

El Cajon CDC Blue Ribbon Commission

Daryl Priest,
Chairman

January 31, 2011

Ron Pennock,
Vice Chairman

John Gibson,
Secretary

Robert Putrus

Jerry Turchin

Gabe Marrujo

Keith
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Darrin Mroz

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Mark Robak

Mayor Mark Lewis & El Cajon City Council Members
El Cajon City Council
City of El Cajon
200 Civic Center Way
El Cajon, California 92020-3916

RE: Investigate the Performance of El Cajon Community Development Corporation ("CDC")

Thank you for the opportunity to serve on the El Cajon Blue Ribbon Commission ("BRC"). Each member of the BRC is active in the business community of El Cajon. We are please to assist the City Council in making decisions that will allow the City to benefit from the limited resources of a tight fiscal budget and to be successful in redevelopment of the blighted areas of El Cajon.

In order to evaluate the CDC and their management of the PBID, we organized our committee of ten into five groups of two. Each pair studied the following specific sub topics:

1. CDC Projects - funding, staffing, results
2. PBID Projects - completed, proposed, costs, results
3. City Redevelopment Projects - costs, results
4. Grant Projects - costs, results
5. Business Promotion - costs, results

We have documented the final results of our review in the attached report that investigates the performance of El Cajon Community Development Corporation/PBID. This document includes a summary of effectiveness of CDC, summary findings, suggested recommendations for improvement, and a final overall assessment.

Sincerely,

BLUE RIBBON COMMISSION MEMBERS

Darryl Priest

John Gibson

Jerry Turchin

Keith Anderson

Tony Ambrose

Ron Pennock

Robert Putrus

Gabe Marrujo

Darrin Mroz

Mark Robak

El Cajon Blue Ribbon Commission Report

Regarding the Performance of El Cajon Community
Development Corporation
("CDC")

Prepared for:

Mayor Mark Lewis & Mayor Pro Tem Kendrick,
Councilman Bob McClellan, Councilman Bill Wells,
and Councilwoman Jillian Hanson-Cox
El Cajon City Council
City of El Cajon
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Prepared by:

Blue Ribbon Commission
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January 31, 2011

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PART I:

EXECUTIVE SUMMARY

I. SCOPE OF WORK:

The Investigation of the Performance of El Cajon Community Development Corporation is based on the conclusions that were reached by a panel of ten businessmen over a period of four (4) months.

BRC reviewed number of areas and these are:

1. CDC Projects - funding, staffing, results,
2. PBID Projects - completed, proposed, costs, results
3. City Redevelopment Projects - costs, results
4. Grant Projects - costs, results
5. Business Promotion - costs, results

BRC criteria used in the evaluation of the effectiveness of the CDC is based on six (6) Key Performance Indicators and these are:

1. CDC Organization Effectiveness
2. PBID Performance
3. Marketing and Program
4. Grant Projects
5. Redevelopment Agency Performance
6. Economic Justification

II. INVESTIGATION AND REVIEW APPROACH:

The investigation and review approach used is based on the following:

1. Request documents from CDC management.
2. Limited interviews with CDC management team.
3. Document summary and assessment of the reviewed areas mentioned above.
4. The findings, conclusions and recommendations presented in this report are based on the good faith representation of the facts conveyed by BRC team.
5. Reviewed and evaluated six (6) Key Performance Indicators (KPIs).
6. The findings, conclusions and recommendations of the "operation effectiveness" of CDC functional areas were based on the "inquiry" method of evaluating CDC business activities. In addition, several activities were evaluated based on an "examination" of the gathered information.
 - 6.1. "INQUIRY": Inquiry of the activity effectiveness relies on the CDC management response.

6.2. “*EXAMINATION*”: Examination of produced evidence to determine whether the CDC activity is “effective” or “ineffective”.

III. SUMMARY OF THE FINDINGS:

Summary of the Evaluation of the Effectiveness based on the Key Performance Indicators

<u>Key Performance Indicators (KPIs)</u>	<i>Effectiveness on a Scale of Low to High (Note: Low is the least effective score)</i>
1. <u>CDC Organization Effectiveness</u> Has the Board complied with a code of conduct, governed its organization effectively and exercised internal controls?	low
2. <u>PBID Performance</u> Has CDC represented the PBID Stakeholders' Interests & complied with State law and spent funds in accordance with PBID budgets?	low
3. <u>Marketing and Programs</u> Has CDC effectively marketed and promoted PBID interests (car shows/concerts)?	med
4. <u>Grant Projects</u> Has CDC grant administration been administered effectively and efficiently with a return of benefits to the City and PBID district?	low
5. <u>Redevelopment Activities Performance</u> Has CDC promoted redevelopment within the PBID district and cast a realistic vision?	low
6. <u>Economic Justification</u> Has CDC efficiently, economically, and responsibly managed the PBID and complied with auditor's comments?	low
Overall	low

IV. CONCLUSION:

The BRC final conclusion is that the CDC/PBID should be suspended because of the ineffective management by the CDC. It is our opinion that the elimination of the CDC will allow better utilization of the approximately \$600,000 received annually in grant funding (from the City of El Cajon), and will, additionally, put approximately \$500,000 per year (from elimination of the PBID Assessment to private property owners) back into the business community where it is needed most.

V. BRC RECOMMENDATION SCENARIO #1: Suspension of EC CDC Operations/PBID (which would include the PBID not being recertified)

The BRC Investigation Review identified the following recommendations, which require management attention in the event El Cajon City Council decides to terminate their relationship with the CDC:

1. The administrative cost of PBID is excessive, which presents an unsalvageable situation for CDC based on the following analysis:
 - 1.1 For 2009-2010 PBID Analysis, Total PBID Income: \$702,669
 - 1.2 For 2009-2010 PBID Analysis, Total PBID Administrative Cost: \$316,392 (it represents 45% of the PBID income) (**EXHIBIT "3"**)
 - 1.3 The suspension of the CDC/PBID would effectively inject over \$500,000 into the businesses in that district. We believe that this annual benefit of that amount of savings to the businesses will make them more viable. Reduction of the assessments associated with operating businesses in that blighted district is more likely to encourage new businesses to locate there.
 - 1.4 We believe the investment of the grant money into an assemblage of land for redevelopment would be a wiser investment. The grants are not being prudently administered, and have not proven to be a good investment for the City. Further, grants by the CDC should be suspended immediately.
2. The City should help facilitate the formation of a Downtown El Cajon Business Association ("BOA") entirely composed of Main Street property/business owners. This would be similar to the *La Mesa Village Merchants Association*, which has proven to be an effective model. It is also worth noting downtown La Mesa merchants are largely against the formation of a City initiated PBID.
3. Reconsider where "redevelopment" grant funds are spent. We feel that funding should be more closely monitored and be initially approved by an independent advisory board having construction and/or development experience (**EXHIBIT "4"**) and later ratified by elected representatives, rather than delegating the responsibility to an "independent agency" that does not have a vested interest in monitoring costs closely. The redundancy of a staffed CDC-type organization being funded to the level of what exists now is unrealistic for administering \$500,000 to \$600,000 in annual funding. The \$200,000 to \$300,000 in salaries and benefits (**EXHIBIT "2"**), plus \$100,000 or more in office expenses are just too much overhead to be supported by even the combination of the PBID and Grant Funding plus their other functions.
4. Appoint a board composed of several individuals with business and construction background that would review and recommend grants for approval by the City Council.

VI. RECOMMENDATION SCENARIO #2 WITH THE CONTINUATION OF PBID ONLY (DECOUPLE FROM THE CDC)

The BRC Investigation Review identified the following recommendations, which will require management attention should the El Cajon City Council decide (and a successful recertification were to occur) to maintain an active PBID operation, although we believe this not to be the best course of action under existing CDC management:

1. The Council needs to clearly understand the distinction between the “redevelopment” CDC-type activities and the PBID. The PBID by State Law is a property owners association whose owners should dictate how their assessments are spent. It should control and nominate a “management company” to administrate their assessment responsibly and effectively. A review of the state law governing the PBID leaves the BRC believing that the law is violated (*EXHIBIT “6”*), specifically sections 36614.5, 36615, and 36621), or certainly the spirit of the law is violated, in the composition of the PBID board. There is little control over the board or CEO from PBID assessed property owners.
2. If the City wishes to have a CDC type organization to assist with the redevelopment of El Cajon, obtaining of grants, etc., then it should not also be the manager of the PBID. These are two entirely different organizations. Hence, the board of directors of the new organization to represent the grants should be a new type of board to accomplish these goals. It should be comprised of predominately property and business owners in PBID area, developers from inside and outside of El Cajon, commercial real estate brokers, Chamber of Commerce members, financial experts, and those people familiar with budgeting.
3. Redefine the assessment areas to create clear reasons to exist among the assessed Stakeholders. Specifically, Main Street is an obvious strip of commercial businesses experiencing specific concerns. Then, a “benefit” can be defined among that group assessment – and allow those people assessed to define how their money is spent. It is specifically apparent that at least 50% of the PBID dollars collected are used for overhead and approximately 25% are spent on Car Shows and Concerts – recognize that the car shows and concerts benefit El Cajon and a very few of the people assessed by the PBID. Little benefit can be identified to Stakeholders assessed outside of the Main Street corridor.
4. It is apparent, if a PBID is recertified, that a “manager” is needed to implement the plan. This would need to be another non profit which would have to be formed quickly or another existing non profit would have to be willing to manage permanently or during an interim transition period. There is a narrow window of time to have a seamless transition IF a continuance of a PBID is the desired result. The other alternative would be to have a one year gap between closing this PBID and the recertification of a successor. This would be more difficult if a lapse occurs.

5. The City should consider streamlining the zoning requirements, making it less difficult to build. The SP182 appears to coincide with the near absence of redevelopment activity. Consider putting on hold any more additional regulations and consider reviewing and changing what is presently in place. Particular attention should be given to commercial real estate brokers with retail/office and redevelopment experience. This recommendation is also applicable to our preferred scenario.
6. The board should dictate and control board meetings and its agenda, approve all major purchase and lease transactions, sign-off on PBID directors Code of Conduct, and have a say in what's included in the Code.
7. See *EXHIBIT "16"* which summarizes a possible scenario that was outlined following our meeting with Brad Segal and Kristin Lowell that have been retained by the CDC.

VII. LIST OF THE BLUE RIBBON COMMISSION MEMBERS:

1. Daryl Priest, Chairman
2. Ron Pennock, Vice Chairman
3. John Gibson, Secretary
4. Tony Ambrose
5. Darrin Mroz
6. Keith Anderson
7. Gabe Marrujo
8. Jerry Turchin
9. Mark Robak
10. Robert Putrus

PART 2:

DETAILS OF THE REPORT

I. INTRODUCTION:

We would like to thank the City Council for offering the opportunity to us to make recommendations for the betterment of our City. We realize that this report is critical of the CDC/PBID but the facts dictated a candid depiction of the state of affairs in the Downtown District. We sincerely hope that this information will offer the Council the information necessary to make informed decisions.

The City Council of El Cajon commissioned ten business professionals to review and make recommendations as to the effectiveness of the CDC and their management of the PBID. We have endeavored to look into the original intent and purpose of the CDC/PBID and the original entity, Downtown Development Inc. The original PBID was initiated in 1996 and renewed for five years in both 2001 and 2006. The next certification must be completed by June 30, 2011 to continue in operation.

The BRC committee broke into subcommittees to check multiple areas of concerns. Those areas were:

CDC Projects - funding, staffing, and results thereof,
PBID Projects - completed, proposed, costs, results
City Redevelopment Projects - costs, results
Grant Projects - costs, results
Business Promotion

Downtown Development Inc transitioned into the CDC about 2001. Under the leadership of Claire Carpenter, the vision was cast for a completely different entity under the CDC. No longer was the prime effort of the CDC to be the manager of the PBID, even though presently it is charged with the responsibility to manage the PBID. Many of the original issues that caused business owners to support the PBID are no longer of prime importance. Most notably, the additional security services were phased out. A large component of the homeless moved out of downtown for a number of reasons:

- a. Redevelopment of El Cajon Towne Center
- b. Development of the SW corner of Magnolia and Main
- c. Development of the Park Avenue Row Homes
- d. Demolition of buildings for the new police station and construction thereof,
- e. Opening of the El Cajon Transitional Living Center on East Main Street.

It is notable that none of these solutions to the homeless problem came about as a result of any effort or funding by the CDC.

II. EL CAJON COMMUNITY DEVELOPMENT CORPORATION OVERVIEW AND SERVICES:

The charter of the El Cajon CDC states, “The El Cajon CDC is an independent, 501 C-3 non-profit community development corporation that was established in 1996 through a grassroots effort by local government, business owners, and residents. El Cajon CDC takes part in, and proactively works toward the many revitalization efforts in Downtown El Cajon.”

A careful read of this mission statement omits the fact that the CDC is also a management company charged with the fiduciary duty of administering over \$700,000 of property tax money (special assessment) to be spent within the PBID district for the benefit of the Stakeholders (property owners).

Part VII of the PBID Management Plan states four operational objectives for the District (refer to (***EXHIBIT “8”***) PBID Management District Plan 2006):

1. Create and manage programs that best respond to the top priorities of District property owners.
2. Maximize coordination of the City government to avoid duplication of services and to leverage resources.
3. Deliver services through a cost-effective, non-bureaucratic and easy-to-access organizational structure.
4. Provide accountability and responsiveness to those who pay through open access to Board meetings, elections to the Board and Board records.

Comments below describe why BRC believes that the CDC fails to deliver on all of these four objectives.

III. SOURCES OF PROVIDING INFORMATION AND SUPPORT DOCUMENTATIONS:

The following City of El Cajon and CDC management team provided the support information and documentation for the BRC Investigation Review:

1. Kathi Henry - City Manager
2. Cindi Fargo - CEO and President of CDC
3. John McTighe - Chairman of the Board
4. Michelle Brown – CDC Accounting and HR
5. M Bradley Segal – PUMA PBID Consultant
6. Kristin Lowell - Public Finance Solutions

IV. LIST OF THE CDC BOARD MEMBERS:

- | | |
|--------------------------|---|
| 1. Kathy Hughes | Community Representative – not a PBID Stakeholder |
| 2. John McTighe | Community Representative – not a PBID Stakeholder |
| 3. Martin Samo | Community Representative – not a PBID Stakeholder |
| 4. Vicki Whitmire | Community Representative – not a PBID Stakeholder |
| 5. Nina Frontz | Community Representative – not a PBID Stakeholder |
| 6. Joanne Bushby | Community Representative – not a PBID Stakeholder |
| 7. Michael Hood | Resident but not a PBID Stakeholder |
| 8. Nancy Lewis | Resident but not a PBID Stakeholder |
| 9. Sharmista Mitra-Kelly | Resident but not a PBID Stakeholder |
| 10. Sharon Dobbins | Resident but not a PBID Stakeholder |
| 11. Frank Boss, JR. | (Stakeholder) |
| 12. Rick Sweeny | (Stakeholder) |
| 13. Saad Hirmes | (Stakeholder) |
| 14. Kirk Gentry | (Stakeholder) |
| 15. Wendy Morris | (Stakeholder) |
| 16. Cathy Zeman (CFO) | (Stakeholder) |
| 17. Bill Wells | (City of El Cajon Rep) |
| 18. Deborah Bailey | (County of San Diego Rep) |

V. KEY PERFORMANCE INDICATORS:

The following are observations and recommendations resulting from our investigative efforts based on the six (6) KPIs:

1. Key Performance Indicator: CDC Organization Effectiveness

1.1. Observation

The BRC thinks that the CDC expanded beyond the initial scope that was contemplated in 1996. It appears that their effort during the last few years was for the CDC to continue to grow into a separate agency including a redevelopment industry, real estate information services, construction of housing, taking on grant administration for the City of El Cajon redevelopment agency, serving as the agency to set the vision and review process for development within the SP182 area, fund raising to further its support, running additionally funded projects for the City, i.e. Lend A Hand etc. Because they have tried to take on too much, the CDC has become ineffective and non responsive to the “property owners (Stakeholders)”, and hence has failed to fulfill its primary objective.

1.2 Observation

During the tenure of the CDC, the City has subordinated its vision and control of the SP182 area in planning decisions to the CDC. This has caused confusion with the few investors and developers interested in spending time and money in the downtown area. The duplication of services essentially added another layer of development review, which is not accountable to elected officials. Leadership of the CDC has been out of touch with the realities of the market place and what downtown El Cajon could realistically support. During the last 15 years, real estate development has never been more active. Essentially, downtown El Cajon missed the entire cycle of development opportunity during the most active market since the City was founded. We believe it specifically was the lack of coordination and the confusion in relating to the development community that did not leverage resources but provided a lack of realistic vision that has stymied redevelopment.

1.3 Observation

The third PBID objective is to deliver services through a cost-effective, non-bureaucratic and easy-to-access organizational structure. This organization is bloated, inefficient, not cost-effective, and particularly not easy to access. It fails this objective completely. The management of the PBID is substantially used as a funding tool for the objectives of the CDC and not primarily to benefit the PBID. The organization was cautioned in December of 2009 (*EXHIBIT “10”*) by their auditor that it had to trim its budgets and activities. At that time, CDC employed, according to its tax return, 38 individuals (*EXHIBIT “15”*).

1.4 Observation

The CDC is neither accountable nor responsive. The delays in providing records and accounting as detailed in the Barnett Report were ominous; specifically, the delays, repeated incomplete responses, defensive behavior and lack of cooperation were disconcerting. Upon review of the CDC rebuttals to concerns expressed in the Barnett report, we consistently side with the Barnett observations. We find that many of the rebuttals by CDC provide false or misleading information, or information contrary to both Barnett and BRC findings. The BRC experienced the same behavior and delays Barnett experienced during his work.

1.5 Observation

The following comments address some of the concerns raised by the Barnett Consulting report submitted to the City on July 12, 2010. It is apparent that the Barnett report initiated a flurry of defensive responses. We undertook additional research, and have determined that the CDC has a difficult time accepting criticism or for that matter inquiry. Only after considerable effort does it acknowledge infractions, take obvious and immediate corrective action and move on.

One example is the hiring of Ron Sequin, which the Barnett report describes as inappropriate. However, current management provided a justification letter of 8/2/2010 stating that EC Police Lt. Jim Cunningham was the chair of the CDC selection committee and the hiring was not by the CEO. Although that may be true, Claire Carpenter knew she was married to Mr. Sequin and did not appear to clearly disclose that fact. Furthermore, CDC continued in the same letter to claim “safeguards were put in place during Sequin’s, Carpenter’s husband, employment to assure that he (her husband) did not directly report to the CEO”. This appears to have been disingenuous. Note from the **EXHIBIT “1”** (the flow chart of CDC employees) that the Clean and Safe manager in fact reports directly to the CEO and no one else. When questioned about this, Cindi Fargo admitted that to her knowledge Ron Sequin did report to Claire, and that the present employee chart is the same as it was under Claire as it pertains to this issue.

Part VII of the statements and recommendations of 2006 PBID Management District Plan (**EXHIBIT “8”**) puts forth (very few) rules and regulations that should be considered by the CDC management pending certification. Specifically dealing with Conflict of Interest approximately five years went by and only after scrutiny by the City Council and Barnett was any effort made to begin considering conflicts of interest. One area only has been dealt with so far – nepotism. It is clear that normal “rules of conduct” are pretty easy to adopt from other agencies that have public scrutiny and accountability, the choice has been to do it only when pressed.

1.6 Observation

The Barnett report concluded that the CDC has confusing, convoluted and at times non-transparent budgeting and management practices; although “the Finance Manager (Michelle Brown) is extremely detailed and knowledgeable, too much reliance is placed on this one individual for this most critical task”.

In the CDC rebuttal to the Barnett Report, it denied this to be the case, stating “In the absence of the Finance and Human Resource Manager, any individual with knowledge of generally accepted accounting practices (GAAP) for non-profit organizations would be able to step in and perform daily, monthly and annual bookkeeping entries and produce accurate financial reports”. As is the case with all responsibly operating agencies, the CDC has adopted a Sustainability Plan which identifies and provides for the immediate- and short-term continuity for this function”.

However, we found the Barnett statement to be entirely accurate, and the statement of the CDC to be unfounded. During our requests for information, it was apparent that the CDC could not reply in the absence of their Finance Manager and the backup staff was unable to assume the responsibilities as chartered. During our review, Michelle Brown took a leave of absence for five weeks. We were told that the answers we sought would not be available until her return. These were questions that were more than accounting issues, such as providing policy manuals.

In addition, nearly every request we made was partially answered. This required a follow-up letter (many times multiple). We were told that Michelle’s absence was an atypical circumstance that could not have been predicted. However, the delay in information, the partial and incomplete delivery of information and the reliance on one individual is completely consistent with the comments from the Barnett report.

The CDC states that it has a backup plan for both the long term and the short term interruption, although this was not apparent.

When an accounting staff member was on leave, the CDC failed to produce its internal control policies and financial transactions, despite the presence of an accounting staff.

1.7 Observation

The Barnett report concluded “that the CDC Board is left uninformed on crucial financial decisions, resulting in lax oversight”, and “Exec Committee makes significant decisions without informing the full board”. The CDC rebuttal was “that this statement is without merit of support or fact”.

We concur with the Barnett statement. For example, it was discovered that the CDC Board is never consulted and informed as to “façade/business development/business success grants”. Any and all decisions are made by the CEO and Redevelopment Agency (now Melissa Ayres, formerly David Cooksey). Even though there are redundant requirements for reviews and records as to what and whom money gets distributed to, there is no real accountability of the process. The board is entirely uninvolved in the oversight of the grants.

1.8 Observation

The CDC payroll and the results are a poor match. The large amount of money spent on payroll would be better spent attracting major developers and businesses. The smaller businesses should then find it easier to attract customers to the heart of the City. Many of the grants given recently have not helped to further the redevelopment of El Cajon; continuing these failed policies will not guarantee future success. Smaller businesses should be encouraged to apply to banks for loans rather than using CDC grant funds.

1.9 Observation

BOARD MEMBER RESPONSIBILITIES - The CDC Board Handbook (*EXHIBIT “9a”, page 2, and EXHIBIT “9B”, page 2*) states (Board Member Obligation), “When an organizational decision has been properly made, it will become a policy that all El Cajon CDC board members must accept. This Board of Directors represents a single entity with one public voice. If a board member does not agree with the decision, he or she should ask that the designated secretary record the disapproval of the motion in the minutes. A member should never publicly discuss his or her disapproval of an approved policy in such a way that is malicious or derogatory toward the El Cajon CDC Board, President, or CEO”. Creating a prohibition of dissent, and prohibiting a board member from discussing his dissent publicly is giving way too much power to the CEO. The BRC considers this a troublesome policy.

1.10 Observation

It is the opinion of the BRC that there is a conflict of interest when a board member is a recipient of a grant (within 2 years before, during, or after being on the board). We believe that the CDC board has been lax in oversight in many areas; particularly in supervising the actions of staff and CEO in determining what constitutes a legitimate use of grant funds, overseeing the rules of the grant, administration of the grant and reimbursement from the City. The power to annually administer \$600,000 of public funds without a board or elected body supervising is not well advised.

1.11 Observation

BOARD COMPOSITION - The original entity, Down Town Development Inc., was formed in 1996 to “influence the development of Management District Policies, budgets and assessment, but it will not be a legal entity with the ability to implement day to day services”.

It consisted of a 7-9 member advisory board that made up of (property owners) Stakeholders within the PBID district. A majority of this Board was intended to be property owners paying assessments within the boundaries of the management district. This board suggested budgets and priorities important to the Stakeholders and the budget was approved by the El Cajon City Council. Subsequently, the budget was managed and implemented by Down Town Development Inc.

At the present time, the board (CDC) consists of 18 members, two of which represent the City and County interests, 1/3 are PBID Business or Property Owners, 1/3 are community representatives and 1/3 are Downtown El Cajon Urban Core residents.

The CDC Board was revised in 2001 as follows:

- a. 1/3 is Downtown El Cajon Urban Core residents that we have determined do not even live in the PBID district, have no businesses in the district, nor pay any assessment to the district. They have no “skin in the game”. This segment of the board does not have the qualifications or experience to benefit the PBID Stakeholders, nor the City of El Cajon with redevelopment experience.
- b. 1/3 is Community Representatives that we have determined do not live, do not have businesses and do not own properties within the PBID district.
- c. 1/3 is involved in ownership or businesses that constitute involvement of less than 3% of the privately assessed PBID property. We believe this to be too low for PBID Stakeholders to consider they have meaningful representation.

Therefore, 2/3rds of the participants responsible for supervision of the CDC have either no qualification to be on the board, nor responsibility to Stakeholders that are paying for PBID assessments as originally defined in 1996.

The 1/3 of the board that are Stakeholders are in no position to have a meaningful way to direct the CDC. The evolution in board composition has created taxation without representation. It is the opinion of the BRC that the original PBID and its management there of is not representative of today’s PBID and lack’s the representation of Stakeholders’ interests.

1.12 Observation

There needs to be developers, builders, significant business leaders and most importantly commercial real estate specialists that can bring together the information necessary to **determine a realistic vision and know how to implement it**. Testimony, particularly by Jim Wood (developer that tried to develop El Cajon Towne Center) and members of the BRC, brought to light that what is needed to redevelop downtown El Cajon are people that bring experience doing just exactly that.

1.13 Observation

It is the opinion of the BRC that the salaries to support the CDC have become top heavy, and CDC is no longer capable of economically managing the PBID. The scheduled payroll for running the 18 employees (without counting three additional unfilled positions) is almost \$600,000. This amount of overhead is unrealistic for this size of an operation (*EXHIBIT "7"*).

The CDC has at times raised \$200,000 per year in additional funding to spend within the District. However, there is no way of knowing if the costs of raising those additional funds exceeded the funds raised. It is not uncommon when hiring outside "fund raisers" that the seed money and effort expended results in a negative bottom line. The staff time that is allocated to further fundraising, promotions etc., can all easily inordinately disrupt the normal operations. In our opinion, CDC should specifically do what it has been funded to do - manage the PBID; and if the City continues to ask them, to administer grants.

1.14 Observation

No policy exists for conflict of interest when serving as a member of the Board. Board members should sign statements acknowledging their fiduciary responsibilities and potential conflicts of interest.

1.15 Observation

The Board has an insufficient range of experience in downtown business development. It is missing expertise in finance, commercial real estate knowledge, audit, leadership and executives specializing in non-profit, as well as insufficient representation of the Stakeholders.

