Foundation			
Unearned Revenue Adjustment - Community Foundation			
Unearned Revenue Adjustment - EBCF - RED Admin Services	(75,000.00)	(75,000.00)	(100,000.00)
Unearned Revenue Adjustment - EBCF - Other RHF Expenses	(478,784.00)	(478,784.00)	-
Change in Fund Balance Reserve	-	-	-
Rounding Adjustment			
<b>Net Increase/(Decrease) in Fund Balance</b>	<b>(763,002.34)</b>	<b>(714,720.00)</b>	<b>(214,600.00)</b>
<b>Ending Fund Balance available for budgeting</b>	<b>181,385.66</b>	<b>229,668.00</b>	<b>15,068.00</b>

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### Staff Recommendation

Approve the Fiscal Year 2023-2024 Budget and Budget resolution.

### Vote Requirement

Three-fourths vote required for Budget approval.

### Fiscal Impact

Proposed Fiscal Year 2023-2024 budget with expenditures of \$417,100, revenues of \$302,500 and starting fund balance of \$229,668.

### List of Attachments

Exhibit A – RED Preliminary Budget

Exhibit B – RED Budget Worksheet

Budget Summary & Approval

### Contact

Michelle Whitman, Executive Director, 707-543-3087 [Michelle.Whitman@RenewalEnterpriseDistrict.org](mailto:Michelle.Whitman@RenewalEnterpriseDistrict.org)



# Renewal Enterprise District (RED)

County of Sonoma | City of Santa Rosa

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## Agenda Item 6 Preliminary Budget Fiscal Year 2023/2024



# Renewal Enterprise District (RED)

County of Sonoma | City of Santa Rosa

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The Renewal Enterprise District (RED) Joint Powers Authority (JPA) Agreement (Section 8.06) states that, “by a date no later than sixty (60) days before the end of each Fiscal Year, the Board shall adopt a budget for the RED for the ensuing Fiscal Year.”



# Renewal Enterprise District (RED)

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## Background

- In August 2018 the Hewlett Foundation provided a \$1 million grant to support startup of the Renewal Enterprise District.
- RED startup costs and general operations have since been funded by the Hewlett Foundation.
- Additional \$1,306,000 in grants and donations have been received, with the majority allocated to offset costs of design and startup of the RED Housing Fund.
- Any remaining balance of the unrestricted Hewlett Foundation grant, and other restricted revenue, will carry over to the FY2023-2024 budget.



# Renewal Enterprise District (RED)

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## Background, continued

- Historically, RED operating costs for FY2020/2021 were \$341,200; \$824,878 in FY2021/2022; and are estimated to total \$844,002 in FY2022/2023 . These annual budgets included significant one-time expenditures to design, launch and operate the RHF through its startup years.
- Basic annual overhead for the RED's core operation and programming has generally ranged between \$250,000 and \$270,000 at current program levels.
- For FY 2023/2024, the RED is positioned to be scalable.
- In February, Board recommended a budget that includes and depends upon FY2023-2024 Member Assessments of \$50,000 per Member.



# Renewal Enterprise District (RED)

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## Budget at a Glance

- FYE 2023/2024 starting fund balance estimated to be \$229,668.
- \$100,000 will be retained from the Kaiser grant to compensate the RED for administrative services provided to the RHF.
- Net fund balance of \$129,668, plus projected revenue of \$302,500, available to budget for RED operations and programming, for a total of \$432,168.
- The FY2023/2024 budget maintains a General Fund reserve of \$100,000 established by FY 2021/2022 Member Assessments.



# Renewal Enterprise District (RED)

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## Agency Funding Options

- JPA Section 8.06 - “All fees, costs and expenses incurred by the Agency may be funded from:
  - (i) voluntary contributions from third parties, such as grants;
  - (ii) advances or loans from the Members or other sources;
  - (iii) bond revenue;
  - (iv) taxes, assessments, fees and/or charges levied by the Agency under the provisions of the Act or otherwise provided by law;
  - (v) contributions from an infrastructure Financing District or other tax increment generating mechanism; and,
  - (vi) subject to the unanimous vote of the Board, assessments on the Members to carry out the activities of the Agency generally applicable to all Members.”



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## **Renewal Enterprise District (RED)**

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# Feedback, Questions?