1.16 Observation

No credible evidence was produced to substantiate the Board's effectiveness in introducing and approving key policies.

1.17 Observation

The Blue Ribbon Committee has recognized some dubious conditions when looking into the Board and Executive Board practices. At times there were no prepared agenda or minutes. There is no indication the board questioned management about significant budget deviations. It is apparent that the board members either do not possess adequate financial skills or the structure of the organization does not permit this scrutiny and subsequent dialogue. The Board has often been excluded from the approval of negotiated contracts.

2. Key Performance Indicator: PBID Performance

2.1 Observation - DISTRICT CONFLICT OF INTEREST

The PBID district was expanded to include more assessable properties adding a further dissimilarity of types of properties (Stakeholders needs became dissimilar). We are concerned that the CDC/PBID has become mostly focused on Main Street. The value of the CDC/PBID is questionable once you leave Main Street. If the PBID is to be renewed for another term, it would be worthwhile to establish the benefits to each portion of the district and determine how all Stakeholders can be benefited. Recent changes in CDC grant philosophy as to what type of businesses are eligible for grants have further discriminated against most anyone but retail sales generators locating on Main Street.

Furthermore, it is apparent that the Stakeholders have not been given financial information that is cogent, simple to understand, and relevant as to where their PBID money is being spent. It is the opinion of the BRC that the accounting is as stated in the Barnett report – convoluted and difficult to understand. The Stakeholders have not had adequate accounting provided them for their evaluation. The information that we have does not provide what would be normally expected of a management company. Management functions for similar organizations, like owners associations, managers of buildings, merchants associations etc., are issued line item budgets, expenditures and variations from budgets. No such document exists for the PBID; the various expenses and functions have costs arbitrarily spread that can't be specifically tied to PBID benefits. The PBID could be outsourced and administrated by a company specializing in management services, i.e. homeowners' association managers do similar administration of assessed fees. A normal management fee is in the range of 5-10% of collected assessments. Because of the difficulty differentiating bookkeeping practices, it appears that more than 50% of the PBID costs are directly associated with "overhead" functions. The PBID budget is largely ignored as an agreement with the Stakeholders.

2.2 Observation

The PBID Stakeholders no longer control the board or budgets. It is questionable whether or not the first directive (Create and manage programs that best respond to the top priorities of District property owners) can be achieved under the current make up of the board. The Stakeholders on the Board represent less than 3% of the private paying owners in the district. In referring to the controlling legislation from the State of California defining PBID Law, (specifically sections 36614.5, 36615 & 36621b(3), it appears that the law, or certainly the spirit of the law, is being violated in that the Owners association is clearly not being represented by the owners that legally formed the association (*EXHIBIT "6"*).

2.3 Observation

Community Representatives and residents (not living in the PBID district) unduly control the board. In our meeting with PBID consultants, they concurred that this arrangement was the only one they have ever seen managed by a CDC. Furthermore, there normally would be 6-8 property owners with, perhaps, one seat held by a non-property owner, which is completely not the case with the CDC-managed PBID.

2.4 Observation

The Chamber of Commerce has no representation. This arguably would be a key source for business needs or for those looking to relocate to the downtown area.

2.5 Observation

The "services" being delivered by the successor to the management company (CDC) are not cost effective, they are bureaucratic and they are not easy to access through the CDC organizational structure.

2.6 Observation

The CDC (management company) has become the main objective of the PBID organization. The CDC has branched out where the interests are to grow the organization, not simply manage the PBID. In discussion with Bradley Segal and Kristin Lowell who have been retained by the CDC to recertify the PBID, they commented that the CDC management format over the PBID is unique. Furthermore, they commented that it was unusual to have a board with so many members. A normal board for this size PBID would be 6-8 persons. Brad confirmed our observation that those persons should be property owners. We discussed with him, and he confirmed, that a PBID the size of this one could be managed by perhaps 3 individuals. Those 3 individuals would be a manager, a tech person, and an all-around person. Total compensation for those 3 individuals would be on the order of \$125,000.

2.7 Observation

The accountability stated in the fourth objective, although embellished from the inception (stating open access to Board meetings, elections to the board and board records) is not apparently the case. The fact that only Michelle Brown can answer most of the financial questions put to the CDC is indicative that the records are not readily available and not easily intelligible to a Stakeholder or board member upon observation.

3. Key Performance Indicator: Marketing and Programs

3.1 Observation - CAR SHOW AND CONCERTS

The limited benefits of the concerts and the car show specifically benefit the City of El Cajon and the restaurants on Main Street. While the BRC supports the continuation of these activities, those merchants that benefit from them would better administrate the funding of these activities. We are recommending that a Downtown Business Owners Association be formed in the absence of a PBID. This would consist entirely of business operators or property owners engaged in business in the Downtown District. Presently, the CDC spends at least \$150,000 of the PBID, or approximately one fourth of the PBID budget, on these two items. The City of El Cajon annually contributes approximately \$135,000 from property assessments to the PBID. Considering the recommendations listed below, the City would recognize over \$50,000 in savings during the first year.

4. Key Performance Indicator: Grant Projects

4.1 Observation

The determination of who should be assisted with loans and grants needs to be intrinsically limited to businesses that will benefit the City. Since funds are always limited, it needs to be handled like an investment in the City. We believe that a business approach is necessary to get positive results. Many of the grants do not appear to be administered by anyone with experience in evaluating business plans. It seems questionable based on outcomes that a "business plan approach" is even considered by CDC.

It is the opinion of the BRC that much of the grant money has not been wisely invested into the community, and that the City have little expectation of benefit from many of the grants. Additionally, the overhead involved with its distribution is excessive. We studied ten grants. The BRC believes there are significant administration flaws in every one of them.

4.1.1 **Omni Graphics**, 260 W. Douglas Avenue.

- a. Façade Grant in the amount of \$29,760. Approved in 2008 and constructed in 2009 with final reimbursement in 2010.
- b. Summary - Total exterior improvements, encompassing 3 sides of the building or 100 ft. instead of the 25 ft. frontage.
- c. **Observation** – If the CDC had paid for the front only, it would have granted less than \$4,000. In order to get this grant, did the property owner, Rick T. Sweeney, put up any of his own money?

The arbitrary definition by the CDC confounds both common sense and the dictionary. This building is not on a corner. The applicant received 100% of the façade funding when only 25% would have been a reasonable expectation. Even though more than one bid was produced in the file, we secured additional bids and determined that inadequate bidding was evident. Additionally, it would appear that the CDC and the applicant were unaware that much of the money spent on electrical work was available through retrofit electrical lighting from SDGE. Little or no money should have been spent for this entire line item of over \$7,000.

The CDC states in their grant applications that El Cajon businesses should be used for work funded by the CDC, when in fact (partially in the Omni case and in several others we spot checked), contractors and suppliers within El Cajon City were not preferred, and contractors and suppliers from outside the City did much of the work.

The recipient of the grant has been in the sign business for 25 years and according to their web site, which includes the depiction of their own sign, manufactures and installs signs. It chose to outsource and pay a San Diego company to manufacture and install a sign from a competing company on their El Cajon business. This sign cost the City of El Cajon \$3,940.00. This is an example of an expenditure that should not have been allowed.

Thirdly, during the grant application process, the applicant must state IF they are willing to serve on a CDC committee. As in the case of Omni Graphics, there is an expectation that IF you get a grant that YOU WILL serve on a board or committee of the CDC which can easily create a conflict of interest. When we asked about the propriety of a CDC board member receiving a grant, we were told that there is “no conflict of interest” because the Board doesn’t know anything about where the grant money goes, therefore there is no conflict of interest.

Observation. There is no policy about board members receiving money from the CDC constituting conflict of interest – the BRC believes there is a conflict in this instance and the absence of a policy stating so is troublesome.

- 4.1.2 **Russell Stringer, dba Clip Barber Shop, 340 No. Magnolia Ave.**
a. Business Recruiting Grant - \$10,180.30.
b. Summary - There was \$11,000 invested in improvements, and the owner was reimbursed \$10,180.30. This includes the following: coffee maker, cups, coffee, creamer, calculator, cash register, towels, booster seat, and miscellaneous supplies.
c. **Observation** – These are ineligible expenses. In a case such as this, perhaps the owner should have applied for a small business loan rather than a grant.
- 4.1.3 **Russell Stringer, dba Clip Barber Shop, 340 No. Magnolia Ave.**
a. Façade Grant - \$4,021.66
b. Summary – Awning to cover 20' of façade; no funds invested by business owner
c. Recommendation - The City should get a percentage of the gross when the owner has made little or no investment. The CDC should only grant money when a return is realistically forthcoming from the business in the form of sales tax or increased property taxes.
- 4.1.4 **Quizno's, 124 W. Main St.**
a. Business Success Grant - \$5,875.
b. Summary - Grant paid for outdoor furniture. Grant paid for delivery vehicle branding wrap, which was ordered from a company in Denver, Colorado and installed by Custom Auto Wrap in Lemon Grove.
c. **Observation** – 1.) Outdoor furniture - Good use of grant money since outdoor dining should be encouraged; 2.) Whenever possible, goods should be purchased from El Cajon vendors; i.e. could Omni Graphics, 260 W. Douglas have done this job?
- 4.1.5 **Tawi Investments, LLP, 220 W. Main St.**
a. Façade Grant - \$30,000.
b. Summary - Façade was upgraded to create three storefronts for future businesses, which have not materialized. Awnings were paid for and have now been removed (see **EXHIBIT "13"** pictures). It is the opinion of the BRC that the owner of the building owes the city a refund for not leaving the improvements intact that were supposed to improve the appearance of the building within the District. The owner is an absentee owner, who used out of town contractors to complete their work.
c. **Observation** - Leases should be in place before grants are approved. Items paid for should be in place.

- 4.1.6 Pacific Health Systems, 161 E. Main Street
- a. Façade Grant-\$30,000.
 - b. Summary - Copies, supplies, phone installation, security system installation and digital control unit for phone system were listed under façade improvement.
 - c. **Observation** - The property looks fine from the outside. However, many of the items should be been ineligible for reimbursement.
- 4.1.7 Pacific Health Systems, 161 E. Main Street
- a. Business Success Grant - \$30,000
 - b. Summary - Furniture was paid for through grant
 - c. **Observation** – These are ineligible expenses
- 4.1.8 Dance Conservatory of Southern California, 237 E. Main St.
- a. Business Success Grant-\$30,000.
 - b. Summary - Business moved here based on the existence of the Performing Arts Center.
 - c. **Observation** – The CDC should facilitate symbiotic relationships among similar businesses.
- 4.1.9 My Daily Deli, 330 N. Magnolia Ave.
- a. Business Success Grant - \$30,000
 - b. Summary - Business did not succeed more than a few months. Estimated project cost was \$30,694 and the estimated investment by the owner was \$6,000
 - c. **Observation** – Businesses/owners need to be effectively qualified. Those who are underfunded or inexperienced should not be given grants. The CDC is acting as a venture capitalist representing the taxpayers of El Cajon, and as such, needs to be more prudent in its investments.
- 4.1.10 Sal Silva 360 W. Lexington Ave. #100
- a. Business Success Grant-\$22,444.90.
 - b. Summary - Reimbursement was for furniture, computers, software, and miscellaneous supplies.
 - c. **Observation** - These are all ineligible expenses. The location of this office does nothing to promote businesses downtown. This business does not generate sales tax. Why was there a grant issued in this case?

When Kathi Henry was quizzed about a City return on investment from the \$15,000,000 (the City spent \$27M from 2005-2010) or so that has been spent by the CDC/PBID (*EXHIBIT "4"*), she stated that increased revenues from sales tax were

not significant from the invested funding; and she did not know as to the property tax benefit. However, it is the BRC's opinion that the monies expended have not been wisely spent and that the City has not enjoyed a reasonable return on investment. In this particular case and many others, the nature of the business does not create significant sales tax.

The BRC feels that the City Redevelopment Agency funds are being spent without regard to "return on investment". The City and PBID Stakeholders have little to show for the \$15+ million dollars CDC PBID has spent during the last 15 years. Unless a significant change in policy is put into place, there can be no expectation for a different outcome by doing more of the same. It is evident that sponsoring weak businesses that fail only reinforces the perception that downtown is a poor location to open a business.

4.2 Observation - AMENDED GRANT ADMINISTRATION GOALS

It appears the CDC's new main goal is filling the vacancies in downtown with retail tax generating businesses. While this sounds like a good idea, you must have the market to support retail. Just because a policy states retail does not mean retailers will come, or survive once they get there. Free market and economics are the deciding factor in tenant activity. This new policy has left several viable businesses that were in the process of signing leases and applying for grants out in the cold. We believe that the grants have been largely ineffectively granted; and if it is determined that grants are to continue to be administered, then the reality of the marketplace should be considered as to which segment would receive grant funds.

One example of this is Intero Real Estate Services, a fast growing real estate office with 20+ employees. Sandy Miller had been working with Roberto Garcia since last June. She was originally going to open her business in Rancho San Diego, but decided to move her business to the downtown El Cajon district as a result of the opportunity to receive a grant. She went through all the steps, signed a lease, and put down a \$3,500.00 deposit. After all was completed, Ms. Miller went back to the CDC for an orientation and was told that she was no longer eligible. CDC told her it was the City Council's decision and to take it up with them.

Another example was an insurance agency with currently 15 employees looking to move downtown. They also spent time in orientation, filled out applications; put together business plans only to have the door close. They were also told that they would no longer qualify. They wasted a significant amount of time and energy preparing their business to qualify for a grant. Evidently, the CDC ran out of grant funds, compounded by the change in policy approved by Cindi Fargo and Melissa Ayres (did the CDC board ever consider this?).

This policy that has been put into place will bring negative results to the City, as it is missing opportunities to fill vacancies and help building and business owners. Furthermore, the grant money being spent is going to businesses with little or no

significant retail. If the City is to continue investing redevelopment grant money, proper evaluation should be made regarding the market and how to strategically invest in viable businesses. Whether it is an office with 20 employees, retail or a restaurant, the focus should be demand /opportunity driven. Restaurant and storeowners would love the extra couple of hundred people walking around downtown at lunchtime that office uses could provide.

5. **Key Performance Indicator: Redevelopment Activities thru CDC Performance**

5.1 **Observation - REDEVELOPMENT PROJECT**

One of the examples that can be cited is the Wisconsin Cottage Project. This is what happens when a CEO and a board does not have the proper experience to undertake a development project. Additionally, when the group has no financial responsibility in the business, it spends redevelopment funds in a fashion that generally ends up with disastrous results like this project. The CDC, whose prime job is “managing the PBID”, undertook the development of a residential project. This should have been done by private developers with equity invested. The intention to create “low income” housing was misguided, because the size, design and cost of the housing were never priced to meet the definition of “low income housing”. The cost of administration and construction resulted in costs that ran significantly higher than privately completed projects during the same time period. The lack of cost control and supervision ended up costing the redevelopment agency/City over \$1,300,000 in losses to create 7 houses – a loss of over \$200,000 per home. The economy was also a problem, but not the root of the problem.

5.2 **Observation - EXAMPLE OF LOST OPPORTUNITY**

According to the testimony of Jim Wood, the developer that tried to bring a big box user to El Cajon Towne Center, Claire Carpenter had her own idea of how he should develop his property. Unfortunately, he spent over three years trying to work with her, during which time she used CDC funds (PBID) to hire an architect to design his project in a fashion that was not only uneconomic but also for which there was no market. Ultimately, it was a bad experience; he sold the project at a loss and moved on. When questioned by the BRC as to what El Cajon could do to promote redevelopment, his answer was clear: a. provide a clear vision of what the City wants and; b. have enough sense to know what the marketplace can support. It was his opinion that neither existed.

Mr. Wood made it clear that developers will follow opportunity. Given an opportunity to make a profit, talent and capital will be attracted from near and far. He stated that the higher sales taxes, coupled with higher-than-usual fees even within El Cajon (because of PBID assessments), causes redevelopment to have further impediments. When direction by CDC was given to chase tenants that were not “in the marketplace actively looking for a location like El Cajon”, it rendered

the project an impossible task to complete with any probability of a profit. Hence, Mr. Woods decided to leave town. It was his contention that redevelopment will only happen when the potential users “looking” in the market are matched with opportunity to locate at a price they can expect to realize a profit. So, there are two levels of reality for the developer and the tenant. CDC has failed to recognize either of these realities.

So, coupled with the transition of Downtown Development Inc to CDC and the rise in control that the planning department delegated to CDC, both provided an impediment to redevelopment of Downtown El Cajon. Additionally, the PBID Stakeholders lost a clear voice in determining how assessment monies were spent. CDC went from an organization charged with “managing the PBID” to an organization that during one year, according to its tax return, had 38 employees. Presently it has about 18 employees.

6. Key Performance Indicator: Economic Justification

6.1 Observation

The auditor outlined in the 2008-2009 Audit, seven steps necessary for “the ability of the CDC to continue as a going concern is dependent upon the Board of Directors and management’s ability to fulfill these steps” (see *EXHIBIT “10”*):

- 6.1.1 Negotiate with its lenders to extend the maturity dates of its loans.
- 6.1.2 Evaluate the cost of special projects and events to meet with revenue expectations.
- 6.1.3 Evaluate personnel costs to either eliminate and/or reduce positions to part-time status.
- 6.1.4 Seek tenants to sublet office space.
- 6.1.5 Solicit advertising income from advertisements placed on the CDC’s website.
- 6.1.6 Utilize volunteers for soliciting grants and sponsorships.
- 6.1.7 Solicit fees for contract services associated with various programs.

6.2 Observation

The CEO followed up with a letter of December 3, 2009 (see *EXHIBIT “11”*) that enumerated five steps to respond to the auditors concerns.

- 6.2.1 Evaluated and eliminated 14 special events.
- 6.2.2 Evaluated and eliminated 2 management positions.
- 6.2.3 Ongoing effort to sublet office space, sell web advertising space and utilizing volunteers to solicit grants and sponsorships.
- 6.2.4 Purchased equipment to immediately implement fee for service contracts for the Clean and Safe program.
- 6.2.5 Hired part-time, bonus based membership coordinator to sell benefits, i.e. fee for service contracts through the Clean & Safe

program, sponsorships and memberships to our Community Builders program.

However, it is apparent that with these warnings, nothing meaningful has been accomplished to get the CDC on track. During this same period of time, the CDC increased their office size and corresponding rent/overhead. The staff list provided us scheduled 31 employees with a payroll of approximately \$650,000 at the time of the audit. Even though the staff level has been trimmed to 18 employees, the present burn (payroll only) rate is still approximately \$600,000 per year (*EXHIBIT "9"*).

6.3 Observation

- a. For 2009-2010 PBID Analysis, Total PBID Income: \$702,669
- b. For 2009-2010 PBID Analysis, Total PBID Administrative Cost:
\$316,392 (it is 40% of the PBID income)

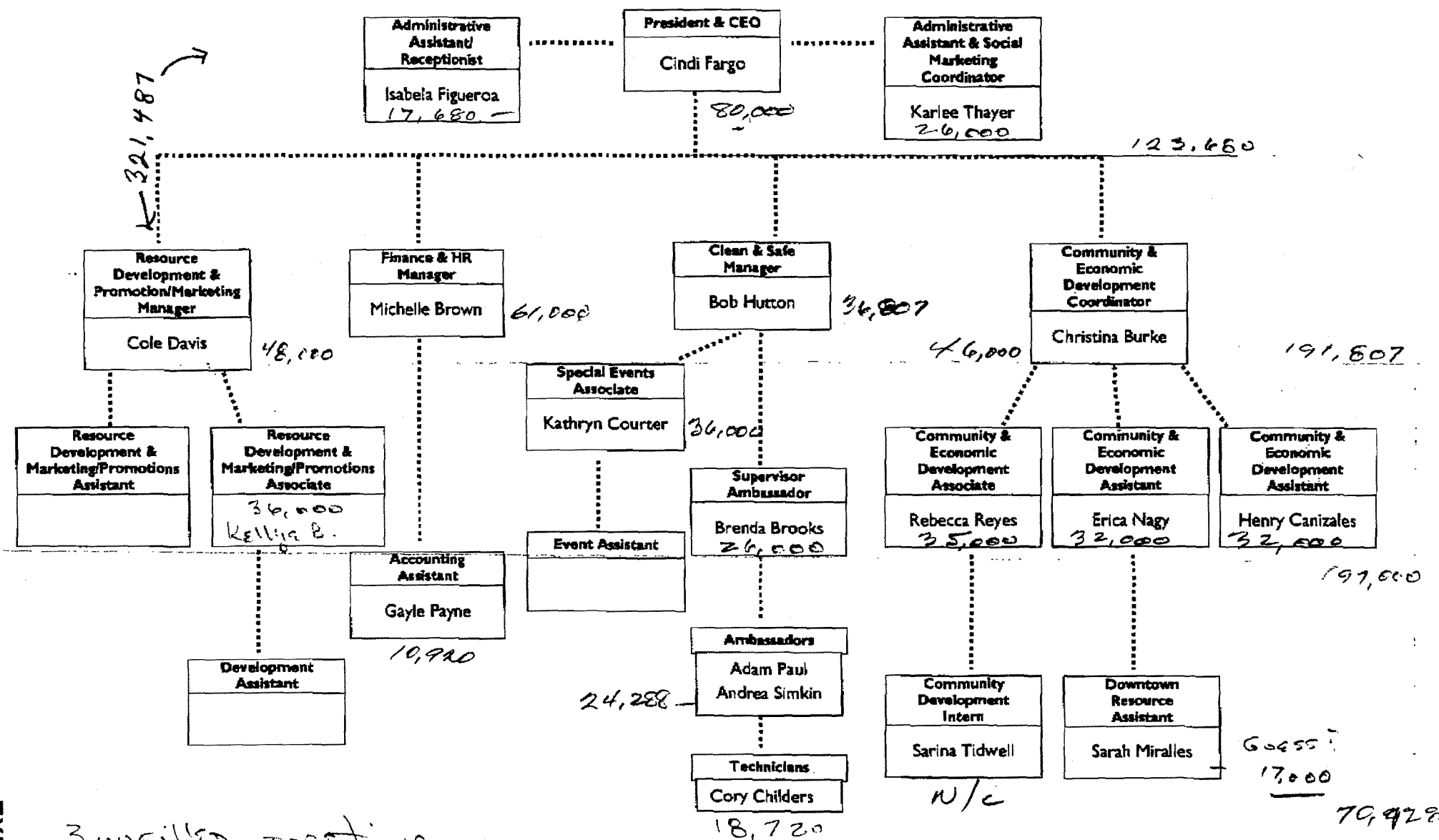
6.4 Observation:

It is apparent that the auditor's recommendation, the CEO partial recognition of the auditor statement did not change the outcome. The administrative cost is excessive, which presents a situation whereby the CDC is incapable of efficiently and economically serving to manage the PBID.

VI. Summary of the Evaluation Effectiveness based on the Key Performance Indicators

<u>Key Performance Indicators (KPIs)</u>	<i>Effectiveness on a Scale of Low to High (Note: Low is the least effective score)</i>
1. <u>CDC Organization Effectiveness</u> Has the Board complied with a code of conduct, governed its organization effectively and exercised internal controls?	low
2. <u>PBID Performance</u> Has CDC represented the PBID Stakeholders' interests & complied with State law and spent funds in accordance with PBID budgets?	low
3. <u>Marketing and Programs</u> Has CDC effectively marketed and promoted PBID interests (car shows/concerts)?	med
4. <u>Grant Projects</u> Has CDC grant administration been administered effectively and efficiently with a return of benefits to the City and PBID district?	low
5. <u>Redevelopment Activities Performance</u> Has CDC promoted redevelopment within the PBID district, cast a realistic vision?	low
6. <u>Economic Justification</u> Has CDC efficiently, economically, and responsibly managed the PBID and complied with auditor's comments?	low
Overall	low

El Cajon Community Development Corporation Organizational Chart 2010 - 2011



ECCDC Expenses			
	2008-9	2007-8	2006-7
Compensation officers, directors, etc		\$ 97,093	\$ 91,050
Salaries and Wages	\$ 736,054	\$ 730,851	\$ 623,625
Legal	\$ 1,162		\$ 4,577
Accounting	\$ 25,584	\$ 30,238	\$ 30,850
Occupancy	\$ 26,326	\$ 32,062	\$ 30,527
Interest	\$ 4,978	\$ 2,500	\$ 1,513
Depreciation, depletion and amortization	\$ 41,985	\$ 23,657	\$ 23,650
Outside services	\$ 464,773	\$ 550,566	\$ 636,422
Resource Development	\$ 69,788	\$ 11,843	\$ 19,447
Supplies	\$ 26,350	\$ 44,836	\$ 51,067
Insurance	\$ 19,065	\$ 18,466	\$ 17,381
Printing, Reproduction, Publications	\$ 18,283	\$ 22,862	\$ 32,336
Other	\$ 71,006		
Telephone		\$ 7,394	\$ 7,786
Postage and Shipping		\$ 6,255	\$ 10,321
Equipment Maintenance and Rental		\$ 10,945	\$ 12,713
Advertising		\$ 1,240	\$ 1,558
Amortization		\$ 8,780	\$ 8,808
Auto Expense		\$ 15,158	\$ 8,673
Bad Debt Expense		\$ 3,783	\$ 9,769
Bank Service Charge		\$ 1,040	\$ 1,024
Business Development		\$ 9,374	\$ 16,567
Computer Supplies		\$ 5,433	\$ 7,916
Dues and Subscriptions		\$ 4,400	\$ 6,066
License, Fees, Permits		\$ 2,649	\$ 6,091
Security System		\$ 430	\$ 592
Training		\$ 6,837	\$ 15,201
Utilities		\$ 6,717	\$ 6,673
Website		\$ 8,105	\$ 7,533
Overhead Allocation			
Other Professional Fees		\$ 3,685	
TOTAL	\$ 1,505,354	\$ 1,667,199	\$ 1,689,736

Source: IRS Form 990 2006-2008

EL CAJON CDC
PBID ANALYSIS
2009-2010

PROGRAM		PBID FUNDS		PROGRAM COSTS	PROGRAM COSTS	CITY Contract	CDC FUNDS	CDC INKIND DONATIONS
		\$ 702,669.00						
ADMINISTRATION	25%	\$ 175,667.25	40.3%	315,392.00	316,392.00		36,212.11	26,266.64
URBAN IMPR	40%	\$ 281,067.60	23.4%	183,867.00				
CONTRACT SERV					21,291.00	20,000.00	200.00	
CLEAN & SAFE					154,835.00		3,240.00	4,721.88
MASTER PLAN					764.00		764.04	
PROMOTION	27%	\$ 189,720.63	36.3%	284,671.00				
CCC					105,999.00		34,472.62	37,545.99
COTG					42,591.00		13,767.00	6,976.20
OTHER					63,065.00		9,843.00	32,321.29
WINE					314.00			
MARKETING					79,679.00			1,369.50
RESERVE	8%	\$ 56,213.52	0.0%					
		\$ 702,669.00	100.0%	\$ 784,930.00	\$ 784,930.00	\$ 20,000.00	\$ 98,498.77	\$ 109,201.50

PBID Income	75.53%	702,669.00
City Contracts	2.15%	20,000.00
CDC Funds	10.59%	98,498.77
CDC Inkind	11.74%	109,201.50
	100.00%	930,369.27

Notes
Uncollected PBID at 6/30/10 31,604.41

How WAS \$97,200 REALLOCATED + SPENT?

City of El Cajon
Redevelopment Projects within PBID Area
Fiscal Years 2005 through 2010

	Project Expenditures		
	CDC	City/Agency	Total
<u>PBID Area:</u>			
Alley/Sidewalk Improvement		\$ 45,069	\$ 45,069
Business Retention/Recruitment	976,572	149,210	1,125,781
City Hall - 3RD Floor Office Reconfigure		2,100	2,100
City Welcome Monument		244,191	244,191
Civic Center Complex		5,989,052	5,989,052
Downtown Enhancements/Beautify	34,189	1,363,102	1,397,291
Downtown Parking Structure	25,075	20,199	45,273
Downtown Sidewalk Improvement	33,620	5,713,416	5,747,036
Façade Improvement	698,430	388,276	1,086,706
Fountain and Plaza Upgrades		46,882	46,882
Greenovation Program		3,963	3,963
HazMat Test - Park/Ballantyne	4,715	82,108	86,823
HazMat Test - Prescott Promenade		10,708	10,708
Lend A Hand	217,087	-	217,087
Magnolia Corridor Design	20,899	-	20,899
Magnolia Corridor Improvement	199,325	675	200,000
Median Improvements		53,597	53,597
Mixed Use Project #1		3,559,491	3,559,491
Neighborhood Stabilization Prog		120,000	120,000
Promenade Parking Lot Upgrade		5,879	5,879
Revision Downtown Specific Plan		325,705	325,705
Revision of SP182		841,925	841,925
SW Corner - Environmental Test		7,668	7,668
Utility Box Beautification	23,980	-	23,980
WIFI Feasibility Study	261	-	261
Wisconsin Ave- Infill Housing	2,481,953	1,239	2,483,192
Sub-total	\$ 4,716,105	\$ 18,974,452	\$ 23,690,557

	Project Expenditures				
	CDC		City/Agency		Total
<u>City-wide:</u> (See Note 3)					
First Time Homebuyer Program		\$	3,246,403	\$	3,246,403
Foreclosure Loss Prevention			37,847		37,847
Graffiti Removal			196,273		196,273
Median Island Improvement			11,525		11,525
Pedestrian Ramp Study			28,722		28,722
Sub-total	\$	-	\$	3,520,770	\$ 3,520,770
Grand Total	\$	4,716,105	\$	22,495,222	\$ 27,211,327

Notes:

1. The redevelopment project expenditures presented include data from fiscal year beginning July 1, 2004 through June 30 2010 (Fiscal Years 2005 through 2010.)Information prior to July 1, 2004 is not readily available and would require extensive research to compile.
2. Project expenditures were collected using the Project Transaction Analysis Report. Projects that have multiple project numbers (project number for every fiscal year) were all added together.
3. Only redevelopment projects determined to be in the PBID Area are included. Projects that included a portion of the PBID area are presented separately, of which the amount reported represents the entire project amount.
4. The amounts reported under CDC represent payments made to CDC. These amounts, plus total for fiscal year 2005, reconcile to amounts previously reported.



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EDUCATION

Bachelor of Arts, Environmental Design, 1973
California State University, San Diego
Graduate work in the field of Public Administration

ORGANIZATIONS

Member, American Institute of Certified Planners (#011206)
Member, American Planning Association
Member, Board of Directors, ECEDC
Past Chairman, ECEDC
Past Chairman & Member, El Cajon Planning Commission
Past member, Downtown Review Committee for the City of El Cajon
Past Traffic Commissioner for the City of El Cajon

EXPERIENCE

Mr. Ambrose's planning experience includes conceptual land development feasibility studies, physical site planning and master development plans for residential, commercial and industrial projects. He has extensive experience in planned residential developments, large scale master planned communities, redevelopment and urban renewal projects, mixed use and recreational projects. In addition, he has provided planning consultant services to the City of Chula Vista and the County of Imperial since 1995.

WORK HISTORY

Principal Associate and Planning Director

Burkett & Wong Engineers

San Diego, California
1995-present

Principal and Director of Planning

HCH Partners

San Diego, California
1974-1995

Keith Anderson

Education:

- Bachelor of Finance and Economics – San Diego State University, 1972
- California Licensed Real Estate Broker since 1979

Business Experience:

- U.S. Navy, 1967-1971
- Elementary School Teacher, 1973-1977
- J & J Realty, 1977-1979
- Self Employed Broker, 1980-2002
- President of A.I.C., Inc. (Anderson Investment Company), 2003 to Present
- Commercial, Industrial and Residential Real Estate Development, 1986 to Present

Community Involvement:

- El Cajon Police - Mounted Reserve, 1995 to Present
- FFA Sponsorship, 2005 to Present

John Gibson

Family:

- Wife, Julie; Sons - Ryan 37, Luke 30, Eric 23; 2 Grandchildren

Education:

- Bachelor of Arts in Real Estate - San Diego State University, 1972
- California Licensed Real Estate Broker since 1975

Business Experience:

- Grubb & Ellis Commercial Broker 1973
- Fletcher Gibson Industrial Real Estate, El Cajon, 1975
- Marketing and development agent for Sequoia Pacific Realco 1970's, El Cajon
- Owsley Gibson Real Estate, El Cajon, 1978
- Redevelopment Marketing agent for the County of San Diego for Gillespie Field Industrial Park, 1980's
- Marketed and development assistance for Wheatlands Industrial Park, Santee
- President of East County Property Management, 1975-1986
- Developed Gibson Highlands Subdivision, Crest
- Hamann Companies, Real Estate Department 1992 to Present
- Specialist in Non-Profit Real Estate and Industrial Development
- President of East County Renewable Energy Coalition
- Involved in Solar and Wind Energy Development in Boulevard

Community Involvement:

- President of El Cajon Valley Lions Club, 1982
- Boys and Girls Club, 1980's, & Development of Santee Boys and Girls Club
- Redeveloped El Cajon Town Center with Moto World and International Ministry Center
- Development of Sonrise Church, Pathways Church, Grace Fellowship, Foothills Church, Venture Christian Schools, Heartland Home Schools and many others
- Set up East County Transitional Living Center (formerly Set Free) on East Main
- Redeveloped Rough Acres Ranch (formerly Charger Training Camp Boulevard

RON PENNOCK

Personal and Professional Background

Education:

- Graduate of El Capitan High School
- A.A. Degree in Police Science from Grossmont Community College
- B.A. in Public Administration from San Diego State University
- Several Post Graduate classes, including the San Diego Police Academy

Professional Relations:

- 1965-74 San Diego Police Department as a Patrolman and Community Relations Officer
- 1974 to Present – Sales Manager and Senior Accounts Manager in the Land Title Insurance Industry
- Former owner of La Mesa Sports Center and Parkway Sports Center

Community Involvement:

- Service Clubs: Past President and Lt. Gov. of the East County Optimist Club
Member since 1989 of the El Cajon Rotary Club
- Committees: Governmental Affairs Committees of the Building Industry Association (BIA)
East County Association of Realtors
East County Chamber of Commerce
Sandag's TransNet Oversight Committee
City of El Cajon's Design and Review
East County Economic Development Committee
County of San Diego Interest Group
Traffic Impact Fee Subcommittee

Gabriel Marrujo

Family:

- Wife, Brenda; Sons – Scott 21, Brandon 18, Eric 16, Nicholas 7, Daughters Angela 20, Alexis 10

Education:

- Mira Mesa High school 1984
- Business Administration at Mira Mar Collage 1988
- Child Development at Mira Mar Collage 1988
- Real Estate Appraisal License 1990
- Bachelor Degree Business Administration 1994

Business Experience:

- Klassic Kids Assistant Director 1984
- Vons department Manager 1985-1992
- Alyga and Associates Appraisal 1990-1992
- Por Favor Restaurant manager 1990-1998
- Open Restaurant in San Marcos 1990
- Open Restaurant in Hillcrest 1992
- Open Restaurant in El Cajon 1997
- Open Restaurant in El Cajon 2002

Community Involvement:

- Western Little league ,Coach, Manager, League Director 1989-1999
- Board Member El Cajon CDC 2002

Darrin Mroz

Family:

- Wife, Myra; Sons - Tony 9, Daughters- Selina, Adina, Madison, Hannah

Education:

- Journeyman Sheet Metal Construction- Palomar College, 1997
- California Licensed Insurance Broker Since 2000

Business Experience:

- California Sheet Metal 1991-1996
- University Mechanical 1996-1999
- Senior Agent Hunter Insurance Services 1999-2008
- President DJM Insurance Services 2008-Present

Community Involvement:

- Foothills Christian Church Political Liaison For Various Issues & Initiatives
- City of El Cajon Planning Commissioner
- Delegate for East County CRA
- Candidate For El Cajon City Mayor

Daryl R. Priest

Daryl R. Priest, born and raised in El Cajon, is the owner of Priest Development Corporation located in downtown El Cajon. He has been in the contracting / development business since 1984.

Priest Development Corporation has a long record of developing and completing projects. Within the redevelopment district of El Cajon, Daryl has completed four commercial buildings with over 53,000 sq. ft. of space. He is currently the owner / manager of these buildings. He has also developed and sold 83 single family homes in the redevelopment district with a combined sales price of over 31 million dollars and currently owns 48 vacant residential lots. The grand sum of completed projects alone within the district total over 45 million dollars. Daryl has also been instrumental in developing over 2,000 homes outside of the redevelopment district. He has been a part of planning and redeveloping El Cajon for over 20 years starting with the original Downtown Master Plan in 1990.

Mark Robak

3217 Fair Oaks Lane, Spring Valley, CA 91978

Cell Phone 619-778-3800

FairOaks@Cox.net

WATER / RECYCLED WATER / WASTEWATER INDUSTRY

2005 - Present Otay Water District

Spring Valley, CA

Board Member, Former Vice-President & Treasurer

- Oversee a public agency with \$105M annual budget providing water and sewer and recycled water to 206,000 customers in a 126 square mile service area. Represent all of the District sewer ratepayers.
- Member and former Chair of Finance and Administration Committee. Provide guidance to finance department staff for annual budget cycle and instrumental in Board audits of District finances.
- Former Chair of Engineering Committee. Fully engaged in oversight of key District CIP projects.
- Chief advocate at Board level for continuing development of District strategic plan and benchmarking study, including advocating for peer review as presented by AWWA.
- Instrumental in securing a feasibility study to bring recycled water to northern service area of the District. Public speaking on expansion of recycling water to the media, including local television.
- Representative to Water Reuse Association, having attended local, state and national level conferences.

2005 - Present San Diego Metro Wastewater Joint Powers Authority
Chairman (2009), Board Member

San Diego, CA

- Oversaw a joint-powers authority comprised of 15 other cities and districts that pay for 35% of the upkeep and capital costs of the City of San Diego's regional wastewater facilities, with 2.2 million customers in a 450 square mile service area, treating 180 million gallons a day.
- Alternate Member of the Independent Rates Oversight Committee (IROC) for City of San Diego.
- Former member of the Finance Committee, that reviewed and advised on City of San Diego Bond offerings affecting Municipal and Metro systems (approx. \$1.2B placed - May 2009)
- Former head of Strategic Ad-Hoc Committee charged with shaping vision and mission for the organization, along with a plan to achieve those goals.
- Assisted in development of a communications plan and design of organization website.
- Participant in American Assembly II process in 2005 that endorsed Indirect Potable Reuse.

2005 - Present Water Conservation Garden
President (2006 - 2009), Board Member

El Cajon, CA

- Oversaw a joint-powers authority comprised of six public agencies creating an award winning five acre display area that showcases water conservation to the general public and landscaping professionals.
- Spurred formation and recruitment of Board Members that led to creation of *Friends of the Garden* foundation to assist in fundraising for the operation of the facility. This has become the management structure for the Garden effective January 2011.
- Instrumental in starting a program to train landscaping industry personnel in water-wise landscaping care and irrigation.
- Key in development of a new Water-Wise AA Degree program in conjunction with Horticulture Department at Cuyamaca College. Program to be a model for junior colleges throughout the state.
- Garden was named #2 of top 10 western gardens in the United States by Sunset Magazine (May 2009).

1996 - 2001 Padre Dam Municipal Water District
President, Treasurer, Board Member

Santee, CA

- Oversaw public agency with \$40M annual budget providing water, sewer and recycled water to 135,000 customers in an 85 square mile area.
- While President of the Board the Board (1998), championed a Competitive Challenge program that was instituted comparing the agency to best management practices of the private sector. Has saved Padre Dam ratepayers \$1,800,000 annually to date (see www.padredam.org/us_CompChall_061503.htm).
- Represented Santee Lakes area and helped develop a Master Plan for 190-acre Santee Lakes Park & Campground, allowing it to become self supporting and enhance recreational benefits for the community.
- Assisted in negotiations with employee bargaining unit in securing a new labor agreement.

COMMERCIAL AND RESIDENTIAL REAL ESTATE

2006 - Present **Trinity Real Estate Services**
Owner/Broker

La Mesa, CA

- Sales, leasing and consulting for businesses and government agencies.
- Assisted in developing plans, entitlements and approvals for industrial, retail and office properties.
- Collection of rents and maintaining proper insurance, daily tenant matters and issuance of defaults.
- Development of budgets and timelines on a project basis.
- Interface with brokerage community representing tenants/landlords and buyers/sellers.
- Lease negotiation, obtaining credit and review of financials, preparation of lease documents.
- Negotiation and preparation of listing agreements, interfacing with brokers and legal representatives.
- Negotiation and renewal of expiring leases, including obtaining relevant market data.
- Obtain and review of environmental reports, including Phase 1 and 2 as well as ongoing remediation.
- Preparation of marketing materials in both print and electronic format, utilizing latest technologies.
- Prepare and present presentations utilizing Word, Excel and PowerPoint and related software.
- Review of title reports, escrow documents, appraisals, surveys, financing options, settlement statements and various points of sales transactions.
- Work with attorneys, tax advisors and other professionals in coordinating property transactions.
- Work with buyers on obtaining financing, both conventional and Small Business Administration.
- Work with clients and speak on their behalf at planning commission, city council and other hearings.
- Work with clients in obtaining property tax adjustments due to current market conditions.
- Work with contractors in obtaining bids for construction components as well as tenant improvements.
- Work with municipalities on obtaining all facets of development approval including zoning, utilities, easements, architecture, landscaping, etc.
- Sales of residential properties, including single family homes and condominiums.

1998 - 2006 **ECP Commercial**
Senior Broker

La Mesa, CA

- Sales, leasing and consulting for businesses and government agencies.

1996 - 1998 **Equity Group**
Owner/Broker

El Cajon, CA

- Sales and leasing of commercial real estate.

1990 - 1996 **East County Properties**
Broker/Agent

El Cajon, CA

- Sales and leasing of commercial real estate

2010-Present **El Cajon Blue Ribbon Commission**
Commissioner

El Cajon, CA

- Currently reviewing and making recommendations on the El Cajon Community Development Corporation

2004 **El Cajon Blue Ribbon Commission**
Participant

El Cajon, CA

- Reviewed and made recommendations on zoning changes to City of El Cajon General Plan.

2000 - 2002 **East County Economic Development Council**
Board Member

East San Diego County

- The ECEDC promotes primary industry retention and growth in the East County region.
- Participated in development of the on-line *Connectory* that links business to each other.

1998 - 2000 **Upper San Diego River Improvement Project**
Committee Member

Lakeside, CA

- Developed end use plans and zoning for a multi-use 600-acre area that incorporates residential, industrial and open space uses, including the Lakeside River Park Conservancy.

EARLY CAREER

1979 - 1989 Solar Turbines Incorporated
Turbine Packaging Mechanic

San Diego, CA

- Developed a manufacturing process in conjunction with then Solar President, Glen Barton (Caterpillar Worldwide President 1999-2004) to achieve manufacturing efficiencies between labor and management.
- Labor Union Leader, IAM & AW, Local 50, including:
 - Shop Steward - Oversaw a shift of workers and handled grievances prior to arbitration.
 - Law & Legislative Representative - Represented Labor Union at functions locally and nationally.
 - Executive Committee - Helped set policy for union and shape collective bargaining agreement.

COMMUNITY ORGANIZATIONS

2004 - Present Gathering
Founding Member, Webmaster

El Cajon, CA

- Non-denominational church that serves the East County communities.
- Help in organization of Men's Ministry.
- Assisted in leasing of facilities for the congregation.

2008 - Present Christian Citizenship Council of San Diego
Webmaster

San Diego, CA

- Update and maintenance of website.

2008 - Present Cub Scout Pack 391
Webmaster

El Cajon, CA

- Designed and maintain website www.RSDPack391.org as well as Facebook and YouTube sites.
- Have multiple certifications including camping, water safety, CPR and First Aid.
- Write and distribute Press Releases to local media.
- Former Cub Scout and Boy Scout.

1992 - 2007 El Cajon Valley Lions Club
President (1998-1999), Webmaster

El Cajon, CA

- Leading East County service club of 80+ members that provides eye exams and glasses to needy children throughout East San Diego County.
- Instrumental in helping get built the Lions Disabled Access Fishing Pier at Santee Lakes.
- Helped start the Club's Foundation.

2000 - 2003 Santee Youth Foundation
Founder/President

Santee, CA

- Developed from ground-up a 501 (c) (3) non-profit organization to assist in Santee youth programs.
- Started a scholarship fund in names of slain students from Santana High School shooting.
- Donated remaining monies of the organization to Santee-Lakeside Rotary Club.

2001 Sonshine Haven
Volunteer

El Cajon, CA

- Wrote a successful grant application to Grossmont Healthcare District to allow the organization to obtain a passenger van to shuttle children.

1993 - 1999 Boys & Girls Clubs of East County
President of Santee Unit Board, Board Member of organization

East San Diego County

- Organized and ran many successful fundraising events to benefit the organization.
- Volunteer Service Award in 1995 (was finalist for Citizen of the Year).

EDUCATION

1983 - 1987 San Diego State University San Diego, CA
BA in Political Science, Minor in Public Administration
• Advanced degree courses in Business and Public Administration.
• Also attended classes at San Diego Mesa College and Grossmont College.

Fall 2010 Cuyamaca College El Cajon, CA
Water & Wastewater Technology Program
• Completed Water Distribution Systems – WWTR 130 – Grade A
• Completed Wastewater Collection Systems – WWTR 132 – Grade A

OTHER ORGANIZATIONS

- Lifetime Member, American Motorcyclist Association
- Lifetime Alumni, San Diego State University
- Member of the Lakeside and Rancho San Diego-Jamul Chamber of Commerce
- San Diego Blood Bank, Gold Club Donor

PERSONAL

- Married with three children
- Live in Rancho San Diego/Jamul area
- Motorcyclist, photographer and recreational web designer



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Robert Putrus, PE, CMC, CFE - Mr. Putrus is a seasoned professional and executive with 25 years of experience in information technology, professional services, program/project management, regularity compliance, business process improvement, management of professional staff, management of solution providers, development of program alliances, management of client relationships, and integration of enterprise applications for variety of companies ranging from middle market to Fortune 100.

Mr. Putrus founded and operated two technology and compliance services companies in San Diego, California. He was a Senior Manager for PricewaterhouseCoopers L.L.P. In addition, he was a Vice President, Information Technology for a publicly held company specialized in the environmental services.

Mr. Putrus has written numerous article and white papers in professional journals. He was quoted in numerous publications.

Professional Responsibilities, Competency and Services:

- Program/project management and oversight
- Sarbanes-Oxley Section 404 Compliance
- Assessment and implementation of business Application Controls
- Corporate Governance Compliance
- Internal controls assessment
- Development of information technology, operations, accounting and Corporate Governance policies
- Information Systems Audit Review and Assessment
- SAS 70 - SAS 94 Compliance Services
- ISO 17799 - ISO 27000 Compliance Services
- Meeting PCI-DSS Control Objectives and Requirements
- Fraud Prevention and Deterrence Services
- Gramm-Leach-Bliley Act Compliance Services

Education:

- Advanced M.B.A., Michigan State University
- M.Sc. Computer Engineering, Wayne State
- M.Sc. Control Systems Engineering, University of Technology
- B.Sc. Electrical Engineering, University of Technology

Certification & Affiliation:

- Certified Fraud Examiner (CFE)
- Licensed Professional Engineer (P.E.)

- Certified Management Consultant (CMC) by Institute of Management Consultants (IMC)
- Board Member- Chaldean Assyrian Syriac Council of America (CASCA)
- Board Member- Hong Kong Association of Southern California- San Diego Chapter
- Member- Society of California Certified Public Accountants (CalCPA)
- Served for two years as President of the Institute of Management Consultants- San Diego Chapter
- Served on the Board of Directors for Junior Achievement the San Diego region

Experience:

- The Roberts Company, LLC: Principal
- enterprise Solution Group: Shareholder/Chief Operating Officer
- PricewaterhouseCoopers LLP: Senior Manager
- Growth Environmental Services, Inc.: Vice President, Information Technology
- Digital Equipment Corporation: Principal Management

Jerry Turchin

Family -

- Wife – Beverly; Sons - Joshua 35, Daniel 33; Daughter - Leah 30; 4 Grandchildren

Education -

- Bachelor of Science in Business, Florida State University
- Master of Business Administration, New York University

Business Experience –

- California Metals, 297 South Marshall Avenue
- Started Business 1978
- Son Joshua now runs the business

Community Involvement -

- Coached Little League @ Fletcher Hills Little League
- Coached Pony League @ La Mesa Pony League
- Board Member and Officer @ Tifereth Israel Synagogue, San Diego
- Member, El Cajon Performing Arts Center Foundation
- Member, Grossmont High School Foundation
- Member, Committee appointed by Mayor and Council to review Set Free Ministry

C I V I T A S

PBID LAW **STREETS AND HIGHWAYS CODE SECTIONS 36600-36671** *As Amended January 1, 2009*

Declarations

- 36600.** This part shall be known and may be cited as the "Property and Business Improvement District Law of 1994."
- 36601.** The Legislature finds and declares all of the following:
- (a) Businesses located and operating within the business districts of this state's communities are economically disadvantaged, are underutilized, and are unable to attract customers due to inadequate facilities, services, and activities in the business districts.
 - (b) It is in the public interest to promote the economic revitalization and physical maintenance of the business districts of its cities in order to create jobs, attract new businesses, and prevent the erosion of the business districts.
 - (c) It is of particular local benefit to allow cities to fund business related improvements, maintenance, and activities through the levy of assessments upon the businesses or real property that benefits from those improvements.
 - (d) Assessments levied for the purpose of providing improvements and promoting activities that benefit real property or businesses are not taxes for the general benefit of a city, but are assessments for the improvements and activities which confer special benefits upon the real property or businesses for which the improvements and activities are provided.
- 36602.** The purpose of this part is to supplement previously enacted provisions of law that authorize cities to levy assessments within a business improvement area. This part does not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes.
- 36603.** Nothing in this part is intended to preempt the authority of a charter city to adopt ordinances providing for a different method of levying assessments for similar or additional purposes from those set forth in this part. A property and business improvement district created pursuant to this part is expressly exempt from the provisions of the Special Assessment Investigation, Limitation and Majority Protest Act of 1931 (Division 4 (commencing with Section 2800)).

36603.5. Any provision in this part that conflicts with any other provision of law shall prevail over the other provision of law.

36604. This part is intended to be construed liberally and, if any provision is held invalid, the remaining provisions shall remain in full force and effect. Assessments levied under this part are not special taxes.

Definitions

36606. "Assessment" means a levy for the purpose of acquiring, constructing, installing, or maintaining improvements and promoting activities which will benefit the properties or businesses located within a property and business improvement district.

36607. "Business" means all types of businesses and includes financial institutions and professions.

36608. "City" means a city, county, city and county, or an agency or entity created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code, the public member agencies of which includes only cities, counties, or a city and county.

36609. "City council" means the city council of a city or the board of supervisors of a county, or the agency, commission, or board created pursuant to a joint powers agreement and which is a city within the meaning of this part.

36610. "Improvement" means the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years or more including, but not limited to, the following:

- (a) Parking facilities.
- (b) Benches, booths, kiosks, display cases, pedestrian shelters and signs.
- (c) Trash receptacles and public restrooms.
- (d) Lighting and heating facilities.
- (e) Decorations.
- (f) Parks.
- (g) Fountains.
- (h) Planting areas.
- (i) Closing, opening, widening, or narrowing of existing streets.
- (j) Facilities or equipment, or both, to enhance security of persons and property within the area.
- (k) Ramps, sidewalks, plazas, and pedestrian malls.
- (l) Rehabilitation or removal of existing structures.

36611. "Property and business improvement district," or "district," means a property and business improvement district established pursuant to this part.

36612. "Property" means real property situated within a district.

36613. "Activities" means, but is not limited to, all of the following:

- (a) Promotion of public events which benefit businesses or real property in the district.
- (b) Furnishing of music in any public place within the district.

- (c) Promotion of tourism within the district.
- (d) Marketing and economic development, including retail retention and recruitment.
- (e) Providing security, sanitation, graffiti removal, street and sidewalk cleaning, and other municipal services supplemental to those normally provided by the municipality.
- (f) Activities which benefit businesses and real property located in the district.

36614. "Management district plan" or "plan" means a proposal as defined in Section 36622.

36614.5. "Owners' association" means a private nonprofit entity that is under contract with a city to administer or implement activities and improvements specified in the management district plan. An owners' association may be an existing nonprofit entity or a newly formed nonprofit entity. An owners' association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. Notwithstanding this section, an owners' association shall comply with the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code), at all times when matters within the subject matter of the district are heard, discussed, or deliberated, and with the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), for all documents relating to activities of the district.

36615. "Property owner" or "owner" means any person shown as the owner of land on the last equalized assessment roll or otherwise known to be the owner of land by the city council. The city council has no obligation to obtain other information as to the ownership of land, and its determination of ownership shall be final and conclusive for the purposes of this part. Wherever this subdivision requires the signature of the property owner, the signature of the authorized agent of the property owner shall be sufficient.

36616. "Tenant" means an occupant pursuant to a lease of commercial space or a dwelling unit, other than an owner.

Prior Law

36617. This part provides an alternative method of financing certain improvements and activities. The provisions of this part shall not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes. Every improvement area established pursuant to the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with Section 36500) of this division) is valid and effective and is unaffected by this part.

Establishment

36620. A property and business improvement district may be established as provided in this chapter.

36620.5. A county may not form a district within the territorial jurisdiction of a city without the consent of the city council of that city. A city may not form a district within the

unincorporated territory of a county without the consent of the board of supervisors of that county. A city may not form a district within the territorial jurisdiction of another city without the consent of the city council of the other city.

- 36621.** (a) Upon the submission of a written petition, signed by the property or business owners in the proposed district who will pay more than 50 percent of the assessments proposed to be levied, the city council may initiate proceedings to form a district by the adoption of a resolution expressing its intention to form a district. The amount of assessment attributable to property or a business owned by the same property or business owner that is in excess of 40 percent of the amount of all assessments proposed to be levied, shall not be included in determining whether the petition is signed by property or business owners who will pay more than 50 percent of the total amount of assessments proposed to be levied.
- (b) The petition of property or business owners required under subdivision (a) shall include a summary of the management district plan. That summary shall include all of the following:
- (1) A map showing the boundaries of the district.
 - (2) Information specifying where the complete management district plan can be obtained.
 - (3) Information specifying that the complete management district plan shall be furnished upon request.
- (c) The resolution of intention described in subdivision (a) shall contain all of the following:
- (1) A brief description of the proposed activities and improvements, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property or businesses within the district, a statement as to whether bonds will be issued, and a description of the exterior boundaries of the proposed district. The descriptions and statements do not need to be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements and activities and the location and extent of the proposed district.
 - (2) A time and place for a public hearing on the establishment of the property and business improvement district and the levy of assessments, which shall be consistent with the requirements of Section 36623.

36622. The management district plan shall contain all of the following:

- (a) A map of the district in sufficient detail to locate each parcel of property and, if businesses are to be assessed, each business within the district.
- (b) The name of the proposed district.
- (c) A description of the boundaries of the district, including the boundaries of benefit zones, proposed for establishment or extension in a manner sufficient to identify the affected lands and businesses included. The boundaries of a proposed property assessment district shall not overlap with the boundaries of another existing property assessment district created pursuant to this part. This part does not prohibit the boundaries of a district created pursuant to this part to overlap with other assessment districts established pursuant to other provisions of law, including, but not limited to, the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with Section 36500)). This part does not prohibit the boundaries of a business assessment district created pursuant to this part to overlap with another business assessment district created pursuant to this part. This part does not prohibit the boundaries of a

business assessment district created pursuant to this part to overlap with a property assessment district created pursuant to this part.

- (d) The improvements and activities proposed for each year of operation of the district and the maximum cost thereof.
- (e) The total annual amount proposed to be expended for improvements, maintenance and operations, and debt service in each year of operation of the district.
- (f) The proposed source or sources of financing, including the proposed method and basis of levying the assessment in sufficient detail to allow each property or business owner to calculate the amount of the assessment to be levied against his or her property or business. The plan also shall state whether bonds will be issued to finance improvements.
- (g) The time and manner of collecting the assessments.
- (h) The specific number of years in which assessments will be levied. In a new district, the maximum number of years shall be five. Upon renewal, a district shall have a term not to exceed 10 years. Notwithstanding these limitations, a district created pursuant to this part to finance capital improvements with bonds may levy assessments until the maximum maturity of the bonds. The management district plan may set forth specific increases in assessments for each year of operation of the district.
- (i) The proposed time for implementation and completion of the management district plan.
- (j) Any proposed rules and regulations to be applicable to the district.
- (k) A list of the properties or businesses to be assessed, including the assessor's parcel numbers for properties to be assessed, and a statement of the method or methods by which the expenses of a district will be imposed upon benefited real property or businesses, in proportion to the benefit received by the property or business, to defray the cost thereof, including operation and maintenance. The plan may provide that all or any class or category of real property which is exempt by law from real property taxation may nevertheless be included within the boundaries of the district but shall not be subject to assessment on real property.
- (l) Any other item or matter required to be incorporated therein by the city council.

36623. (a) If a city council proposes to levy a new or increased property assessment, the notice and protest and hearing procedure shall comply with Section 53753 of the Government Code.

- (b) If a city council proposes to levy a new or increased business assessment, the notice and protest and hearing procedure shall comply with Section 54954.6 of the Government Code, except that notice shall be mailed to the owners of the businesses proposed to be assessed. A protest may be made orally or in writing by any interested person. Every written protest shall be filed with the clerk at or before the time fixed for the public hearing. The city council may waive any irregularity in the form or content of any written protest. A written protest may be withdrawn in writing at any time before the conclusion of the public hearing. Each written protest shall contain a description of the business in which the person subscribing the protest is interested sufficient to identify the business and, if a person subscribing is not shown on the official records of the city as the owner of the business, the protest shall contain or be accompanied by written evidence that the person subscribing is the owner of the business. A written protest which does not comply with this section shall not be counted in determining a majority protest. If written protests are received from the owners of businesses in the proposed district which will pay 50 percent or more of the

assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than 50 percent, no further proceedings to levy the proposed assessment against such businesses, as contained in the resolution of intention, shall be taken for a period of one year from the date of the finding of a majority protest by the city council.

36624. At the conclusion of the public hearing to establish the district, the city council may adopt, revise, change, reduce, or modify the proposed assessment or the type or types of improvements and activities to be funded with the revenues from the assessments. Proposed assessments may only be revised by reducing any or all of them. At the public hearing, the city council may only make changes in, to, or from the boundaries of the proposed property and business improvement district that will exclude territory that will not benefit from the proposed improvements or activities. Any modifications, revisions, reductions, or changes to the proposed assessment district shall be reflected in the notice and map recorded pursuant to Section 36627.

36625. (a) If the city council, following the public hearing, decides to establish the proposed property and business improvement district, the city council shall adopt a resolution of formation that shall contain all of the following:

- (1) A brief description of the proposed activities and improvements, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property or businesses within the district, a statement about whether bonds will be issued, and a description of the exterior boundaries of the proposed district. The descriptions and statements do not need to be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements and activities and the location and extent of the proposed district.
 - (2) The number, date of adoption, and title of the resolution of intention.
 - (3) The time and place where the public hearing was held concerning the establishment of the district.
 - (4) A determination regarding any protests received. The city shall not establish the district or levy assessments if a majority protest was received.
 - (5) A statement that the properties or businesses in the district established by the resolution shall be subject to any amendments to this part.
 - (6) A statement that the improvements and activities to be provided in the district will be funded by the levy of the assessments. The revenue from the levy of assessments within a district shall not be used to provide improvements or activities outside the district or for any purpose other than the purposes specified in the resolution of intention, as modified by the city council at the hearing concerning establishment of the district.
 - (7) A finding that the property or businesses within the area of the property and business improvement district will be benefited by the improvements and activities funded by the assessments proposed to be levied.
- (b) The adoption of the resolution of formation and recordation of the notice and map pursuant to Section 36627 shall constitute the levy of an assessment in each of the fiscal years referred to in the management district plan.

36626. If the city council, following the public hearing, desires to establish the proposed property and business improvement district, and the city council has not made changes pursuant to Section 36624, or has made changes that do not substantially change the proposed assessment, the city council shall adopt a resolution establishing the district.

The resolution shall contain all of the information specified in paragraphs (1) to (8), inclusive, of subdivision (b) of Section 36625, but need not contain information about the preliminary resolution if none has been adopted.

- 36627.** Following adoption of the resolution establishing the district pursuant to Section 36625 or 36626, the clerk of the city shall record a notice and an assessment diagram pursuant to Section 3114. If the assessment is levied on businesses, the text of the recorded notice shall be modified to reflect that the assessment will be levied on businesses, or specified categories of businesses, within the area of the district. No other provision of Division 4.5 (commencing with Section 3100) applies to an assessment district created pursuant to this part.
- 36628.** The city council may establish one or more separate benefit zones within the district based upon the degree of benefit derived from the improvements or activities to be provided within the benefit zone and may impose a different assessment within each benefit zone. If the assessment is to be levied on businesses, the city council may also define categories of businesses based upon the degree of benefit that each will derive from the improvements or activities to be provided within the district and may impose a different assessment or rate of assessment on each category of business, or on each category of business within each zone.
- 36628.5.** The city council may levy assessments on businesses or on property owners, or a combination of the two, pursuant to this part. The city council shall structure the assessments in whatever manner it determines corresponds with the distribution of benefits from the proposed improvements and activities.
- 36629.** All provisions of this part applicable to the establishment, modification, or disestablishment of a property and business improvement district apply to the establishment, modification, or disestablishment of benefit zones or categories of business. The city council shall, to establish, modify, or disestablish a benefit zone or category of business, follow the procedure to establish, modify, or disestablish a parking and business improvement area.
- 36630.** If a property and business improvement district expires due to the time limit set pursuant to subdivision (h) of Section 36622, a new management district plan may be created and a new district established pursuant to this part.

Assessments

- 36631.** The collection of the assessments levied pursuant to this part shall be made at the time and in the manner set forth by the city council in the resolution establishing the management district plan described in Section 36622. Assessments levied on real property may be collected at the same time and in the same manner as for the ad valorem property tax, and may provide for the same lien priority and penalties for delinquent payment. All delinquent payments for assessments levied pursuant to this part shall be charged interest and penalties.
- 36632.** (a) The assessments levied on real property pursuant to this part shall be levied on the basis of the estimated benefit to the real property within the property and business improvement district. The city council may classify properties for purposes of

determining the benefit to property of the improvements and activities provided pursuant to this part.

- (b) Assessments levied on businesses pursuant to this part shall be levied on the basis of the estimated benefit to the businesses within the property and business improvement district. The city council may classify businesses for purposes of determining the benefit to the businesses of the improvements and activities provided pursuant to this part.
- (c) Properties zoned solely for residential use, or that are zoned for agricultural use, are conclusively presumed not to benefit from the improvements and service funded through these assessments, and shall not be subject to any assessment pursuant to this part.

36633. The validity of an assessment levied under this part shall not be contested in any action or proceeding unless the action or proceeding is commenced within 30 days after the resolution levying the assessment is adopted pursuant to Section 36626. Any appeal from a final judgment in an action or proceeding shall be perfected within 30 days after the entry of judgment.

36634. The city council may execute baseline service contracts that would establish levels of city services that would continue after a property and business improvement district has been formed.

36635. The owners' association may, at any time, request that the city council modify the management district plan. Any modification of the management district plan shall be made pursuant to this chapter.

36636. (a) Upon the written request of the owners' association, the city council may modify the management district plan after conducting one public hearing on the proposed modifications. The city council may modify the improvements and activities to be funded with the revenue derived from the levy of the assessments by adopting a resolution determining to make the modifications after holding a public hearing on the proposed modifications. If the modification includes the levy of a new or increased assessment, the city council shall comply with Section 36623. Notice of all other public meetings and public hearings pursuant to this section shall comply with both of the following:

- (1) The resolution of intention shall be published in a newspaper of general circulation in the city once at least seven days before the public meeting.
- (2) A complete copy of the resolution of intention shall be mailed by first class mail, at least 10 days before the public meeting, to each business owner or property owner affected by the proposed modification.

(b) The city council shall adopt a resolution of intention which states the proposed modification prior to the public hearing required by this section. The public hearing shall be held not more than 90 days after the adoption of the resolution of intention.

36637. Any subsequent modification of the resolution shall be reflected in subsequent notices and maps recorded pursuant to Division 4.5 (commencing with Section 3100), in a manner consistent with the provisions of Section 36627.

Financing

- 36640.** (a) The city council may, by resolution, determine and declare that bonds shall be issued to finance the estimated cost of some or all of the proposed improvements described in the resolution of formation adopted pursuant to Section 36625, if the resolution of formation adopted pursuant to that section provides for the issuance of bonds, under the Improvement Bond Act of 1915 (Division 10 (commencing with Section 8500)) or in conjunction with Marks-Roos Local Bond Pooling Act of 1985 (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code). Either act, as the case may be, shall govern the proceedings relating to the issuance of bonds, although proceedings under the Bond Act of 1915 may be modified by the city council as necessary to accommodate assessments levied upon business pursuant to this part.
- (b) The resolution adopted pursuant to subdivision (a) shall generally describe the proposed improvements specified in the resolution of formation adopted pursuant to Section 36625, set forth the estimated cost of those improvements, specify the number of annual installments and the fiscal years during which they are to be collected. The amount of debt service to retire the bonds shall not exceed the amount of revenue estimated to be raised from assessments over 30 years.
- (c) Notwithstanding any other provision of this part, assessments levied to pay the principal and interest on any bond issued pursuant to this section shall not be reduced or terminated if doing so would interfere with the timely retirement of the debt.

Governance

- 36650.** (a) The owners' association shall cause to be prepared a report for each fiscal year, except the first year, for which assessments are to be levied and collected to pay the costs of the improvements and activities described in the report. The owners' association's first report shall be due after the first year of operation of the district. The report may propose changes, including, but not limited to, the boundaries of the property and business improvement district or any benefit zones within the district, the basis and method of levying the assessments, and any changes in the classification of property, including any categories of business, if a classification is used.
- (b) The report shall be filed with the clerk and shall refer to the property and business improvement district by name, specify the fiscal year to which the report applies, and, with respect to that fiscal year, shall contain all of the following information:
- (1) Any proposed changes in the boundaries of the property and business improvement district or in any benefit zones or classification of property or businesses within the district.
 - (2) The improvements and activities to be provided for that fiscal year.
 - (3) An estimate of the cost of providing the improvements and the activities for that fiscal year.
 - (4) The method and basis of levying the assessment in sufficient detail to allow each real property or business owner, as appropriate, to estimate the amount of the assessment to be levied against his or her property or business for that fiscal year.
 - (5) The amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
 - (6) The amount of any contributions to be made from sources other than assessments levied pursuant to this part.

- (c) The city council may approve the report as filed by the owners' association or may modify any particular contained in the report and approve it as modified. Any modification shall be made pursuant to Sections 36635 and 36636. The city council shall not approve a change in the basis and method of levying assessments that would impair an authorized or executed contract to be paid from the revenues derived from the levy of assessments, including any commitment to pay principal and interest on any bonds issued on behalf of the district.

36651. The management district plan may, but is not required to, state that an owners' association will provide the improvements or activities described in the management district plan. If the management district plan designates an owners' association, the city shall contract with the designated nonprofit corporation to provide services.

Renewal

- 36660.** (a) Any district previously established whose term has expired, may be renewed by following the procedures for establishment as provided in this chapter.
- (b) Upon renewal, any remaining revenues derived from the levy of assessments, or any revenues derived from the sale of assets acquired with the revenues, shall be transferred to the renewed district. If the renewed district includes additional parcels or businesses not included in the prior district, the remaining revenues shall be spent to benefit only the parcels or businesses in the prior district. If the renewed district does not include parcels or businesses included in the prior district, the remaining revenues attributable to these parcels shall be refunded to the owners of these parcels or businesses.
- (c) Upon renewal, a district shall have a term not to exceed 10 years, or, if the district is authorized to issue bonds, until the maximum maturity of those bonds. There is no requirement that the boundaries, assessments, improvements, or activities of a renewed district be the same as the original or prior district.

Disestablishment

- 36670.** (a) Any district established or extended pursuant to the provisions of this part, where there is no indebtedness, outstanding and unpaid, incurred to accomplish any of the purposes of the district, may be disestablished by resolution by the city council in either of the following circumstances:
- (1) If the city council finds there has been misappropriation of funds, malfeasance, or a violation of law in connection with the management of the district, it shall notice a hearing on disestablishment.
- (2) During the operation of the district, there shall be a 30-day period each year in which assesses may request disestablishment of the district. The first such period shall begin one year after the date of establishment of the district and shall continue for 30 days. The next such 30-day period shall begin two years after the date of the establishment of the district. Each successive year of operation of the district shall have such a 30-day period. Upon the written petition of the owners of real property or of businesses in the area who pay 50 percent or more of the assessments levied, the city council shall pass a resolution of intention to disestablish the district. The city council shall notice a hearing on disestablishment.

- (b) The city council shall adopt a resolution of intention to disestablish the district prior to the public hearing required by this section. The resolution shall state the reason for the disestablishment, shall state the time and place of the public hearing, and shall contain a proposal to dispose of any assets acquired with the revenues of the assessments levied within the property and business improvement district. The notice of the hearing on disestablishment required by this section shall be given by mail to the property owner of each parcel or to the owner of each business subject to assessment in the district, as appropriate. The city shall conduct the public hearing not less than 30 days after mailing the notice to the property or business owners. The public hearing shall be held not more than 60 days after the adoption of the resolution of intention.

- 36671.** (a) Upon the disestablishment of a district, any remaining revenues, after all outstanding debts are paid, derived from the levy of assessments, or derived from the sale of assets acquired with the revenues, or from bond reserve or construction funds, shall be refunded to the owners of the property or businesses then located and operating within the district in which assessments were levied by applying the same method and basis that was used to calculate the assessments levied in the fiscal year in which the district is disestablished. All outstanding assessment revenue collected after disestablishment shall be spent on improvements and activities specified in the management district plan.
- (b) If the disestablishment occurs before an assessment is levied for the fiscal year, the method and basis that was used to calculate the assessments levied in the immediate prior fiscal year shall be used to calculate the amount of any refund.

**EL CAJON CDC
STAFF LIST
JULY 2010 - CURRENT**

Position	Name	FT	PT	Responsibilities	Monthly Salary	Hourly Wage	
President & Chief Executive Officer	Cindi Fargo	X		Direct CDC & Programs, Bus Recruit	\$ 6,666.67		✓ 80,000
Accounting & Human Resources Manager	Michelle Brown	X		Accounting, HR, Payroll	\$ 5,083.33		✓ 61,000
Accounting Assistant	Gale		X	Assist with accounting &	\$ 910.00	\$ 14.00	✓ 10,920
Resource Development, Marketing & Promotions Manager	Cole Davis	X		Promote DTEC & fund raise	\$ 3,833.33		✓ 46,000
Community & Economic Development Coordinator	Christina Burke	X		Direct & oversee NV & DRC/Fac/BR	\$ 3,833.33		✓ 46,000
Urban Improvement Manager	Bob Hutton	X		Direct C&S/Cont Serv program	\$ 3,067.31		✓ 36,807
Special Events Associate	Kathryn Courter	X		Plan & Oversee all Spec evnts	\$ 3,000.00		✓ 36,000
** Resource Development Associate	Kellye Buchanan	X		Support Mktg & Promo Mgr	\$ 3,000.40	\$ 17.31	**Term 12/3 36,000
Community & Economic Development Associate	Rebecca Reyes	X		Oversee NV cleanups & U Art, Support BR, DRC, FAC	\$ 2,916.67		✓ 35,000
Community & Economic Development Assistant	Erica Nagy	X		Support NV cleanups & U Art	\$ 2,666.67		✓ 32,000
Community & Economic Development Assistant	Henry Canizales	X		Support NV cleanups & U Art, BR, DRC, FAC	\$ 2,666.67		32,000
Downtown Resource Assistant - Unpaid Intern	Sarah Miralles		X	Support DT Merchants	\$ -	\$ -	
Administrative Assistant	Karlee Thayer	X		CEO & Program support	\$ 2,166.67	\$ 12.50	26,000
Receptionist	Isabella Figueroa		X	Minimal CEO & Program	\$ 1,473.33	\$ 8.50	17,680
Clean & Safe Ambassador	Brenda Brooks	X		Trash abatement, Visitor & merchant assistance	\$ 2,426.67	\$ 14.00	29,000
Clean & Safe Technician	Cory Childers	X		Trash abatement, Spec Evnt assistance	\$ 1,560.00	\$ 9.00	18,720

*****New Hires**

Clean & Safe Ambassador	Adam Paul	x		Trash abatement, Visitor & merchant assistance	1936	\$ 11.00	*Hired 11/23/32
Clean & Safe Ambassador	Andrea Simpkin			Trash abatement, Visitor & merchant assistance	2024	\$ 11.50	*Hired 11/24/38

\$584,647

**EL CAJON CDC
STAFF LIST
2009-10**

Position	Name	FT	PT	Responsibilities	Total FY 2008-09 Compensation
President & Chief Executive Officer	Claire Carpenter	X		Direct CDC & Programs, Bus Recruit	\$ 98,683.86
Finance & Human Resources Manager	Michelle Brown	X		Accounting, HR, Payroll	\$ 55,142.98
Resource Development Manager	Robert Argylan	X		Promote DTEC & fund raise	\$ 37,827.12
Resource Development Manager	Robert Christianson	X		Promote DTEC & fund raise	\$ 3,961.33
Community Development Coordinator	Christina Burke	X		Direct & oversee NV, U Art & Fin Lit	\$ 42,135.00
Economic Development Coordinator	Edith Saldivar	X		Direct & oversee DRC/Fac/BR	\$ 40,487.40
Clear & Safe Manager	Ron Seguin	X		Direct C&S/Cont Serv program	\$ 45,832.74
Housing Coordinator	Dan Tomasi	X		CHDO affordable housing projects	\$ 45,719.75
Graphic Designer	Christy Clevenge	X		Off Mgr, IT coordination &	\$ 37,798.06
Community Development Intern	Rebecca Reyes		X	Support BR, DRC, FAC	\$ 2,100.00
Database Administrator	Jena Miller		X	Support Mktg & Promo Mgr	\$ 4,704.00
Resource Development Assistant	Kellye Buchanan	X		Support Mktg & Promo Mgr	\$ 18,331.50
Receptionist/Database Manager	Kellye Buchanan	X		Support Mktg - Data Base	\$ 22,220.39
Receptionist	Doris Labie		X	Minimal CEO & Program support	\$ 3,433.50
Receptionist	Marsha Knox		X	Minimal CEO & Program support	\$ 1,333.88
Marketing Intern	Cole Davis		X	Support Mktg & Promo Mgr	\$ 2,730.00
Accounting Assistant	Theresa Rittenhouse		X	Assist with accounting & payroll	\$ 2,320.50
Special Events Assistant	Lori Cartmill	X		Support with all Spec Events	\$ 24,934.75
Special Events Assistant	Caroline Cassino	X		Support with all Spec Events	\$ 21,421.38
Special Events Assistant	Brady Robertson	X		Support with all Spec Events	\$ 20,932.41
Special Events Assistant	Kathryn Courter		X	Support with all Spec Events	\$ 11,472.80
Special Events Assistant	Michael Schell		X	Support with all Spec Events	\$ 4,383.75
Ambassador/Technician	Lucian Zukowski		X	Trash abatement, Spec Evnt assistance	\$ 15,193.78
Ambassador	Brenda Brooks	X		Trash abatement, Visitor & merchant assistance	\$ 23,822.25
Ambassador	Jose Castro		X	Trash abatement, Visitor & merchant assistance	\$ 13,324.00
Ambassador	Harry Price		X	Trash abatement, Visitor & merchant assistance	\$ 8,011.50

608,258

**EL CAJON CDC
STAFF LIST**

S.T. 608,258

Ambassador	Nova Fugate		X	Trash abatement, Visitor & merchant assistance	\$ 6,604.00
Ambassador	Robert Breedlove		X	Trash abatement, Visitor & merchant assistance	\$ 4,273.88
Technician	Simon Barnes	X		Trash abatement, Spec Evnt assistance	\$ 20,799.97
Technican	Tim Johnson		X	Trash abatement, Spec Evnt assistance, power washing	\$ 1,233.83
Technician	Dan Foley		X	Trash abatement, Spec Evnt assistance, power washing	\$ 52.25

32,963.93

31

641,221.93

DOWNTOWN EL CAJON
PROPERTY BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT DISTRICT PLAN

*Formed Under California Streets and Highway Code Section 36600
Property Business Improvement District Act of 1994*

FINAL PLAN

SUBMITTED TO:

THE EL CAJON COMMUNITY DEVELOPMENT CORPORATION
P.B.I.D. RENEWAL STEERING COMMITTEE

THE CITY OF EL CAJON REDEVELOPMENT AGENCY
MAYOR AND CITY COUNCIL OF EL CAJON

PRESENTED BY:

MARCO LI MANDRI, NEW CITY AMERICA INC.

APRIL 28, 2006

DOWNTOWN EL CAJON PROPERTY BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT DISTRICT PLAN
FINAL PLAN – APRIL 2006

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PART I

EXECUTIVE SUMMARY DOWNTOWN EL CAJON MANAGEMENT DISTRICT PLAN – FINAL PLAN

Statement of Purpose

Since January 1997, Downtown El Cajon property owners have assessed themselves to fund enhanced services related to a Property Business Improvement District (PBID). The function of this District is to provide special benefit services over and above the standard baseline level of services provided through general funds from the City of El Cajon. The District is now coming to the end of the second phase of its legislatively authorized life; it is the desire of leading property owners to continue the services currently funded by the District.

This time around, the third renewal effort for this successful District, the PBID Renewal Steering Committee is recommending that the new term run for another five years. Therefore, the new District would commence on January 1, 2007 and sunset on December 31st 2011. The District has demonstrated its strong support among affected property owners throughout the past nine years.

In October 2005, the El Cajon Community Development Corporation, the Management Corporation for District property owners paying into the District, hired New City America to provide technical support for the re-certification of this Plan. The Plan represents the work of the property owners organized through the "Re-certification Task Force" as established by the El Cajon CDC. The changes in this re-certified Plan, relative to the previous Plan are as follows:

The new Management District Plan continues to divide the District into three benefit zones. These zones are established based upon their geographic proximity to the core area at Main and Magnolia and the services that will be funded. In addition to the three benefit zones, a "condo assessment" "row home" or single-family unit assessment will be levied, in a flat annual assessment, for all three benefit zones. The condo/housing assessment will ensure that as new parcels are added to the District, that special benefit services will be funded that can serve to mitigate the new demands for seven day per week services required by the residents in the public rights of way in the District.

THE RENEWAL COMMITTEE HAS AGREED TO KEEP THE ASSESSMENT COSTS, PER PROPERTY VARIABLE AND BENEFIT ZONE, AT THE 2005 ASSESSMENT DISTRICT LEVEL, THEREFORE WITH NO INCREASE UNTIL FISCAL YEAR 2007 – 2008.

PROPERTY VARIABLES TO BE ASSESSED:

Five property variables will be used to fund the special benefit services of the District. Those variables will include: 1) benefit zone, 2) lot or parcel size, 3) building footprint (1st floor only), 4) linear frontage, 5) single family units. By law, the District can only fund *special benefits*, not general benefit services.

TERM OF THE RENEWED DISTRICT:

The District shall remain in place for five years with provisions for annual CPI adjustments as well as annual disestablishments procedures.

ANNUAL BUDGET:

The annual first year budget is approximately \$ 639,829.00

BENEFIT ZONES:

As before, there shall be three benefit zones in the District.

For Zone 1 parcels:

- Frontage costs will be \$ 3.80 per linear front foot (current 2005 assessment level)
- Building "footprint" square foot costs will be \$0.135 per square foot, (current 2005 assessment level)
- Lot size costs will be \$.0578 per square foot, (current 2005 assessment level)
- A single family unit cost of \$ 240.00 per unit per year

For Zone 2 parcels:

- Frontage costs will be \$1.26 per linear front foot; (current 2005 assessment level)
- Building footprint square foot costs will be \$0.135 per square foot, (current 2005 assessment level)
- Lot size costs will be \$.0578 per square foot, (current 2005 assessment level)
- A single family unit cost of \$ 160.00 per unit per year

Zone 3 Parcels:

- Zone 3 parcels will *not* pay on the basis of building footprint, as in Zones 1 and 2, since they will be receiving reduced services. For example, the physical proximity of Zone 3 properties to the core of the District reduces the impact of some marketing, special events, sidewalk maintenance, promotions and other related activities. Zone 3 will receive the same frequency in services such as banners, litter abatement, security, directory and web site listings, etc. Zone 3 properties, since they receive a lower level of service will pay the following:
 - Frontage costs will be \$ 3.80 per linear front foot (current 2005 assessment level)
 - Lot size costs will be \$.0578 per square foot, (current 2005 assessment level)
 - A single family unit cost of \$120.00 per unit, which is 50% the single family rate of Benefit Zone 1 single family units

ANNUAL COSTS:

There are 421 parcels and 231 property owners in the renewed District. The first year annual costs are as follows:

The costs for property variables for the renewed Downtown El Cajon PBID will be as follows:

TABLE I – A: ANNUAL COSTS PER BENEFIT ZONE

<i>Benefit Zone</i>	<i>Lot Size First Year Costs</i>	<i>Linear Frontage First Year Costs</i>	<i>Building Footprint First Year Costs</i>
1	\$0.0578	\$ 3.80	\$0.135
2	\$0.0578	\$ 1.26	\$0.135
3	\$0.0578	\$3.80	00

In addition, a residential component has been added to this Plan to provide enhanced services to the residents that are anticipated to use the public rights of way seven days per week. Condo owners, as well as single-family residential uses, would pay a flat fee, which would underwrite seven days per week services in the public rights of way. Their use of the District is qualitatively different than retail, professional or institutional.

TABLE I – B: ANNUAL COSTS PER BENEFIT ZONE

CONDO UNITS, ROW HOMES AND SINGLE-FAMILY UNITS
TO BE ASSESSED AT AN ANNUAL RATE AS FOLLOWS:

<i>Benefit Zone 1</i>	<i>Benefit Zone 2</i>	<i>Benefit Zone 3</i>
\$ 240 per year	\$ 160 per year	\$ 120 per year

Any single-family residence/condo/row home that is assessed a flat fee, based upon its benefit zone, will not be assessed for linear frontage, lot size or building square footage. The flat assessment per unit will replace the multi-variable assessment on that specific single family land use.

- The assessments generated from the four property variables are as follows:
 - a. \$392,357.47 annually from total lot size in all three zones
 - b. \$98,138.23 annually from total linear frontage in all three zones
 - c. \$127,813.28 annually from building footprint square footage in Zones 1 and Zone 2
 - d. \$ 21,520.00 from Condo, row homes or single family residents in all 3 zones

ANNUAL ADJUSTMENTS:

It is recommended that the annual increase authority be maintained at a maximum of 5%. This decision would be up to the Management corporation Board of Directors and should be based upon the Consumer Price Index for the County of San Diego or increased costs to provide the special benefit services (workers comp costs, labor, gasoline, etc.)

Part II

ADDRESS SERIES, GENERAL STREET BOUNDARIES

LOCATION: In general, the District includes all private and public parcels within the following boundaries:

- Magnolia between the freeway and Lexington
- Main, between the freeway (MTS station on south side only) and Lincoln
- Douglas between Claydelle and El Cajon Blvd.
- Avocado, between Lexington and Main
- Park, between Avocado and Magnolia
- Madison, between Graves and Chambers
- Marshall between Main and the end of the MTS/Trolley site (west side only, MTS station)

TABLE II - A

<i>Street</i>	<i>Address Series</i>
Avocado	131 – 230
Ballantyne	146 – 306
Claydelle	151 – 211
E. Douglas	190 – 275
W. Douglas	100 – 450
Highland	311
E. Lexington	109 – 343
W. Lexington	119 – 338
E. Madison	112 – 126
W. Madison	150 – 407
N. Magnolia	110 – 531
S. Magnolia	131 – 314
S. Marshall	166 – 398
E. Main	101 – 689
W. Main	194 – 1133
Montrose	550 – 555
S. Orange	132 – 148
E. Park	117 – 353
W. Park	140 – 164
Prescott	309
Rea	105 – 181
Richardson Ave.	104
Richfield	101
Roanoke Rd.	130
S. Sunshine	151
Van Houten	151 – 321
Wells	166 – 389

2. MAP OF THE DISTRICT, DESCRIPTION OF BOUNDARIES

Please see map attached at the end of The Plan, Appendix A.

PART III

WORK PLAN AND BUDGET

SERVICES:

The following services have been identified by the Downtown El Cajon PBID Renewal Steering committee as the top priorities for the District:

A. SIDEWALK OPERATIONS, BEAUTIFICATION, AND ORDER: (SOBO) Examples include but are not limited to:

CLEAN AND SAFE SERVICES: (Examples include, but are not limited to)

- Regular sidewalk and gutter sweeping
- Periodic sidewalk steam cleaning
- Spot steam cleaning as necessary.
- Safe passage programs for visitors and employees
- Minor security services
- Ambassador program
- Beautification
- Enhanced trash emptying in the public rights of way
- Removal of bulky items
- Graffiti removal, within 48 hours
- Installation and maintenance of banners and/or decorations
- Work with City on parking issues
- Tree and Plant maintenance and Planting
- Equipment, supplies, tools
- Vehicle maintenance and insurance
- Maintenance personnel and supervisor costs

B. DISTRICT IDENTITY AND STREETScape IMPROVEMENTS (D.I.S.I.) Examples include, but are not limited to:

MARKETING AND PROMOTIONS: (Examples include, but are not limited to)

- Special events
- Web site
- Holiday decorations
- Pedestrian kiosks and way-finding signage system
- Enhanced beautification, flower pots on street lights
- Marketing and promotions
- Walking map
- Public space development and maintenance
- Historical markers and public art

C. ADMINISTRATION, MANAGEMENT AND CORPORATE OPERATIONS (Examples include, but are not limited to):

- Staff and administrative costs
- Insurance
- Office related expenses
- Financial reporting
- Developing Parking strategies with the City
- Communications

D. CONTINGENCY/RESERVE (Examples include, but are not limited to):

- Delinquencies
- City and County costs
- Reserves

FIRST YEAR ANNUAL BUDGET OF RENEWED DOWNTOWN EL CAJON P.B.I.D.:

A P.B.I.D. is a practical "pay as you go" funding tool which allows property owners in a given designated area to be assessed, as part of the property tax collection process, to pay for supplemental or "special benefit services". These special services are those which are not normally provided by the City of El Cajon. PBIDs are often associated with very visible and tangible program elements that, in turn, can produce very significant changes in the character and image of the District.

The service Plan budget has been developed to provide the services identified as the highest priorities to the stakeholders in Downtown El Cajon. The initial annual operating budget for the first year of the renewed District will be approximately \$ 639,829.00. A breakdown of this budget is included in the table below.

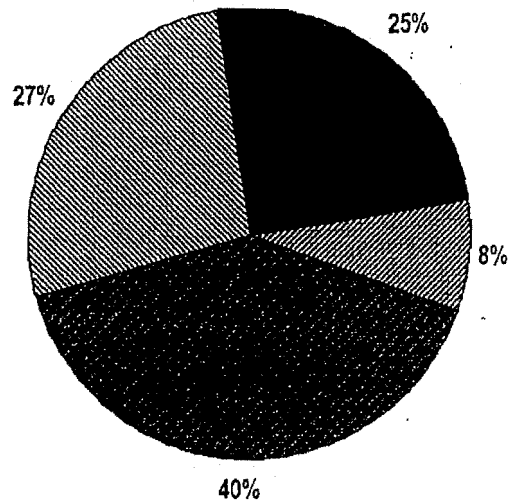
TABLE III – A: FIRST YEAR PBID BUDGET

<i>Special Benefit to be funded</i>	<i>% of 1st year budget</i>	<i>Annual first year costs</i>
Sidewalk Operations, Beautification and Order	40%	\$ 255,900.00
(Clean and Safe)		
District Identity and Streetscape Improvements (DISI)	27%	\$ 172,750.00
(Marketing and Promotions)		
Administrative, Management and Corporate operations	25%	\$ 160,000.00
Contingency/Reserve	8%	\$ 51,179.00
Total First Year Budget	100%	\$ 639,829.00

Issuance of Bonds or Debt Service:

No bonds or related bond indebtedness will be issued by or for this District.

Downtown El Cajon
PROPERTY BUSINESS IMPROVEMENT DISTRICT
Projected Budget



- Public Rights of Way & Sidewalk \$255,900.00
- ▨ District Identity & Streetscape Improvements \$172,750.00
- Administrative/Corp. Operations \$160,000.00
- ▨ Contingency/Reserve \$51,179.00

2007 Total: \$639,829.00

Part IV

ASSESSMENT METHODOLOGY TO FUND THE SPECIAL BENEFITS FOR THE DOWNTOWN EL CAJON P.B.I.D.

METHOD OF FINANCING:

This method of financing special benefit services is based upon the levy of assessments on real property that benefits from the proposed improvements and activities. This represents a "Benefit Assessment District" as defined in the California Streets and Highway Code. Assessed valuation cannot be used as the basis for special benefits assessments due to the introduction of Proposition 13 into the state constitution in 1978. There are at least five basic factors that may be used in determining assessments.

Five property variables will be used to fund the special benefit services of the Downtown El Cajon PBID. Those variables include:

- 1) The location of the benefiting parcel in one of the three benefit zones
- 2) The lot or parcel size
- 3) The building footprint (1st floor building square footage only)
- 4) The linear frontage on all sides of the parcel
- 5) Any single-family unit (house, row homes or condo). The levy of the assessment for A single-family land use (home, condo, row homes) will replace the assessment based upon a multi-variable assessment

By law, the District can only fund *special benefits*, not general benefit services.

PBID assessments would be collected annually by the San Diego County tax assessor and would appear as a line item on the annual property tax bills. The assessments are collected by the County and transferred to the City of El Cajon. They are then transferred directly to the Downtown El Cajon CDC which will serve in the capacity of the District Management Corporation. The funds are then allocated consistent with the previously agreed upon programs in the Management District Plan.

TABLE IV - A: PROPERTY VARIABLES IN ENTIRE PBID

Total Gross Downtown El Cajon PBID Property Variables

<i>Property Variables</i>	<i>Total in District</i>
Lot Size	6,788,192 square feet
Building Size (1 st floor only)	948,160 square feet
Linear Feet	30,248 linear feet

BENEFIT ZONES:

There shall be three benefit zones in the Downtown El Cajon PBID.

For Zone 1 parcels:

- Frontage costs will be \$ 3.80 per linear front foot (current 2005 assessment level),
- Building "footprint" square foot costs will be \$0.135 per square foot, (current 2005 assessment level);
- Lot size costs will be \$.0578 per square foot, (current 2005 assessment level);
- A single family unit cost of \$ 240.00 per unit per year;

For Zone 2 parcels:

- Frontage costs will be \$1.26 per linear front foot; (current 2005 assessment level),
- Building footprint square foot costs will be \$0.135 per square foot, (current 2005 assessment level);
- Lot size costs will be \$.0578 per square foot, (current 2005 assessment level);
- A single-family unit cost of \$ 160.00 per unit per year;

Zone 3 Parcels:

- Zone 3 parcels will *not* pay on the basis of building footprint, as in Zones 1 and 2, since they will be receiving reduced services. For example, the physical proximity of Zone 3 properties to the core of the District reduces the impact of some marketing, special events, sidewalk maintenance, promotions and other related activities. Zone 3 will receive the same frequency in services such as banners, litter abatement, security, directory and web site listings, etc. Zone 3 properties, since they receive a lower level of service, will pay the following:
 - Frontage costs will be \$ 3.80 per linear front foot (current 2005 assessment level),
 - Lot size costs will be \$.0578 per square foot, (current 2005 assessment level)
 - A single family unit cost of \$120.00 per unit, which is 50% the single family rate of Benefit Zone 1 single-family units.

Therefore the costs for the renewed Downtown El Cajon PBID would be as follows:

TABLE IV – B: ANNUAL COSTS PER BENEFIT ZONE

<i>Benefit Zone</i>	<i>Lot Size First Year Costs</i>	<i>Linear Frontage First Year Costs</i>	<i>Building Footprint First Year Costs</i>
1	\$0.0578	\$ 3.80	\$0.135
2	\$0.0578	\$ 1.26	\$0.135
3	\$0.0578	\$3.80	00

Condo owners, as well as single-family residential uses, would pay a flat fee, which would underwrite seven days per week services in the public rights of way. Their use of the District is qualitatively different than retail, professional or institutional.

Condo units, row homes and single-family units to be assessed at an annual rate as follows:

TABLE IV – C: ANNUAL COSTS PER RESIDENTIAL UNIT PER BENEFIT ZONE

<i>Benefit Zone 1</i>	<i>Benefit Zone 2</i>	<i>Benefit Zone 3</i>
\$ 240 per year	\$ 160 per year	\$ 120 per year

Any single-family residence/condo/row home that is assessed a flat fee, based upon its benefit zone, will not be assessed for linear frontage, lot size or building square footage. The flat assessment per unit will replace the multi-variable assessment on that specific single-family land use.

- The assessments generated from the four property variables are as follows:
 - a. \$392,357.47 annually from total lot size in all three zones;
 - b. \$98,138.23 annually from total linear frontage in all three zones;
 - c. \$127,813.28 annually from building footprint square footage in Zones 1 and Zone 2;
 - d. \$21,520.00 from Condo, row homes or single-family residents in all 3 zones;

Annual Adjustments:

The Board will be given the option to increase the assessments annually based upon the San Diego County regional CPI indicator or by an amount not to exceed 5% from the previous year's assessments.

The City Council, by law, cannot initiate such adjustments; provisions to allow for such adjustments must be included in this Management District Plan. The Downtown El Cajon PBID Management Corporation Board shall notify the El Cajon City Council on an annual basis as to whether or not any adjustments to the current year's assessment rates will be made.

The Board of the Downtown El Cajon Management Corporation, or El Cajon Community Development Corporation, shall have the right to shift allocations within the four categories as they feel appropriate and as long as it remains consistent with the intent of The Plan. The Board shall also have the right to shift up to 10% per year from category to category as needs change with the priorities of special benefits.

Part V

RELEVANT ENABLING LEGISLATION – SECTION 36600 OF THE CALIFORNIA STREETS AND HIGHWAY CODE

The relevant enabling PBID legislation, which allows the property owners of the Downtown El Cajon PBID to fund these special benefit services, is to be found in...

- Section 36600 of the California Streets and Highway Code known as the Property Business Improvement District Law of 1994 (amended with AB 944, 2004).

The original version of the PBID has been amended a number of times since its adoption in 1994. The change within the law that has occurred since the last District formation is the establishment of an "Owner's Association". This Association will be a private, non-profit entity that will contract with the City to manage the PBID. In this case, that existing Management Corporation is the El Cajon CDC.

Furthermore, the Management Corporation is now subject to the Brown Act (Ca. Government Code Sections 54950 et seq.) and the California Public Records Act (Cal Government Code Sections 6250 et seq.). However, the Association will not be considered as a public entity for any other purpose. Similarly, any board members or staff will not be considered public officials.

Under the amended law, all property owners who do not pay assessments will be subject to penalties for delinquent payments. The amended statute also provides provisions for renewal of the PBID. If the PBID is renewed after its first term (up to five years), the funds from the prior District may be used in the renewed District only for the benefit of the parcels within the boundaries of the prior District. If no parcels from the prior District are within the renewed District, the funds must be returned to the property owners. Also, upon renewal, a District may be renewed for up to ten years.

The overriding legislation regulating the creation of property based "special benefit" assessment Districts is Proposition 218 (Article XIII D of the state constitution). The State Constitution states, in Section 4 (a):

"No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional benefit conferred on that parcel. Only special benefits are assessable, and an agency must separate the general benefits from the special benefits conferred on a parcel."

FORMATION:

- District formation, as outlined in the PBID law, requires submittal of petitions from property owners representing at least 50% of the total assessments as outlined in the Management District Plan. In this Plan, a minimum of \$ 321,047 in petition support will be required to trigger the balloting process.
- This petition endorses the special benefit services and individual costs and demonstrates that the District should move to the constitutionally mandated assessment balloting proceeding phase. Once the necessary threshold of petitions have been collected, the Management District Plan will then be submitted to the City to begin processing the public hearing. With the adoption of an ordinance of intention, the City Council will authorize the City Clerk to send out the mail ballots to all affected property owners to determine their support for the establishment of the District.
- The "Right to Vote on Taxes Act" (Proposition 218) requires that more than 50% of the ballots received, weighted by assessment, be in support of the establishment of the District.
- When all is said and done, the first assessments should be collected with the annual property tax bill in December 2006 with the Management Corporation receiving its first installment payment in January 2007.

DURATION:

- Pursuant to State Law, the District will have a set term. The proposed District will have a five-year life commencing January 1, 2007. After five years, the petition process must be repeated for the District to be re-certified.

TIME LINE AS SPECIFIED BY LAW:

The District must be established to take advantage of the County's tax assessment notification schedule. Mindful of that, all Districts must be established by the end of July in any calendar year, in order to have assessments levied on parcels for the upcoming fiscal year. In our case, the District must be established through an assessment ballot proceeding in late July, in order to notify the County in time for the 2006-07 fiscal tax year. The first assessments would then appear on the property tax statements due in December 2006. In order to take advantage of this schedule, as well as to generate revenues in early 2007, the following time line has been adopted to ensure timely funding of special benefit programs:

TABLE V - A

<i>Date must be completed by</i>	<i>Task to be completed</i>
March	Finalize Management District Plan including special benefit services to be provided, duration of District, boundaries, benefit zones, assessment methodology, administration, etc. Initiate petition drive
April 30 th	Petitions endorsing Management District Plan representing a minimum of 50% of the weighted assessments are submitted to the City
May	City docket Resolution of Intent to form the District
June	Ballots are mailed out by City Clerk with a pre-determined public hearing date set for counting the ballots
July	Property owners have a minimum of 45 days to return their signed mail ballots prior to a public hearing date. Public hearing held, ballots counted. Weighted return ballots determine if the District is formed. When weighted majority of returned ballots demonstrate support for the formation of the District, the Council approves a resolution establishing the District and voting to levy the assessments on the affected parcels consistent with the Management District Plan.
December	First assessments due with property tax bills
January 2007	Renewed PBID assessments transferred from the City of El Cajon to the Downtown El Cajon CDC, Management Corp.

PART VI

ENGINEER'S REPORT, EXEMPTIONS, ANNUAL ASSESSMENT INCREASES AND THE DURATION OF THE DISTRICT

A. Assessment Methodology

Property owners in Downtown El Cajon have emphasized that an assessment formula for a PBID be fair, balanced and commensurate with special benefits received.

NEW CITY AMERICA has contracted with Ed Henning and Associates to come up with a Plan that has been certified by a licensed engineer.

In preparing the engineer's report for the Downtown El Cajon stakeholders, the engineer concluded that the special benefit to each parcel was found to be proportional to the property variable and their apportionment.

An Engineer's report for the PBID is provided in the Appendix.

B. Time and Manner for Collecting Assessments:

As provided by state law, the Downtown El Cajon Property Business Improvement District will appear as a separate line item on the annual property tax bills prepared by the County of San Diego. Property tax bills are generally distributed in the Fall and payment is expected by lump sum or in two installments. The County of San Diego shall distribute the assessments to the City who will, in turn, forward them to the designated Management Corporation pursuant to the authorization of this Plan. Existing laws for enforcement of property taxes apply to the Management District assessments.

The assessments shall be collected at the same time and in the same manner as for any possessory interest tax paid to the County of San Diego. These assessments shall provide for the same lien priority and penalties for delinquent payment as is provided for the possessory interest tax.

The "property owner" of the possessory interest shall be any person as the owner/taxpayer on the last equalized possessory interest assessment roll or otherwise known to be the owner/taxpayer by the City Council. The City Council has no obligation to obtain other information as to the ownership of the interest, and its determination of ownership shall be final and conclusive for the purposes of this District.

C. Publicly Owned Parcels and Government Assessments:

The Downtown El Cajon PBID Steering Committee assumes that the City of El Cajon, the City Redevelopment Agency, the County of San Diego, the State of California and any other publicly owned parcels will pay assessments for the special benefits conferred upon government-owned property within the boundaries of the PBID.

Article XIII D of the California Constitution, (Proposition 218), explains the basis for assessing publicly owned parcels:

"Parcels within a District that are owned or used by any agency, the State of California or the United States shall not be exempt from Assessments unless the agency can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit."

Part VII

DISTRICT GOVERNANCE OF THE DOWNTOWN EL CAJON P.B.I.D., DESIGNATION OF THE MANAGEMENT CORPORATION

The El Cajon Community Development Corporation (CDC), which has successfully represented property and business owners in the PBID for the past 5 years, will serve in the capacity of the "Owners Association" or Management Corporation for this renewed PBID.

A few rules and regulations should be considered by the Downtown El Cajon P.B.I.D. Management Corporation in the administration of the District.

- *Conflict of Interest:*

Any stakeholder who serves on the administering corporation's Board of Directors shall recuse himself or herself from any vote in which a potential conflict of interest is apparent. Such potential conflicts include, but are not limited to, prioritizing capital improvement projects which result in special benefit to specific property owners, prioritization of services to benefit a particular owner or group of owners, hiring or selecting the relatives of Board members, etc.

In addition, the Management Corporation shall aim to meet the following operational objectives for the District:

- ▮ *Create and manage programs that best respond to the top priorities of District property owners*
- ▮ *Maximize coordination of the City government to avoid duplication of services and to leverage resources*
- ▮ *Deliver services through a cost-effective, non-bureaucratic and easy-to-access organizational structure*
- ▮ *Provide accountability and responsiveness to those who pay through open access to Board meetings, elections to the Board and Board records*

APPENDIX A
MAP OF THE DISTRICT

APPENDIX B

FIVE-YEAR PROJECTION OF THE ASSESSMENTS ASSUMING THE MAXIMUM ANNUAL INCREASE

FIVE-YEAR PROJECTION OF THE ASSESSMENTS ASSUMING THE MAXIMUM ANNUAL INCREASE

Projected Budget	2007	5%	2008	5%	2009	5%	2010	5%	2011
Public Rights of Way & Sidewalk Operations/Beautification	\$255,900.00	\$12,795.00	\$268,695.00	\$13,434.75	\$282,129.75	\$14,106.49	\$296,236.24	\$14,811.81	\$311,048.05
District Identity & Streetscape Improvements	\$172,750.00	\$8,637.50	\$181,387.50	\$9,069.38	\$190,456.88	\$9,522.84	\$199,979.72	\$9,998.99	\$209,978.70
Administrative/Corporate Operations	\$160,000.00	\$8,000.00	\$168,000.00	\$8,400.00	\$176,400.00	\$8,820.00	\$185,220.00	\$9,261.00	\$194,481.00
Contingency/Reserve	\$51,179.00	\$2,558.95	\$53,737.95	\$2,686.90	\$56,424.85	\$2,821.24	\$59,246.09	\$2,962.30	\$62,208.39
Total	\$639,829.00	\$31,991.45	\$671,820.45	\$33,591.02	\$705,411.47	\$35,270.57	\$740,682.05	\$37,034.10	\$777,716.15

APPENDIX C

LIST OF PARCELS INCLUDED IN THE DISTRICT

LIST OF ASSESSED PARCELS

	\$ 78,208.81	487 192 54 00	\$ 2,047.89	487 341 05 00	\$ 4,639.68
482 282 03 00	\$ 961.12	487 192 55 00	\$ 3,070.53	487 342 06 00	\$ 2,467.54
482 283 05 00	\$ 1,805.26	487 192 56 00	\$ 3,130.67	487 351 13 00	\$ 850.36
482 283 06 00	\$ 1,437.00	487 262 04 00	\$ 3,752.18	487 351 18 00	\$ 1,256.11
482 283 08 00	\$ 1,225.95	487 262 09 00	\$ 1,068.61	488 010 13 00	\$ 679.79
482 283 09 00	\$ 1,431.64	487 273 06 00	\$ 5,218.96	488 010 23 00	\$ 542.46
482 301 03 00	\$ 2,317.69	487 281 28 00	\$ 1,339.28	488 010 24 00	\$ 1,542.19
482 301 05 00	\$ 2,204.45	487 281 31 00	\$ 465.59	488 010 25 00	\$ 3,376.38
482 301 06 00	\$ 1,974.26	487 281 32 00	\$ 451.22	488 010 27 00	\$ 2,049.15
482 301 10 00	\$ 8,187.52	487 281 33 00	\$ 403.32	488 010 36 00	\$ 2,382.46
482 301 11 00	\$ 4,824.36	487 282 27 00	\$ 451.22	488 010 38 00	\$ 2,024.04
482 302 01 00	\$ 2,589.88	487 282 28 00	\$ 451.22	488 010 40 00	\$ 2,910.71
482 302 02 00	\$ 2,372.34	487 282 29 00	\$ 460.72	488 040 02 00	\$ 1,493.67
482 302 06 00	\$ 1,361.09	487 282 31 00	\$ 403.32	488 040 07 00	\$ 3,226.28
483 330 22 00	\$ 1,263.40	487 282 32 00	\$ 446.43	488 040 08 00	\$ 4,865.69
483 330 31 00	\$ 1,807.33	487 282 33 00	\$ 888.86	488 040 11 00	\$ 10,043.75
483 330 32 00	\$ 802.14	487 301 25 00	\$ 1,025.92	488 040 13 00	\$ 14,383.35
483 330 33 00	\$ 647.74	487 301 26 00	\$ 458.88	488 040 14 00	\$ 5,645.72
483 330 34 00	\$ 2,545.09	487 301 27 00	\$ 458.88	488 072 04 00	\$ 1,880.25
487 121 24 00	\$ 9,229.90	487 301 30 00	\$ 721.72	488 072 07 00	\$ 932.86
487 121 25 00	\$ 2,741.66	487 302 29 00	\$ 1,235.92	488 072 24 00	\$ 2,345.66
487 121 41 00	\$ 1,760.71	487 302 31 00	\$ 1,948.34	488 072 30 00	\$ 1,133.90
487 121 50 00	\$ 1,861.89	487 321 11 00	\$ 832.90	488 072 31 00	\$ 533.91
487 121 76 00	\$ 3,970.14	487 321 12 00	\$ 835.34	488 072 32 00	\$ 1,547.18
487 121 92 00	\$ 4,806.45	487 321 27 00	\$ 3,388.91	488 072 33 00	\$ 2,012.31
487 122 40 00	\$ 4,513.11	487 321 29 00	\$ 816.42	488 072 37 00	\$ 758.79
487 122 48 00	\$ 4,476.21	487 321 30 00	\$ 651.62	488 081 19 00	\$ 1,557.54
487 122 49 00	\$ 4,790.60	487 321 31 00	\$ 764.98	488 082 07 00	\$ 993.25
487 160 04 00	\$ 4,602.60	487 321 33 00	\$ 2,538.35	488 082 08 00	\$ 605.67
487 160 05 00	\$ 768.00	487 321 34 00	\$ 1,969.99	488 082 09 00	\$ 844.35
487 160 07 00	\$ 2,709.16	487 331 01 00	\$ 983.36	488 082 10 00	\$ 352.00
487 171 37 00	\$ 2,772.28	487 331 02 00	\$ 912.89	488 082 11 00	\$ 352.00
487 171 38 00	\$ 4,835.11	487 331 03 00	\$ 800.54	488 082 12 00	\$ 1,211.33
487 171 47 00	\$ 2,428.27	487 331 04 00	\$ 278.31	488 082 18 00	\$ 3,798.42
487 171 50 00	\$ 4,441.53	487 331 05 00	\$ 3,527.78	488 083 01 00	\$ 1,395.05
487 172 22 00	\$ 2,788.28	487 331 08 00	\$ 536.38	488 083 02 00	\$ 941.97
487 172 27 00	\$ 1,374.99	487 331 09 00	\$ 1,560.43	488 083 03 00	\$ 767.60
487 172 49 00	\$ 2,361.12	487 331 19 00	\$ 1,649.57	488 083 04 00	\$ 352.00
487 172 67 00	\$ 1,717.69	487 331 22 00	\$ 2,685.42	488 083 05 00	\$ 824.50
487 172 70 00	\$ 2,016.72	487 331 23 00	\$ 1,086.63	488 083 06 00	\$ 352.00
487 172 75 00	\$ 3,721.36	487 331 24 00	\$ 1,843.91	488 083 07 00	\$ 704.00
487 173 37 00	\$ 2,103.54	487 331 25 00	\$ 1,980.18	488 083 08 00	\$ 495.05
487 192 47 00	\$ 25,119.30	487 331 26 00	\$ 1,122.24	488 083 09 00	\$ 1,047.90
487 192 48 00	\$ 2,867.30	487 331 29 00	\$ 1,640.62	488 083 11 00	\$ 495.05
487 192 50 00	\$ 2,676.84	487 331 30 00	\$ 856.33	488 083 12 00	\$ 990.10
487 192 51 00	\$ 1,214.49	487 331 35 00	\$ 3,281.06	488 083 13 00	\$ 990.10
487 192 52 00	\$ 3,429.87	487 341 01 00	\$ 627.40	488 083 14 00	\$ 882.10
487 192 53 00	\$ 6,288.76	487 341 04 00	\$ 1,843.66	488 083 15 00	\$ 225.05



WELCOME

We are pleased to welcome you to the Board of Directors of the El Cajon Community Development Corporation ("the Organization").

This Handbook is meant to supplement the Bylaws of the El Cajon Community Development Corporation. It will provide you with information and policies of the Organization which you should be aware of in your role as a Director. The Handbook will also be updated from time to time. It is the responsibility of each Director to understand the contents of the Handbook and to be aware of the updates. If you have any questions, please do not hesitate to discuss them with the CEO or the Chairman of the Board.

Sincerely,

The Board of Directors of El Cajon Community Development Corporation.

MISSION

The El Cajon Community Development Corporation (El Cajon CDC) is a non-profit 501(c)(3) community based organization committed to insuring the economic vitality of downtown El Cajon.

VISION

El Cajon CDC envisions a vibrant and prosperous community.

EQUAL EMPLOYMENT OPPORTUNITY

The Organization is an equal opportunity employer. This means that employment decisions are based on merit and business needs, and not on race, color, citizenship status, national origin, ancestry, sex, sexual orientation, age, religion, creed, physical or mental disability, physical handicap, medical condition, marital status or veteran status. All Directors should adhere to this policy at all times.

OFFICE HOURS

The office is open to the public for business from 8:30 am - 5:00 pm.

NONDISCLOSURE/CONFLICT OF INTEREST

All Directors share in the responsibility of ensuring that proprietary information and confidential business information that are vital to the interests and the success of the Organization are protected.

Proprietary information includes all information obtained by Directors during the course of their work.

Confidential information is any information about the Organization



Community Development Corporation

BOARD HANDBOOK

that is not generally known to the public. This may include, but is not limited to, sponsor lists, donor lists, customer lists, personnel files, computer records, financial and marketing data, software, hardware, and trade secrets. No such data may be removed from the Organization's premises without prior written authorization from the Chairman of the Board.

All inventions, improvements, and ideas made or conceived by employees during their employment with the Organization that are construed to be related to the business of the Organization shall be the exclusive property of the Organization.

Directors are expected to hold confidential all that takes place within the Organization's office. Directors should not talk to the media or any other persons requesting specific information about the Organization or its activities without the express permission of the Chairman of the Board. Any issues or problems should be referred to the Chairman of the Board.

The Organization may require Directors to execute a separate confidentiality agreement and non-disclosure agreement upon commencement of their term.

A violation of this policy may subject the Director to discipline and possible legal action.

COMPANY TOOLS

The Organization entrusts both employees and Directors with the use of computers, electronic mail, telephones, mail, written documentation, and similar Organization property. These items are provided to assist with the efficient operations of the Organization. Therefore, all records, files, software, and electronic communications contained in these systems are the property of the Organization.

Electronic files, records, and communications on the Organization's computer system, electronic communication systems or through the use of the Organization's telecommunications equipment are not private. Although they are a confidential part of the Organization's property, Directors should not use this equipment or these systems for confidential personal messages. The use of passwords to limit access to these systems is only intended to prevent unauthorized access to these systems and records. Additionally, these systems are subject to inspection, search and/or monitoring by Organization personnel.



Community Development Corporation

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E-mail

E-mail is not confidential. The Organization may access, inspect or monitor the contents of these systems or files at any time with or without notice. Any e-mail messages should be sent in the same professional business manner used to deliver other messages and correspondence.

Internet Usage

Access to the Internet is provided for business purposes only. Accordingly, the Internet should not be accessed for personal reasons. The Organization's system should never be used to access unprofessional or inappropriate web sites. The Organization has the right to monitor Internet usage at any time with or without notice.

Personal Telephone Calls

The Organization has a limited number of telephone lines, and it is essential that the lines be kept open for business calls. Therefore, personal calls should be kept short and to a minimum.

Whenever possible, individuals should use personal long distance calling cards or personal credit cards when making personal long distance calls. All personal long distance phone calls made by a Director and billed to the Organization may be charged to the Director at the end of each month.

CONDUCT

Substance Abuse - Substance abuse will not be tolerated under any circumstances at the Organization. The Drug and Alcohol Policy contained in this Handbook explains the Organization's position and policy regarding alcohol and drug use, as well as the use of other intoxicants and mind-altering substances.

Courtesy - Courtesy is the responsibility of every individual. Everyone is expected to be courteous, polite and friendly to our customers, clients, vendors and employees as well as to fellow Directors. No one should be disrespectful to a customer, use profanity or any other language that injures the image or reputation of the Organization.

Theft - Theft of any Organization property or personal property will not be tolerated and may result in disciplinary action.

Fighting, Threats and Weapons - Fighting or threatening words or conduct are strictly prohibited at all times. The possession of weapons of any kind on the office premises is strictly prohibited.



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BOARD HANDBOOK

Damage To Property - Deliberate or careless damage to the Organization's property will not be tolerated and may result in discipline.

Safety - We are committed to providing a safe workplace environment. All individuals should exercise good judgment and common sense both inside and outside the office. Horseplay and practical jokes can cause accidents, injuries or hurt feelings and, therefore, are not permitted.

Harassment - Our policy strictly prohibits all forms of harassment. The Handbook contains a specific No Harassment policy.

Misuse of Property - No individual should misuse, or use without authorization, equipment, vehicles or other property of customers, vendors, employees or the Organization.

Fraud, Dishonesty and False Statements - Directors should never engage in fraud or dishonesty; make false statements; or omit or misrepresent any material information.

Our credibility with our customers and clients is the most important element of our relationship. Misrepresentation is against Organization policy and against the law. The law provides that an individual may be personally liable for his/her acts of dishonesty.

Unlawful Activity - Directors should not engage in any kind of unlawful activity either on the Organization's property or while off the premises, as this can adversely affect the Organization's reputation. Violation of criminal statutes may result in referral of the matter to law enforcement authorities.

Solicitation/Distribution - Solicitation of employees during the working time of the employee for any reason is prohibited. Distribution of advertising materials, handbills or other literature is prohibited in all working areas at all times. Solicitation or distribution by non-employees is prohibited on Company premises at all times.

Insurance - In the event any property owned by the Organization is stolen while in the possession of a Director while off Organization premises, it may be the Director's responsibility to pay for the insurance deductible. In the event of theft of Organization owned property, Directors are required to file a report with the CEO or Chairman of the Board immediately.



Community Development Corporation

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HARASSMENT AND DISCRIMINATION POLICY

The Organization is committed to ensuring that all of its employees are treated with dignity and respect, and that all employees enjoy a workplace that is free from harassment and discrimination. California and federal law prohibit harassment and discrimination in employment based on sex, age, race, color, religion, ancestry, pregnancy, national origin, marital status, mental disability, physical disability, medical condition, sexual orientation, and veteran status.

The Organization strictly prohibits harassment and discrimination in the workplace and will take all reasonable steps necessary to prevent harassment and discrimination from occurring. The Organization also strictly prohibits retaliation against any individuals who complain about harassment or discrimination, or who assist or participate in harassment or discrimination complaints or investigations.

This policy applies to all employees of the Organization and includes officers, directors, managers, supervisors, non-supervisory staff, and agents, and to independent contractors, consultants, vendors, clients, and customers of the Company.

SEXUAL HARASSMENT

Sexual harassment is a form of employment discrimination that exists when:

1. submission to sexually harassing conduct is made, either explicitly or implicitly, **a term or condition of employment;**
2. submission to or rejection of sexually harassing conduct is used as **the basis for employment decisions;** or
3. sexually harassing conduct has the **purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment.**

Harassing conduct may be overt or subtle. Behavior which is appropriate in a social setting may not be acceptable in the workplace. Conduct that may constitute sexual harassment may consist of one or more of the following:

1. **requests for sexual favors** (unwanted sexual advances, propositions, invitations or flirtations, threats, pressure for sexual activity, continuing to express interest after being informed the interest is unwelcome)
2. **verbal harassment** (epithets, derogatory comments, slurs, comments



Community Development Corporation

BOARD HANDBOOK

about a person's body, appearance or sexual activity, sexual innuendoes, suggestive or insulting comments or sounds, whistling, jokes or teasing of a sexual nature)

3. **physical harassment** (assault, impeding or blocking movement, unwanted physical contact including touching, pinching, patting, hugging, kissing, brushing the body)
4. **visual harassment** (derogatory posters, photographs, cartoons, drawings, e-mail messages and/or attachments, leering looks, obscene gestures, sexually suggestive objects or pictures)

COMPLAINT PROCEDURE

If an employee feels that he/she has been treated inappropriately or harassed, the Organization encourages the employee to discuss the matter directly with the individual(s) involved as soon as possible after the incident(s). If the employee does not feel comfortable doing so, he/she should immediately report the incident(s) to a manager or supervisor, or to the CEO.

All complaints and reports of harassment or discrimination will be taken seriously and will be promptly and thoroughly investigated. In some cases, the Organization may utilize an independent, outside investigator to conduct the investigation. All investigations will be conducted with confidentiality and only those persons with a legitimate need to know will be informed of the specifics of the investigation.

The Organization will take all reasonable steps necessary to ensure that employees are not retaliated against for complaining about or reporting harassment or discrimination.

The Organization will take appropriate corrective and disciplinary action against any individual who is found to have violated this policy against harassment and discrimination or who is found to have retaliated against any individuals for complaining about or reporting harassment or discrimination, up to and including termination of employment.

The Organization will take all reasonable steps necessary to ensure that no further harassing or discriminatory conduct and/or acts of retaliation occur.

In addition to corrective and disciplinary action by the Organization, individuals who have engaged in illegal harassment may be held personally liable in a court of law and may be required to pay money damages to the victim. The



Community Development Corporation

BOARD HANDBOOK

Organization will not pay for any damages personally assessed against an employee or individual who is found to have engaged in illegal harassment.

DRUG AND ALCOHOL POLICY

The Organization will not tolerate alcohol abuse or the use of other intoxicants and mind-altering substances, including illegal drugs.

Directors are prohibited from possessing, using, selling, or purchasing any alcoholic beverages or other mind-altering substances during business hours, whether on or off the premises, except as authorized by the CEO or Chairman of the Board for special events organized or sponsored by the Organization.

This policy does not prohibit the proper use of medication under the direction of a physician. However, the misuse or abuse of such drugs is prohibited.

Directors who engage in any activity prohibited by this policy are subject to disciplinary action. If a Director commits an act that is a violation of a criminal statute, the matter may be referred to law enforcement officials.

SAFETY AND SECURITY

The Organization recognizes the importance of maintaining a safe and secure environment for all employees and visitors. Common sense safety practices should be followed at all times. Any unsafe condition or defective tool or equipment should be reported immediately to the CEO. Any unlawful or dangerous conduct that might be taking place within the facility should be reported immediately to the CEO. In addition, all accidents, including those that do not involve serious injury and those involving clients, must be reported immediately to the CEO. It is only through complete knowledge of every accident that the Organization can become a safer, healthier place to work for everyone.

NO SMOKING POLICY

Smoking is prohibited within all Organization facilities. Individuals are permitted to smoke outside the building in designated areas only.

PERSONAL PROPERTY

The Organization cannot be responsible for any valuables or cash that may be brought to the office. Any personal property brought to the Organization should be stored in a secure area. All purses and personal valuables should be taken with you or locked in a secure place when you are not present.

EL CAJON COMMUNITY DEVELOPMENT CORPORATION
Board Member Agreement

Your recent election to the Board of Directors of El Cajon Community Development Corporation (El Cajon CDC) clearly demonstrates your interest in our programs and reflects the trust that the association has in your abilities and judgment. Your new position brings with it special recognition and the sincere appreciation of those who support the revitalization and ongoing success of Downtown El Cajon. Along with this honor, your position also has certain responsibilities that are set forth below, in the By-laws and in the Board Member handbook. Please read each of these carefully as you must attest to your understanding and acceptance of these responsibilities.

Mission Statement: El Cajon CDC is a non-profit 501(c)(3) community based organization committed to ensuring the economic vitality of Downtown El Cajon.

Vision: A vibrant and prosperous community.

Structure: A nineteen-member Board of Directors is the governing body of El Cajon CDC.

Term of Office: Board members are elected for one three-year term, with a two-term limit. The Chairman and executive officers are elected annually, with a two-term limit.

Time Requirements: Board members should allow an average of 2-6 hours per week for El Cajon Community Development Corporation activities. This amount may vary, and may become concentrated at different times of the year. Your commitment includes all meetings, events, and training.

Volunteerism: Your commitment to volunteer for your community through the El Cajon CDC is exemplary and will be recognized at El Cajon CDC's various meetings and events. El Cajon CDC recommends that you augment your commitment by assisting in volunteer recruitment and by offering on-site support to special events.

Resource Development: The El Cajon CDC serves Downtown property owners by augmenting their assessment fees through additional resource development income. Each Board Member is expected to participate in our resource development efforts as follows:

- Contribute to our goal of 100% Board giving by contributing annually from personal resources to the extent of capacity (El Cajon CDC recognizes Board Members via our website and printed materials);
- Work with the Board Chair, CEO, and/or Resource Development Manager to solicit contributions from prospects and existing donors;
- Utilize appropriate staff members in all efforts to fundraise on behalf of the El Cajon CDC; and
- With staff support, approach appropriate foundation, community, and corporate contacts on behalf of the El Cajon CDC.

El Cajon CDC Meetings: In addition to managing the affairs and attending meetings or serving on sub-committees, El Cajon CDC members are expected to attend regularly scheduled (standing) Board of Directors meetings on the fourth Thursday of each month beginning at 12:00 p.m., and any special meetings which may be called by the Chairman in accordance with the By-laws. These meetings are structured by an agenda. A preliminary agenda will be available at least three days before the next meeting. If an El Cajon CDC board member has three consecutive unexcused absences during a one-year period, that individual may be dismissed by the El Cajon CDC board.

General Duties:

- Develop, review, implement and monitor committee work plans.
- Set general and specific policy for the organization.
- Maintain contact with the business and property owners in our target area.
- Approve monthly financial expenditures and annual budgets.
- Ensure that the program adheres to and fulfills its stated mission in an appropriate and responsible manner.
- Volunteer development and empowerment.

Organization Unity: Internal planning and policy-setting will result in success only when conveyed to the community and volunteers in a way that demonstrates a cohesive, unified, and stable El Cajon Community Development Corporation board.

When an organizational decision has been properly made, it will become a policy that all El Cajon CDC board members must accept. This Board of Directors represents a single entity with one public voice. If a board member does not agree with the decision, he or she should ask that the designated secretary record the disapproval of the motion in the minutes. A member should never publicly discuss his or her disapproval of an approved policy in such a way that is malicious or derogatory toward the El Cajon CDC Board or President & CEO.

Director Liability Insurance: El Cajon CDC carries an insurance policy that is designed to protect El Cajon CDC board members from liability arising from El Cajon CDC sponsored events, activities, and operations.

Each El Cajon Community Development Corporation board member is expected to understand the eight principles of successful revitalization. These principles have been developed by National Main Street and should be used for guidance.

1. **Comprehensive.** Downtown revitalization is a complex process and cannot be accomplished through a single project. For successful long-term revitalization, a comprehensive approach must be utilized.
2. **Incremental.** Small projects and simple activities lead to a more sophisticated understanding of the revitalization process and help to develop skills so that more complex problems can be addressed and more ambitious projects can be undertaken.
3. **Self-Help.** Local leaders must have the desire and will to make the project successful. The National Main Street Center and the California Main Street Program provide direction, ideas and training, but continued and long-term success depends upon the involvement and commitment of the community.
4. **Public/Private Partnership.** Both the public and private sectors have a vital interest in the economic health and physical viability of the Downtown. Each sector has a role to play, and each must understand the others' strengths and limitations so that an effective partnership can be forged.
5. **Identifying and Capitalizing on Existing Assets.** Business districts must capitalize on the assets that make them unique. Every district has unique qualities – like the distinctive buildings and human scale that give people a sense of belonging. These local assets must serve as the foundation for all aspects of the revitalization program.
6. **Quality.** Quality must be emphasized in every aspect of the revitalization program. This applies equally to each element of the program, from storefront design to promotional campaigns to educational programs.
7. **Implementation-Oriented.** Activity creates confidence in the program and ever-greater levels of participation. Frequent visible changes are a reminder that the revitalization effort is underway.

Small projects at the beginning of the program pave the way for larger activities as the revitalization efforts matures.

8. **Change.** Changes in attitude and practice are necessary to improve current economic conditions. Public support for change will build as the program grows.

ATTEST

As a member of the Board of Directors of El Cajon Community Development Corporation, I have read the By-laws, the Board Member handbook and the above text and do hereby agree to undertake the responsibilities described. I understand my role and I acknowledge the importance of this organization to this community. If at any time during my term I feel that I am unable to carry out my duties as an active and responsible El Cajon Community Development Corporation member, I will, at once, forward my written resignation to the Chairman.

Board Member

Date

Board Chairman

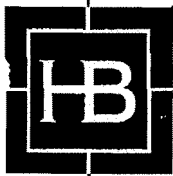
Date

El Cajon Community Development Corporation

Consolidated Financial Statements and Independent Auditors' Report

Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008



HUTCHINSON and

BLOODGOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7676 Hazard Center Drive, Suite 1150
San Diego, CA 92108
t 619.497.2415 f 619.497.2391
www.hbllp.com

Independent Auditors' Report

To the Board of Directors
El Cajon Community Development Corporation
El Cajon, California

We have audited the accompanying consolidated statements of financial position of El Cajon Community Development Corporation (a non-profit organization) and subsidiary as of June 30, 2009, and the related consolidated statement of activities, cash flows and functional expenses for the year then ended. These consolidated financial statements are the responsibility of El Cajon Community Development Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from El Cajon Community Development Corporation's 2008 financial statements and, in our report dated October 9, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of El Cajon Community Development Corporation and subsidiary as of June 30, 2009, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hutchinson and Bloodgood LLP

November 19, 2009

El Cajon Community Development Corporation
Consolidated Statements of Financial Position (continued)
For the Year Ended June 30, 2009
With Comparative Totals as of June 30, 2008

June 30,	2009	2008
Liabilities and net assets (deficit)		
Current liabilities		
Line of credit	\$ 99,959	\$ 96,500
Current portion of note payable - City of El Cajon	50,000	-
Note payable - redevelopment agency	-	1,417,552
Note payable - related party	20,000	-
Accounts payable	73,569	294,119
Accrued liabilities	16,873	46,782
Accrued payroll and related liabilities	17,081	18,794
Accrued interest payable	634	122,647
Deferred income	150,655	450,506
Total current liabilities	428,771	2,446,900
Long-term debt		
Note payable - City of El Cajon	50,000	-
Total liabilities	478,771	2,446,900
Net assets (deficit)		
Unrestricted	(66,599)	(7,105)
Temporarily restricted	6,765	29,636
Total net assets (deficit)	(59,834)	22,531
Total liabilities and net assets (deficit)	\$ 418,937	\$ 2,469,431

El Cajon Community Development Corporation
Consolidated Statements of Cash Flows
For the Year Ended June 30, 2009
With Comparative Totals as of June 30, 2008

June 30,	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ (82,365)	\$ 17,388
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	41,984	32,437
Loss on disposal of assets	-	475
Realized loss on investments in marketable securities	619	150
Donated furniture and fixtures	(5,389)	-
Donated investment in marketable securities	-	(2,530)
Bad debt expense	1,500	3,783
(Increase) decrease in:		
Accounts receivable	40,497	(35,490)
Promises to give	(2,500)	8,506
Assessments receivable	(51,683)	21,161
Prepaid expenses	35,901	(49,134)
Deferred project management costs	-	20,720
Other asset	2,000	(4,750)
Increase (decrease) in:		
Accounts payable	(113,496)	93,515
Deferred revenue	57,404	(51,773)
Accrued payroll and related liabilities	(1,713)	5,670
Accrued liabilities	(26,695)	42,300
Net cash provided by (used in) operating activities	(103,936)	102,428
Cash flows used by investing activities:		
Purchase of equipment	-	(29,632)
Website development costs	-	(36,210)
Proceeds from sale of marketable securities	1,761	-
Construction in progress - Wisconsin Cottages, net of reimbursements	27,962	(2,341,910)
Leasehold improvements under construction	(100,907)	-
Net cash used by investing activities	(71,184)	(2,407,752)
Cash flows from financing activities:		
Proceeds from line of credit, net	3,459	96,500
Proceeds from (repayment of) note payable - redevelopment	(34,893)	2,348,001
Proceeds from related party note payable	20,000	-
Proceeds from note payable - City of El Cajon	100,000	-
Net cash provided by financing activities	88,566	2,444,501
Net change in cash	(86,554)	139,177
Cash at beginning of period	169,176	29,999
Cash at end of period	\$ 82,622	\$ 169,176
Supplemental disclosures:		
Interest paid	\$ 4,344	\$ 2,500

El Cajon Community Development Corporation Notes to Consolidated Financial Statements

Note. 1 Organization and Summary of Significant Accounting Policies

Organization and Business

El Cajon Community Development Corporation (CDC) is a nonprofit public benefit corporation, incorporated on August 22, 2001, organized under the California Nonprofit Public Benefit Corporation Law for public and charitable purposes. CDC manages, operates and administers the Downtown El Cajon Management District promoting the community and economic revitalization of the City of El Cajon through the design, planning and implementation of community and economic development projects.

The specific purposes of CDC are as follows: a) to stimulate the investment of private and public capital in the revitalization of housing, public facilities and commercial properties in the City of El Cajon, and to improve the physical appearance of the older neighborhoods and combat community deterioration, b) to work with other community agencies and institutions in the community to affect economic and business development, reinvestment and commercial revitalization; and c) to acquire and construct/rehabilitate residential property as quality affordable housing for low to moderate-income persons.

The Downtown El Cajon Management District was formed pursuant to the Property and Business Improvement District Law of 1994. This law allows property owners to form a district for a period of five years. The district can be renewed for additional five-year periods upon new votes of the property owners. The first five-year period of the District ended June 30, 2001. The second five-year period of the District ended June 30, 2006. A new vote of the property owners was held and the management district has had its life extended for an additional five years until July 1, 2011. During the five-year life of the management district, real property owners located within the district are assessed additional real property taxes at a specified rate per square foot. The total amount of assessments provided to the CDC changes each year for any newly added or deleted properties as well as increases associated with the consumer price index. The City of El Cajon and the County of San Diego, which own real property in the District, pay the assessment as do the other real property owners.

CDC receives the majority of its monies from the special assessments. Additional monies are received from grantors for specific projects. While CDC solicits funds in the form of donations or sponsorships from local businesses, CDC does not conduct fund raising campaigns aimed at the general public.

On April 8, 2005, the CDC formed and organized El Cajon Homes, LLC (the "LLC") for the purpose of furthering the charitable purposes of the CDC. El Cajon Homes, LLC operates as a wholly-owned subsidiary of the CDC. The CDC is the sole member of El Cajon Homes, LLC and is responsible for managing and controlling the business affairs of the LLC. The primary activity of the LLC is the provision of housing for low and moderate income persons.

El Cajon Community Development Corporation
Notes to Consolidated Financial Statements

Note. 1 Organization and Summary of Significant Accounting Policies (continued)

Going Concern and Management's Plans

The accompanying consolidated financial statements have been prepared assuming the CDC will continue as a going concern. The basis of accounting contemplates the recovery of the Company's assets and the satisfaction of its liabilities in the normal course of business. At June 30, 2009, the CDC's current liabilities exceeded its current assets by approximately \$210,000. In addition, the CDC has a net asset deficit of \$59,834.

The Company's cash reserves have been depleted in the past year as a result of less than expected monies from grantors and sponsorships for special projects. The local economy is experiencing the effects of the national crisis in financial and housing markets and it is expected that these factors will continue to negatively affect future grant and sponsorship income. Future income from property tax assessments will continue to be a stable income source for the CDC as the assessments are collected from the real property owners.

To appropriately sustain its operations and reduce expenses, the Board of Directors and management are taking the following steps:

- Negotiate with its lenders to extend the maturity dates of its loans.
- Evaluate the cost of special projects and events to meet with revenue expectations.
- Evaluate personnel costs to either eliminate and/or reduce positions to part-time status.
- Seek tenants to sublet office space.
- Solicit advertising income from advertisements placed on the CDC's website.
- Utilize volunteers for soliciting grants and sponsorships.
- Solicit fees for contract services associated with various programs.

The ability of the CDC to continue as a going concern is dependent upon the Board of Directors and management's ability to fulfill these steps.

El Cajon Community Development Corporation
Notes to Consolidated Financial Statements

Note. 1 Organization and Summary of Significant Accounting Policies (continued)

Contributions (continued)

Contributed services - A number of unpaid volunteers have made contributions of their time to develop and support the CDC's programs. The value of the contributed time is not reflected in the financial statements, as it is not susceptible to objective measurement or valuation. The CDC records the value of donated professional services when there is an objective basis available to measure the value. Donated professional services for the years ended June 30, 2009 and 2008 were approximately \$26,000 and \$52,000, respectively.

Equipment and Improvements

Equipment and improvements are stated at cost or, for donated assets, at fair value at the date of gift. Such donations are reported as increases in unrestricted net assets unless the donor had restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions.

Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The costs of equipment and leasehold improvements are capitalized and at the time placed in service depreciated using the straight-line method. Computer equipment is depreciated over five years. Other equipment is depreciated over seven years. Leasehold improvements are amortized over the life of the lease or the estimated useful life, whichever is shorter. CDC capitalizes any equipment and leasehold improvements in excess of \$500.

Expenditures for major renewals and betterments that extend the useful lives of property are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation expense totaled \$21,192 and \$23,657 for the years ended June 30, 2009 and 2008, respectively.

El Cajon Community Development Corporation
Notes to Consolidated Financial Statements

Note. 4 Homes Held For Sale

In August 2004, CDC purchased land and began developing an affordable housing project encompassing seven units in downtown El Cajon. The construction of the project was completed during the year ended June 30, 2008. Capitalized cost of construction since inception, including the land, was \$3,489,523 and \$3,517,485 as of June 30, 2009 and 2008, respectively, including capitalized interest expense of \$122,647 for both years ended June 30, 2009 and 2008, respectively.

In connection with the Wisconsin Cottages Project, the City of El Cajon had originally agreed to pay the CDC a project management fee of \$140,000 and a \$10,000 commission per unit. As a result of the construction (and project management) completed during 2008, the \$140,000 project management fee had been collected and was recognized in full as of June 30, 2008. However, due to the downturn in the housing market, it became clear during the year ended June 30, 2008 that the homes would be sold at a loss. Therefore, the agreement was re-negotiated and the commissions were forfeited. In addition, the Redevelopment Agency agreed to provide a \$1 million grant to cover losses incurred on the sale of homes, then further agreed to cover additional losses up to approximately \$723,000.

As of June 30, 2008, three of the seven units had been sold resulting in a loss of \$642,746. In accordance with the terms of the agreement, the \$1 million grant from the Redevelopment Agency was used to offset this loss. The remaining four homes were sold during the year ended June 30, 2009 at a loss of \$875,187. The remaining \$357,254 of the grant was recognized against the loss and the remaining loss in the amount of \$517,933 was covered by the loss guarantee.

June 30,	2009	2008
Sales price of homes sold, net of closing costs	\$ 1,133,079	\$ 874,580
Cost of homes sold	1,972,196	1,517,326
Operating expenses	36,070	-
Loss on sale of homes	(875,187)	(642,746)
Grant income to cover loss on sale of homes	875,187	642,746
Net income	\$ -	\$ -

El Cajon Community Development Corporation
Notes to Consolidated Financial Statements

Note. 6 Line of Credit

CDC has entered into a revolving line of credit with a financial institution in the amount of \$100,000. The line of credit is unsecured, matures in September 2010, and bears interest at the bank's prime rate (3.25% at June 30, 2009) plus 2%. The rate cannot be less than 5.25% during the term. The balance outstanding as of June 30, 2009 and 2008, was \$99,959 and \$96,500, respectively.

Note. 7 Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

June 30,	2009	2008
Financial Literacy Program	\$ 6,265	\$ 1,493
Housing Program	500	-
Economic Development Strategic Investment Program	-	28,143
	<u>\$ 6,765</u>	<u>\$ 29,636</u>

The CDC has sufficient cash balances to meet these restrictions as of June 30, 2009.

Note. 8 Notes Payable

Re-development Agency

On July 13, 2004, CDC's wholly owned subsidiary, ECH entered into a \$1.5 million promissory note to assist in the purchase and development of land under an affordable housing project agreement. The note incurred interest at the rate of four percent (4%) per annum on the unpaid balance until paid in full.

Monies under the agreement were used to purchase land and construct affordable housing which secured the note. ECH received funds from the note as needed during construction. The note and any unpaid interest was paid in full prior to the sale of the last available unit. Three of the seven units were sold as of June 30, 2008 and the remaining four were sold during the year ending June 30, 2009.

El Cajon Community Development Corporation
Notes to Consolidated Financial Statements

Note. 9 Commitments and Contingencies

Leases

During 2001, CDC entered into an office lease with monthly payments of \$2,200. As of December 2007, this lease was extended on a month to month basis and was terminated subsequent to year end.

During the year ended June 30, 2009, CDC entered into a new office lease with payments beginning November 2008. The lease has a 7 year term, monthly payments of \$4,750 with an annual increase of 2.5% each year. CDC also leases office equipment for \$1,132 per month.

Rental expense for these leases for the years ended June 30, 2009 and 2008 was \$77,984 and \$42,377, respectively. Future minimum lease payments under these leases are as follows:

Year Ended June 30,	Total
2010	\$ 73,736
2011	72,988
2012	67,684
2013	62,416
2014	63,976
2015 and forward	65,572
	<hr/>
	\$ 406,372

Ensuring the economic vitality
of Downtown El Cajon

A non-profit 501(c)(3) community
based organization



December 3, 2009

To whom it may concern:

The El Cajon CDC has been working diligently, since the conclusion of fiscal year 08-09, to continually address challenges facing the organization from a fundraising and cash flow perspective. The following list of activities contained in our subsequent event disclosure demonstrates our on-going commitment to managing our finances in a prudent and pro-active manner.

Subsequent Event Disclosure

In order for the CDC to appropriately sustain its operations, the Board of Directors along with the Executive Committee and Finance Committee will continue to monitor the current course of action. The following steps have occurred since the end of the 2008-2009 fiscal year:

1. Evaluated and eliminated 14 special events.
2. Evaluated and eliminated 2 management positions.
3. Ongoing effort to sublet office space, sell web advertising space and utilizing volunteers to solicit grants and sponsorships.
4. Purchased equipment to immediately implement fee for service contracts for the Clean and Safe program.
5. Hired part-time, bonus based membership coordinator to sell benefits, i. e. fee for service contracts through the Clean & Safe program, sponsorships and memberships to our Community Builders program.

Our Finance Committee and Executive Board will continue to meet regularly to discuss all new strategies and to diligently monitor any changes in our financial position. We are confident that our attention to this current economic challenge will result in significant improvements by the end of the 09-10 fiscal year.

Sincerely,

A handwritten signature in black ink, appearing to read "Claire Carpenter". The signature is stylized with large, flowing loops and a long, sweeping tail that extends to the right.

Claire Carpenter
President and CEO

Board of Directors

John McTighe
Chairman of the Board

Kay LeMenager
Vice Chair
Real Estate Development Chair

JoAnne Bushby
Secretary
Real Estate Development Vice Chair

Nina Froncz
Chief Financial Officer
Finance Committee Chair

Claire Carpenter
President & CEO
Design Review Chair

Kirk Gentry
Past Chairman of the Board

Deborah Bailey
County Representative

Mayor Pro Tem Bill Wells
City Representative

Members-at-Large:

Frank Boss, Jr.

Sharon Dobbins

Michael Hood

Kathy Hughes

Nancy J. Lewis
Merchant Promotion Co-chair

Wendy Morris

Bobbi Pearson
Resource Development Chair

Martin Samo

Vicki Whitmire
Community Development Co-Chair

Cheryl Williams
Community Development Co-Chair

Cathy Zeman
Clean & Safe Advisory Chair

Edward Zouhar
Economic and Arts
Development Co-chair

Corporate Advisor

Cole Davis
Marketing and Public
Relations Consultant

Corporate Office

131 East Main Street, Suite 201
El Cajon, CA 92020

Tel: (619) 401-8858
Fax: (619) 401-8870

EL CAJON CDC
PBID EXPLANTION
2009-2010

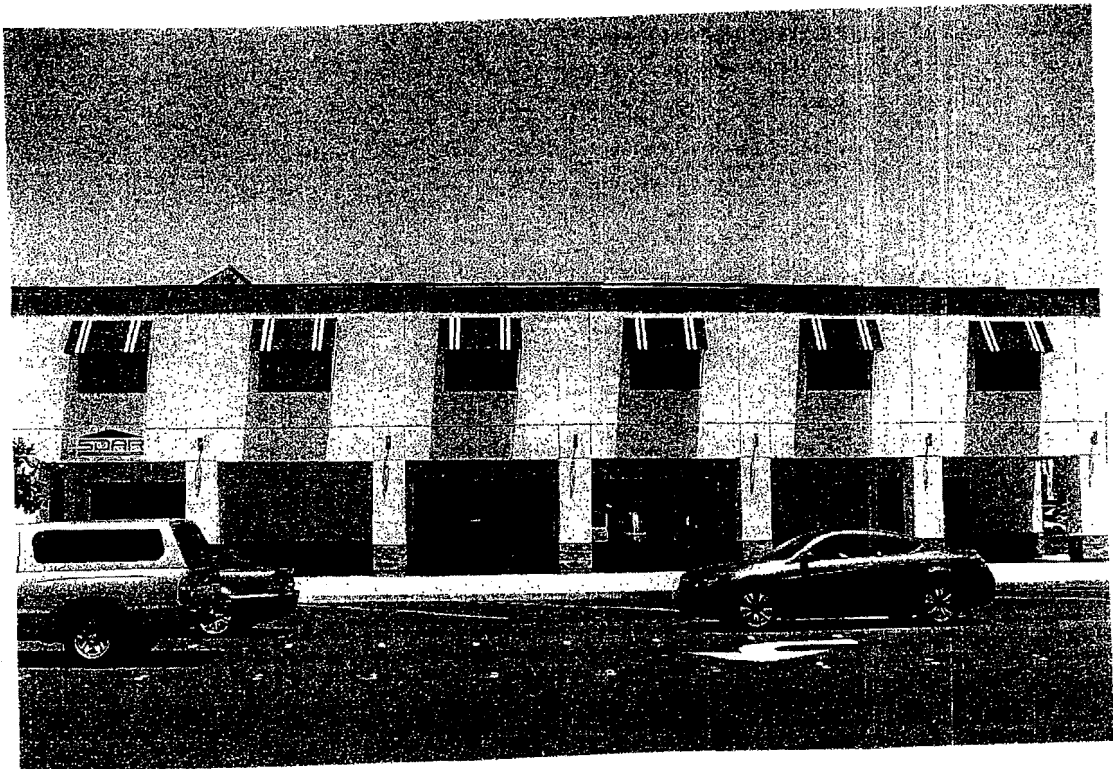
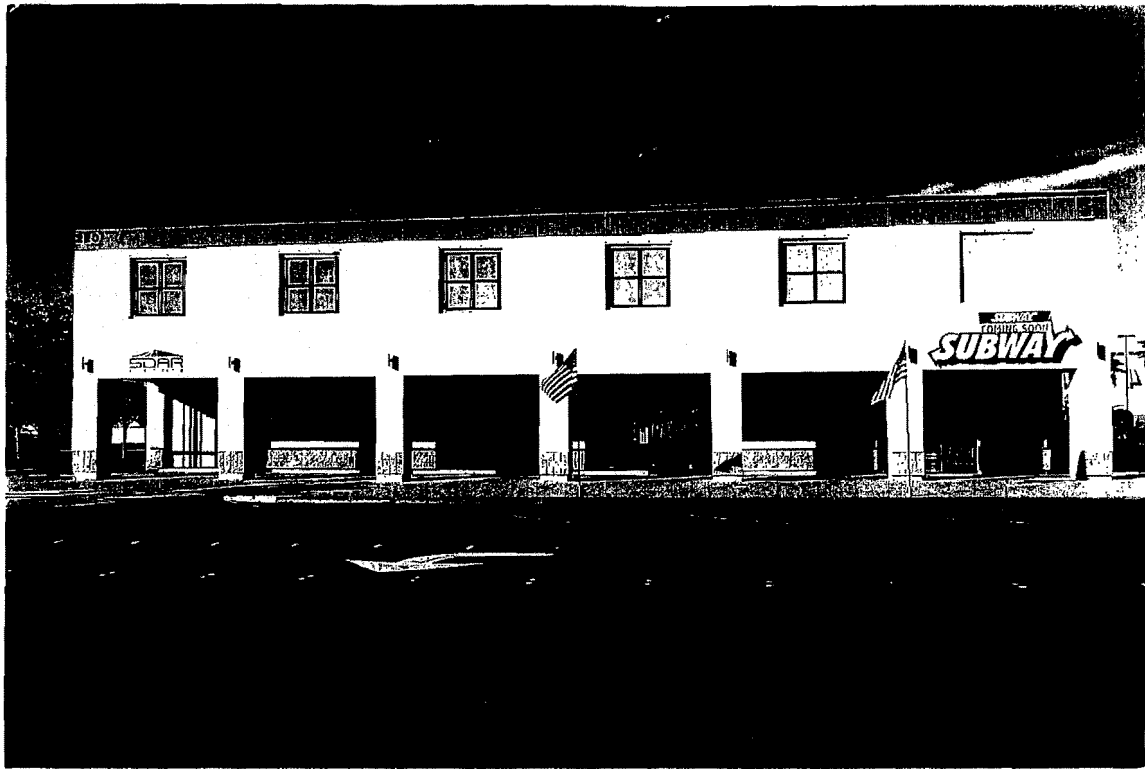
ACTUAL PROGRAM EXPENSES 09-10 \$ 784,930.00 PDF doc of all PBID program expenses attached

PBID ALLOCATION - Required Per Mgmt Plan \$ 702,669.00

CDC EXPENSITURES OVER PBIS REQUIREMENT \$ 82,261.00

PBID Over/Under per Mgmt Plan

Admin	\$ 140,724.75
Urban Improvoment	\$ (97,200.60)
Promotion	\$ 94,950.37
Reserve	\$ <u>(56,213.52)</u>
	\$ 82,261.00



Allowable Categories

Grant Type_____

X Design or Façade Improvement ☐ Business Recruitment ☐ Business Expansion

Property Owner Name Satinder Swaroop, MD

Business Owner Name Various

Business Name Various

Building Address 220 West Main Street

City/ State/ Zip El Cajon CA 92020

Phone: (714) 964-2350

Email: Punwanil@aol.com

Reference #	Allowable Categories	Grant Amount Awarded	Contractor / Business Providing Service/Sales	El Cajon Business License #	California Contractors License #	Prevailing Wages Docs Submitted	Prevailing Wage Documents	Building Permits (When Required)
						Yes / No ?		Yes / No ?
1	Permits	\$ 3,000.00	856-60					
2	Plans	\$ 8,000.00	4# 2787 + 2849					
3	Dumpster	\$ 675.00						
4	Materials							
	Hard Demo (Materials)	\$ 435.00						
5	Concrete (Materials)	\$ 320.00						
6	Framing (Materials)	\$ 1,080.00						
7	Stucco (Materials)	\$ 100.00						
8	Dry Wall (Materials)	\$ 450.00						
9	Exterior Doors (Materials)	\$ 6,300.00						
10	Wainscot (Materials)	\$ 1,225.00						
11	Exterior Lighting (Materials)	\$ 1,950.00						
12	Scissor Lift	\$ 1,050.00						
13	Repaint (Materials)	\$ 2,395.00						
14	Supervision	\$ 3,020.00						
15	Awning	\$ 2,975.00						
			30,831.00					
TOTAL		\$ 30,000.00	6/1/2017					

*Any Expenses Outside the Grant Amount Are Responsibility of The Owner / Applicant

You must receive written authorization from the El Cajon CDC for any item that exceeds the approved amount awarded.

Office Use Only

Date Received _____ EDC _____

Property owner is in good standing with the El Cajon CDC: ☐ Yes

President/CEO Dr. Deshaun: E. S. Date 8/23/10
Director, Redevelopment Agency James O. Davis Date 8/23/10

I certify that the information contained in this form and all required supplemental materials is true and accurate. I submit this form with full knowledge of the grant reimbursement process. I understand that I will be reimbursed for approved costs under the terms of the grant within 30 days of receipt. I acknowledge that fraudulent information will result in an automatic cancellation of the entire grant award and end of relationship with El Cajon CDC staff.

Applicant Name:

Applicant Signature

See Invoice
412

INVOICE

Page 2

#464

06/15/2010

Phils Construction Company
P.O. Box 20334
Riverside CA, 92516
License # 856624
Phone # (951)202-8239
Fax # (951)534-0566

Awnings

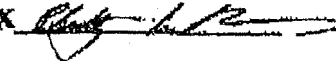
Attn: Satinder Swaroop
Tawl Investment, L.L.C.
8 Oakmont Lane
Newport Beach, CA 92660
Job Site:
220 W. Main St.
El Cajon, CA 92020
Phone # (714) 751-3540
Fax # (949) 759-0251
Lals' Fax # (949) 721-1173

Description of work performed: EXTERIOR REMODEL-Awnings only

(1) Provided new awnings over existing faux windows on all sides of buildings and per the El Cajon CDC. Total of 8 awnings. Includes plans, engineering, and pulling permit (excludes permit fees).
\$ 4,080.00 (MATERIALS ONLY \$2,975.00)

TOTAL DUE = \$ 4,080.00
Paid in full 06/15/2010
Due and payable upon receipt

Thank You,
Phil Lindstrom

X 

City Clerk Date Stamp

REGISTERED OFFICE OF
CITY CLERK
EL CAJON CA

2010 AUG -4 P 2:39

City of El Cajon



MEETING: 8/10/10

ITEM NO: 4.1

Agenda Report

DATE: August 3, 2010

TO: Mayor Lewis, Mayor Pro Tem Wells,
Councilmembers Hanson-Cox, Kendrick, and McClellan

FROM: City Manager Henry

SUBJECT: Independent Financial Audit and Performance Review of the El
Cajon Community Development Corporation

RECOMMENDATION: That the City Council accept the final report from Barnett Consulting/Scott Barnett reference the Independent Financial Audit and Performance Review of the El Cajon Community Development Corporation.

BACKGROUND:

The City Council entered into an agreement with Scott Barnett Consulting on December 5, 2010, to perform an independent audit of the Community Development Corporation. Mr. Barnett proposed to review CDC budgets and policies with specific analysis of spending practices and compare the CDC's activities and budget with other Community Development Corporations, Property and Business Improvement Districts and Certified Housing Development Organizations.

City staff received Mr. Barnett's final report on July 12, 2010. A copy of the report was forwarded to the CDC shortly thereafter. Mr. Barnett, members of City staff and staff from the CDC met on July 22, 2010, to review the report together in attempt to provide any missing information, correct any misunderstandings and prepare the report for distribution to the City Council. At this time, the report is final. Provided with this agenda report are the Consultant's report; comments and responses from city staff regarding information contained in the report that pertains to the City of El Cajon; and comments and responses from the CDC regarding information contained in the report that pertains to the CDC.

Attachments to the Consultant's report are voluminous and serve as documentation for the findings and recommendations contained in the report. They have, therefore, not been reproduced with this staff report, but are available in the binder that is held in the City Clerk's office and will be available at the City Council workshop and the City Council meeting in case they are needed.

FISCAL IMPACT:

There is no fiscal impact to the City with the action recommended. The cost of the audit and resulting report was \$30,000.

PREPARED BY:

Kathi Henry
Kathi Henry
CITY MANAGER

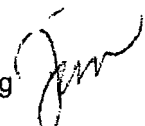
CITY OF EL CAJON



MEMORANDUM

DATE: August 4, 2010

TO: Kathi Henry, Agency Executive Director

FROM: Jim O'Grady, Interim Director of Redevelopment and Housing 

SUBJECT: Comments regarding the Independent Financial & Performance Review of the El Cajon Community Development Corporation

Staff has reviewed Mr. Barnett's findings regarding the City of El Cajon's partnership with the Community Development Corporation. The report notes a number of areas where changes, especially in record keeping, are recommended. Many of these ideas have merit, but further discussion and explanation is warranted. Specific comments in these areas are as noted below.

Specific Comments

Please note that report comments are listed in bold, and staff comments are listed in regular font.

The City of El Cajon has not kept track of how the over \$600,000 in annual Grants to ECCDC are allocated (page 3, also page 31).

The City does maintain records of the expenditures for each grant program and these records are available for a minimum of a five-year period. However, as noted in the report, prior to FY 2009/10, the City did not require the ECCDC to break out its administration/overhead costs for each program. However, in the FY 2009/10 contracts with the ECCDC, the City did call for such a separation and the City began to separately track administration/overhead for each grant area. Separate tracking of administration/overhead costs will be required in the FY 2010/11 agreements that are now being prepared. Furthermore, the City and the ECCDC are reviewing the grant criteria for these programs and will make changes as needed to ensure that the programs best meet the program goals

The City has NO information of how ECCDC spends over \$600,000 in annual PBID/property assessment revenues (page 3)

If ECCDC maintains management of PBID, CDC should be required to prepare more detailed expenditure plans to be approved annually by City (page 4).

At the time of certifying the PBID election results, the City Council authorized the levy and collection

of assessments. However, under State Law the owners' association (ECCDC) is responsible for preparing an annual report outlining expenditures. This report should be filed with the City Clerk on an annual basis, but the City does not approve the PBID expenditure plan.

City should consider taking more direct control of current ECCDC programs, (especially housing redevelopment, and Grant awards) and/or consider breaking out these tasks to other service providers (page 4).

The ECCDC has not undertaken housing activities on behalf of the City for several years (since the Wisconsin housing project). The Redevelopment Agency currently has contracts with other housing agencies (e.g. Community Housing Works for foreclosure prevention assistance), is currently soliciting competitive proposals for our "Greenovation" housing rehabilitation program, and has partnered with Habitat for Humanity for an affordable housing project.

In other areas, the Agency does enter into Agreements with the CDC for specific services such as design review and administration of façade improvement grants, neighborhood "lend-a-hand" programs, and utility box art. These programs are generally seen as quite successful, but are reevaluated each year in terms of need, program goals, and cost.

City of El Cajon destroys Grant applications after Five years, making it impossible to effectively audit expenditures beyond that period. (page 7)

The City does have an overall records retention policy that prescribes retention schedules for all types of documents. In the case noted above, our records policy authorizes destruction of this type of record after a five-year period. This policy was carefully designed following review of applicable State laws, need for the records, and the cost of maintaining older records. The City and Redevelopment Agency also have an independent outside audit conducted on an annual basis.

Wisconsin Cottage project resulted in a subsidy of over \$1.3 million, due to poor city coordination with ECCDC, weak ECCDC management, and degrading market conditions. (page 8, also page 40).

The El Cajon Redevelopment Agency has an obligation under State Law to provide affordable housing. In most cases market conditions require that there be Agency subsidy of project costs. During the time of construction of the Wisconsin Cottages, cost increases of 5 percent or more on construction projects were typical and affected many projects besides the Wisconsin Cottages. Furthermore, there are many other community goals that were addressed through construction of the Wisconsin Cottages. For example, as a result of this project seven households were able to purchase their first home. The project also helped eliminate blight, helped El Cajon meet its affordable housing goals, and resulted in increased assessed values and property tax revenues.

Conclusion

In conclusion, as Mr. Barnett acknowledges, the ECCDC provides valuable services for the community. The City will continue to work with the ECCDC to ensure that our cooperative programs are effective and that records are appropriate and easily accessible to the public. The report as prepared by Scott Barnett outlines a number of ways that records and program effectiveness may be further improved. Staff will work with the ECCDC in the areas noted in this report and as may be further directed by the City Council and Redevelopment Agency.

Ensuring the economic vitality
of Downtown El Cajon

A non-profit 501(c)(3) community
based organization



Board of Directors

John McTighe
Chairman of the Board

Michael Hood
Vice Chair
Resource Development Chair

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Secretary
Real Estate Development Vice Chair

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Finance Committee Chair
Clean & Safe Advisory Co-Chair

Cindi Fargo
President & CEO
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Past Chairman of the Board

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Mayor Pro Tem Bill Wells
City Representative

Members-at-Large:

Frank Boss, Jr.

Sharon Dobbins

Nina Frontz

Kathy Hughes

Nancy J. Lewis
Merchant Promotion Co-chair

Sharmista Mitra-Kelly

Wendy Morris

Martin Samo

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Vicki Whitmire
Community Development Co-Chair

Cathy Zeman
Clean & Safe Advisory Chair

Saad Hirmez
Economic and Arts
Development Co-chair

Corporate Advisor

Cole Davis
Marketing and Public
Relations Consultant

August 3, 2010

Ms. Kathi Henry
City Manager
City of El Cajon
200 Civic Center Way
El Cajon, CA 92020

Dear Ms. Henry:

Thank you for the opportunity to provide comments and responses to the "*Independent Financial & Performance Review of the El Cajon Community Development Corporation*" prepared by Barnett Consulting.

We have prepared and attached rather extensive comments and responses to a number of the statements contained in the report. While we are pleased that the report has concluded that the "**ECCDC conducts many downtown enhancement tasks extremely well, while generating significant benefits to the City of El Cajon,**" we are disappointed with the number of unsupported and undocumented conclusions and recommendations contained in the report. Our attached comments and responses provide detailed discussion about those issues.

We strongly disagree that the "City should consider taking more control of current CDC programs" and that the "CDC should be required to prepare more detailed expenditure plans to be approved annually by the City." The report does not provide evidence that either of these actions is warranted.

There are three issues raised in the report that we have taken immediate action to correct:

- First, the report observed that there was an omission on an IRS information return (Form 990) for our fiscal year 2008-09. We have corrected that entry and filed an amended return with the IRS (see attachment).
- Second, the report takes note of the spouse of the former CEO was hired to be the Clean and Safe Manager. While every reasonable effort was made to insure that there was no improper conduct in the hiring and supervision of the noted employee, we agree that going forward, the CDC should not allow the employment of spouses. The Board of Directors will be considering a nepotism policy at its September meeting that will prohibit the employment of any relative of current employees.

Corporate Office

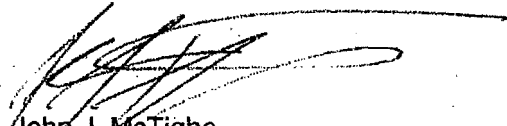
131 East Main Street, Suite 201
El Cajon, CA 92020

Tel: (619) 401-8858
Fax: (619) 401-8870


- Third, the report is critical that the CDC's Executive Committee does not keep and report formal minutes of meetings. Effective immediately, formal minutes of Executive Committee meetings will be taken and reported at subsequent Board of Directors meetings.

We look forward to meeting with the City Council on August 10, 2010 to discuss these issues and answer any questions they may have.

Sincerely,



John J. McTighe
Chairman
Board of Directors



Cindi Fargo
Chief Executive Officer

El Cajon Community Development Corporation's
comments & responses to statements made in
"Independent Financial & Performance Review of the El Cajon
Community Development Corporation"
By Barnett Consulting/Scott Barnett
Dated July 26, 2010

Page 3

Statement: ECCDC has confusing, convoluted and at times non-transparent budgeting and management practices. It appears to have limited Board oversight of key decisions, and devolves critical decisions to the Executive Committee which keeps no records of its attendance and actions.

Comment/Response: As detailed in the following comments and responses to specific findings below, the CDC disagrees with this sweeping finding. As noted in those responses, the budgeting and accounting practices have been commended by financial professionals and the oversight of the Board of Directors in decision making is well documented and appropriate. Informal records have been kept of attendance and actions at Executive Committee meetings which have been orally shared at Board meetings. In the future, such actions will be recorded in formal minutes that will be published at each Board meeting following Executive Committee meetings.

Statement: It is unclear where over \$1 million in Grant funds awarded to CDC from 2003 through 2009 has been spent. [repeated on page 6 and page 27]

Comment/Response: Funds granted to the CDC are for a variety of purposes as indicated in the report. It is important to note, that in addition to funds granted by the El Cajon Redevelopment Agency, the CDC receives grants from banks, private foundations, other non-profit organizations and other government agencies. The conclusion reached by the consultant that there was over \$1 million in unspent grant funds is erroneous because it was based on comparing data from two unrelated sources. Some funds are granted to the CDC by the Redevelopment Agency for direct services provided by the CDC, while others are granted to the CDC for the purpose of providing financial assistance to business and property owners within the downtown district for such things as façade improvements and business development. The CDC receives a small percentage of the grant funding to cover the cost of administration of the granted programs. When not all of the funds initially granted are earned, the Redevelopment Agency does not reimburse the CDC up to the total "granted." Hence, as shown on the CDC-supplied table on page 31, the difference between the Redevelopment Agency's "awarded" and "used" funds for the entire seven year period from FY 2002-03 through FY 2008-09 was \$159,056.69. The additional grant funds that the consultant totaled from CDC financial statements from 2003 through 2009 were funds received from organizations other than the El Cajon Redevelopment Agency and were spent for the purposes granted.

Statement: City should consider taking more direct control of current ECCDC programs, (especially housing redevelopment, and Grant awards) and/or consider breaking out these tasks to other service providers.

Comment/Response: The report does not provide evidence to support this recommendation. If it is the opinion of the report author, it should be stated as such.

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By Barnett Consulting/Scott Barnett
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Statement: If ECCDC maintains management of PBID, CDC should be required to prepare more detailed expenditure plans to be approved annually by City.

Comment/Response: The report does not provide evidence to support this recommendation. If it is the opinion of the report author, it should be stated as such.

Page 4

Statement: At minimum, the ECCDC should re-invigorate its Board oversight procedures, its transparency practices and completely revamp its budgeting to ensure greater clarity and transparency.

Comment/Response: See the response to the first statement above. The CDC strongly disagrees with this recommendation in that it is not supported by the analysis and findings presented in the report. If it is the opinion of the report author, it should be stated as such.

Page 5

Statement: About 90% of CDC revenues come from public resources (government grants, and property assessments)

Comment/Response: Of the total fiscal year 2008-09 revenue of \$1,479,068, \$480,554, or 32.5% was derived from the Property Business Improvement District (PBID) self-assessment of private property owners which is dedicated to downtown development and services benefiting the properties. The City, City Redevelopment Agency, County and Metropolitan Transit System paid an additional \$199,452, or 13.5% of the total revenue for the benefits to the public properties they own within the PBID. Another, \$479,953, or 32.5% was from pass through grants from the Redevelopment Agency which go to directly to property and business owners for façade improvements and business development. The remaining 21.5%, or \$319,109 of the CDC's revenue was derived from a combination of donations, advertising income, sponsorships, vendors, and grants for specified programs.

Statement: CDC's budgeting and financial tracking is confusing and convoluted, making it almost impossible to effectively follow the expenditures of public funds

Comment/Response: The CDC budgeting and financial tracking systems have been developed over many years in order to fairly and accurately portray the financial transactions of the organization. The CDC uses the services of an independent Certified Public Accounting firm to guide it in the establishment of budgeting and financial reporting procedures. The budgeting process involves very detailed worksheets that reflect anticipated revenues and expenditures. The CDC Finance Committee which consists of representatives from the bank which CDC does business with and from the City Redevelopment Agency, as well as members of the Board of Directors of the CDC, reviews the budget in detail before making a recommendation to the full Board of Directors concerning its adoption. Financial reports including income & expense, and balance sheet, are provided to and reviewed with the Board each month. Semi-annually, the CDC's contracted CPA reviews the financial statements for consistency and accuracy. Annually, an independent financial audit is performed by an auditor experienced with non-profit organizations. These skilled financial

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professionals have consistently commended the CDC for its accurate and transparent budgeting and accounting.

Statement: Line items budget revenue and expenditure projections are consistently wrong

Comment/Response: Budgets are plans for expenditures based on estimates of revenues. They are subject to variation during execution. They provide a financial roadmap, but do not include every pothole or bend in the road. It is important that a procedure exists for monitoring budgets so that when it is necessary to make changes, it can happen without endangering the overall mission of the organization. The CDC has consistently demonstrated that through the combination of skilled staff and dedicated volunteers on the Board of Directors and Finance Committee, it can deal with the occasional need to make mid-year adjustments in the budget.

Statement: Finance Manager is extremely detailed and knowledgeable, but too much reliance is placed on this one individual for this most critical task

Comment/Response: The Finance and Human Resources Manager is indeed a valued employee who possesses a great deal of knowledge about the organization's finances. Both the Finance and Human Resources Manager and the CDC's accountant are appropriately responsible for maintaining the highest level of detailed information regarding the financial operations of the CDC. In the absence of the Finance and Human Resource Manager, any individual with knowledge of generally accepted accounting practices (GAAP) for non-profit organizations would be able to step in and perform daily, monthly and annual bookkeeping entries and produce accurate financial reports. As is the case with all responsibly operating agencies, the CDC has adopted a Sustainability Plan which identifies and provides for the immediate and short-term continuity for this function.

Statement: ECCDC faces consistent cash-flow challenges

Comment/Response: We agree that the CDC has faced cash flow challenges as have many other organizations during this economic downturn. However, the CDC has demonstrated its ability to monitor and adjust spending to allow continued provision of the highest quality of services. It is noteworthy that in spite of difficult economic times, the CDC has a \$100,000 line of credit, with no current balance owed.

Statement: Limited to no Board oversight/participation in budget preparation and oversight

Comment/Response: The appropriate role of an organization's Board of Directors is the approval of an annual budget and oversight of income and expenditures. The budget is developed according to Board approved Policies and Procedures. Briefly, the steps involve Department Managers with the input of their respective committees (all committees have Board Members as chairs and active members) develop their budgets. All budgets are submitted to the CEO for review. The Department budgets are compiled into an organizational budget and presented to the Finance Committee which consists of Board Members, representatives from the City Redevelopment Agency and the CDC's bank. After careful review and discussion, modifications are made if necessary and then by formal vote,

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the Finance Committee recommends adoption of the budget to the full Board of Directors. The CFO (a volunteer Board Member) presents the budget to the Board of Directors for consideration and adoption. The Board is given an opportunity to ask questions and discuss any items in the budget prior to adoption at the June Board meeting. Financial reports including income and expense, and balance sheet are provided to and reviewed with the Board each month. The Finance Committee meets at least quarterly to review the finances against the budget and to recommend to the Board any necessary adjustments. All Finance Committee meetings are open to any Board Member or member of the public who wishes to attend.

Statement: There is no detailed annual expenditure plan for \$600,000 in PBID assessment revenues [repeated on page 6]

Comment/Response: As noted previously, the PBID assessment revenues are expended in accordance with the PBID Management Plan. The categories shown in the plan are the minimums that are to be expended in each area, and in fact, the annual budget assures that at least the amounts shown in the management plan are budgeted (and subsequently spent) in each of those categories.

Statement: Records show significant variances in the amount of its rent payments

Comment/Response: There were indeed significant variances in the amount of rent payments over the last several years due to the need to rent multiple facilities to house the expanding work of the CDC and then the consolidation of those locations in one, overall larger location at 131 East Main Street.

Statement: Records show significant variances in the reporting of its expenditures of Salaries.

Comment/Response: The report does not provide evidence to support this finding. If it is the opinion of the report author, it should be stated as such.

Statement: Its salaries are generally in-line with job descriptions, however number of employees may be difficult to sustain.

Comment/Response: The staffing level of the CDC is established each year through the budget process and is based upon a reasonable expectation of revenue to support the positions included within the budget.

Page 6

Statement: It is unclear how *unused* CDC Grant funds (over \$1 million since 2003) are allocated each year. [repeated on page 3 and page 27]

Comment/Response: Funds granted to the CDC are for a variety of purposes as indicated in the report. It is important to note, that in addition to funds granted by the El Cajon Redevelopment Agency, the CDC receives grants from banks, private foundations, other non-profit organizations and other government agencies. The conclusion reached by the consultant that there was over \$1 million in unspent grant funds is erroneous because it was

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based on comparing data from two unrelated sources. Some funds are granted to the CDC by the Redevelopment Agency for direct services provided by the CDC, while others are granted to the CDC for the purpose of providing financial assistance to business and property owners within the downtown district for such things as façade improvements and business development. The CDC receives a small percentage of the grant funding to cover the cost of administration of the granted programs. When not all of the funds initially granted are earned, the Redevelopment Agency does not reimburse the CDC up to the total "granted." Hence, as shown on the CDC-supplied table on page 28, the difference between the Redevelopment Agency's "awarded" and "used" funds for the entire seven year period from FY 2002-03 through FY 2008-09 was \$159,056.69. The additional grant funds that the consultant totaled from CDC financial statements from 2003 through 2009 were funds received from organizations other than the El Cajon Redevelopment Agency and were spent for the purposes granted.

Statement: Exec Committee makes significant decisions without informing full board

Comment/Response: The Executive Committee meets on an infrequent basis only as needed for urgent policy direction to the CEO between Board meetings or to review personnel issues in confidence with the CEO. All actions of the Executive Committee were reported by either the CEO or the Chairman of the Board of Directors at the next subsequent Board meeting. In the absence of a CEO from late December 2009 through late June 2010, the Executive Committee met more frequently for the purpose of reviewing staff operations (a function normally conducted by the CEO). Most meetings involved routine, administrative, non-policy issues that were not reported to the Board of Directors. The Chairman of Board reports policy actions of the Executive Committee at the next subsequent Board meeting following the Executive Committee meeting.

Statement: Exec Committee keeps no records of its meeting attendance or decisions

Comment/Response: The CEO and Board Secretary keep notes of the attendance, discussion and action items of each Executive Committee meeting. However, there are no formal minutes of these meetings kept. In the future, a formal set of minutes will be kept of all Executive Committee meetings, except for those portions dealing with confidential personnel issues.

Statement: ECCDC Board is left uninformed on crucial financial decisions, resulting in lax oversight

Comment/Response: As noted elsewhere in this response, this statement is without merit or support in fact. To our knowledge, only two current Board members were consulted during this study and neither indicated they felt uninformed on crucial financial decisions.

Statement: CEO employed spouse as direct report employee—board apparently not informed/aware

Comment/Response: The appointment of Ron Seguin to the Clean and Safe Manager position was overseen by El Cajon Police Lt. Jim Cunningham, as the chair of the CDC

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selection committee. The former CEO did not participate in the decision to employ Mr. Seguin. He was recommended for appointment to this position because he was judged to be well qualified for the position. The then-seated Board of Directors was apprised at the time of appointment that Mr. Seguin was Ms. Carpenter's husband. Care was taken in the reporting relationships to assure that Mr. Seguin did not report directly to Ms. Carpenter.

Statement: CEO approved three outside consulting contracts just prior to departure. There is no record showing approval by Exec Committee or Board of Directors.

Comment/Response: The former CEO approved these contracts with the knowledge and approval of the Executive Committee at its meeting on December 10, 2009 as part of the transition from having a CEO to temporarily operating without one. Two of the contracts cited were modifications to existing consultant agreements, one for a reduction in services and one for a temporary increase in services during the upcoming vacancy of the CEO. The third contract was for a resource development consultant to assist with fundraising and sponsorship sales for the upcoming event season which began in June 2010. The Board was informed of these contracts at subsequent Board meetings.

Statement: There is no detailed annual expenditure plan for \$600,000 in PBID assessment revenues [repeated on page 3]

Comment/Response: As noted previously, the PBID assessment revenues are expended in accordance with the PBID Management Plan. The categories shown in the plan are the minimums that are to be expended in each area, and in fact, the annual budget assures that at least the amounts shown in the management plan are budgeted (and subsequently spent) in each of those categories.

Page 7

Statement: Wisconsin Cottage project resulted in a subsidy of over \$1.3 million, due to poor city coordination with ECCDC, weak ECCDC management, and degrading market conditions.

Comment/Response: This finding is not supported by the analysis. This project was an important public-private partnership between the City of El Cajon Redevelopment Agency and the CDC for the purpose of producing affordable housing on a previously blighted parcel of the downtown. This project achieved its goal with the sale of seven units to qualified moderate income families. Degrading market conditions did contribute to an increase in cost and a decrease in the final sales price for the units. However, the increased cost over the four year period between planning and completion of this project averaged approximately 5% per year, which was well within the market conditions experienced by comparable projects at that time.

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Page 10

Statement: While a detailed review of 2002 through 2009 is available in the appendix, these two tables below show the overall growth of revenues and expenditures over 7 full years. The one consistency throughout these years is a significant variance between budgeted and actual numbers. Variances of this sort are not uncommon in early years of operation of new organizations, but the continued variances through-out the years demonstrate a lack of critical budget oversight.

Comment/Response: As seen on the tables on pages 10 and 11, both the amount and the percentage of the variance between budget and actual revenues and expenditures was less in fiscal year 2009 than in fiscal year 2003. Previous responses have documented the critical budget oversight provided by staff and Board.

Statement: Budget and Finance Oversight: The ECCDC Finance & HR Manager has an impressive grasp on the myriad of revenue sources, expenditures and the rather convoluted financial structure. However, the "knowledge" and expertise seems almost wholly within the grasp of this one person. The risk is that this most critical aspect of the CDC is almost indecipherable by anyone else.

Comment/Response: As noted elsewhere [see response to finding made on page 5 of audit report], the Finance and Human Resources Manager is a critical member of the CDC's management team. Both her long tenure and extensive knowledge about the finances of the organization make her an extremely valuable member of the staff team. Department managers are knowledgeable about the finances related to their departments. A sustainability plan has been developed that provides a long-term plan should a temporary or permanent vacancy occur in this position.

Page 15

Statement: The FY 2007 and 2008 Form 990's show "Compensation officers, directors, etc" as a separate line-item (as required by Form 990), which is consistent with the "Total salaries" shown for 2008 \$827,944. FY 2007 financial statements however show "Total Salaries" of \$735,395 as opposed to \$714,675 on Form 990 (when adding CEO to other salaries and wages) a difference of \$20,720. According to CDC the practice of NOT breaking out the CEO salary on the 08/09 Form 990 was an oversight which will be corrected.

Comment/Response: An omission error was made by the CPA firm preparing Form 990 for fiscal year 2009, leaving out the "Compensation officers, directors, etc." line-item. An amended Form 990 correcting that omission has been prepared and filed with the IRS (see attached Form 990).

Statement: While the salaries themselves are in-line with the employee responsibilities, the larger issue is the whether the CDC can sustain the number of employees given the ongoing cash flow challenges and potential diminution of future city Grant funding given the tough fiscal circumstances facing cities.

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comments & responses to statements made in
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By Barnett Consulting/Scott Barnett
Dated July 26, 2010

Comment/Response: The staffing level of the CDC is established each year through the budget process and is based upon a reasonable expectation of revenue to support the positions included within the budget. Grant funding from the City of El Cajon has historically come from the City Redevelopment Agency and is based on the tax increment the Redevelopment Agency is obligated to spend within the boundaries of the Redevelopment Agency. The CDC does not receive City of El Cajon general fund revenue.

Page 16

Statement: After receiving a line-item break down of these expenditures, it is not clear why these 1400 individual line items were placed in the Outside Services category, as opposed to being designated under specific budget items.

Comment/Response: Outside Services is a budget and accounting line item term. The category is used to account for expenditures that are provided by outside (non-employee) vendors and/or to pay for grants provided to businesses through the various grant programs. The "1400 individual line items" referred to by the consultant are not budgeted line-items, but rather detailed ledger transactions each representing a specific payment made during the period reported.

Page 17

Statement: When it was found that the financial statements did not match the lease amounts on rental agreements, we requested a detailed breakdown of the rental payments, which were supplied for FY '08/'09/'10. All three sources show *DIFFERING* rental amounts.

Comment/Response: The discrepancy in the fiscal year 2009 rent amount was due to a clerical error which had the line-items for "Resource Development" and "Rent" reversed in the financial statement. Since expenses line-items are in alphabetical order, the "Rent" line-item should come before the "Resource Development" line-item. The budgeted amounts shown on the financial statement for those two line-items are correct, but the "Actual YTD June 30" amounts are reversed. Therefore, the financial statement total for pre-audit year-end rent should have read \$69,788 and the total for pre-audit year-end resource development should have read \$26,326.

Page 20

Statement: The Assessment revenues are applied to the Clean & Safe program, Marketing & Promotions, Administrative, Management, Corporate Operations and a Contingency/Reserve. While the April 28, 2006 PBID Management Plan does list specific "Examples" where each PBID category would apply its funds, (with the caveat: "Examples include, but are not limited to") there is no way to determine in detail where these public assessed dollars have been spent.

Comment/Response: The CDC is obligated by the Management Plan to spend at least the minimum amounts shown in the plan for the activities listed. The annual audited financial statements and annual reports of the CDC have consistently reported the CDC spending more

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than the minimum in each category, demonstrating that the CDC successfully leverages the property assessments for a greater return to the property owners.

Page 23

Statement: Regarding the "timing of revenues" issue, the PBID assessments are paid by property owners at the time of their property tax payment. The time when revenue is received is a legitimate cash flow issue, but not a reason to preclude detailing budget expenditures. Regarding the issue of "default" by property owners, that is what the contingency reserve is for.

The lack of detail raises concerns that these publicly assessed funds could potentially be expended for inappropriate uses, un-related to the management of the PBID. However there is no evidence of this.

Comment/Response: The timing of the receipt of assessment revenue does indeed provide a cash flow management challenge to the CDC to meet all of its financial obligations when due. All budget expenditures of the CDC are detailed by month and department. This includes those expenditures related to the Downtown Management District from revenues derived from property assessments as well as revenues received from grants and other sources. As noted elsewhere in this response, the total annual expenditures exceed the minimum amounts contained in the Downtown Management Plan which is the basis for the Property Business Improvement District (PBID) assessment.

Page 27

Statement: According to Financial Statements, the total CDC Grant Income received between FY 2003 and 2009 was \$3.1 million, while just over \$2 Million was allocated "used" by grant recipients. It is not indicated where the additional \$1 million was spent, However, it is likely that these funds were used internally by CDC for projects or services which were not spent as part of the Grant-Award process. But at this point it is not known where the funds were actually spent. In other words, are they escrowed until next fiscal year or used to maintain cash-flow? [repeated on page 3 and page 6]

Comment/Response: Funds granted to the CDC are for a variety of purposes as indicated in the report. It is important to note, that in addition to funds granted by the El Cajon Redevelopment Agency, the CDC receives grants from banks, private foundations, other non-profit organizations, and other government agencies. The conclusion reached by the consultant that there was over \$1 million in unspent grant funds is erroneous because it was based on comparing data from two unrelated sources. Some funds are granted to the CDC by the Redevelopment Agency for direct services provided by the CDC, while others are granted to the CDC for the purpose of providing financial assistance to business and property owners within the downtown district for such things as façade improvements and business development. The CDC receives a small percentage of the grant funding to cover the cost of administration of the granted programs. When not all of the funds initially granted are

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earned, the Redevelopment Agency does not reimburse the CDC up to the total "granted." Hence, as shown on the CDC-supplied table on page 28, the difference between the Redevelopment Agency's "awarded" and "used" funds for the entire seven year period from FY 2002-03 through FY 2008-09 was \$159,056.69. The additional grant funds that the consultant totaled from CDC financial statements from 2003 through 2009 were funds received from organizations other than the El Cajon Redevelopment Agency and were spent for the purposes granted.

Page 36

Statement: Poor management/oversight of project: Total development costs increased from \$2.8 to \$3.5 million from initial estimates in 2004 through construction in 2009. This on top of the elimination of one unit resulted in a significant subsidy of over \$1.3 million by the City Redevelopment Agency. The ECCDC should have re-evaluated the viability of the project at that time.

Comment/Response: As previously noted, the Wisconsin Cottages project was a very significant public-private partnership between the El Cajon Redevelopment Agency and the CDC. Like most housing development projects during the same period, the project was subjected to increases in cost between inception of planning to completion of construction. In total, the approximate \$700,000 increase in cost averaged approximately 5% per year over the five year period stated. This was well in line with comparable projects throughout East County at that time. The Real Estate Development Team (Board Members, City Redevelopment Director, Planning Manager, and Bank Home Financing Specialist) did re-evaluate the project several times during the planning period as costs were exceeding budget. In each instance, the RED Team determined that the project was still viable and needed to continue. It would have been a fiscally unsound decision to abandon the project. The \$1.3 million "subsidy" stated by the consultant was an investment by the Redevelopment Agency toward accomplishing the purposes of the project which were to provide housing for moderate income residents and increase the assessed valuation within the downtown.

Page 38

Statement: When asked to review the Executive Committee Minutes showing approval, we were told that CDC "does not keep minutes of the Executive Committee meetings." This is disturbing in that while the Bylaws allows the Board to Delegate certain authority to the Executive Committee, approval of contracts should be reviewed or at least ratified by the entire Board. In addition, with minutes kept of Executive Committee Meetings, there is no way to determine who attended, if there were quorums, and if proper procedures are being followed

Comment/Response: The CEO and Board Secretary keep notes of the attendance, discussion and action items of each Executive Committee meeting. However, there are no formal minutes of these meetings kept. In the future, a formal set of minutes will be kept of

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all Executive Committee meetings, except for those portions dealing with confidential personnel issues.

Statement: While in no way a reflection on the quality of the work of the CDC Employee, who all indications are has been an exemplary employee, it is imprudent to have the CEO hire her husband.

Comment/Response: As noted previously, the selection of the spouse of the former CEO for the Clean & Safe Manager position was overseen by El Cajon Police Lt. Jim Cunningham, as chair of the CDC selection committee, and not by the former CEO. Safeguards were put in place during his employment to assure that he did not directly report to the CEO. The Board of Directors at the time of his selection and initial employment were informed that he was the spouse of the then-CEO. The CDC is developing a nepotism policy that will be adopted by the Board of Directors at its September meeting that will prohibit any future employment of direct family members.

**Independent Financial & Performance Review of the El Cajon
Community Development Corporation**

For the City of El Cajon

By Barnett Consulting/Scott Barnett

July 12, 2010

Barnett Consulting -- 7770 Regents Road, 113-286, San Diego, CA 92122 -- 619-857-1857

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KEY FINDINGS and RECOMMENDATIONS

Overall Conclusions:

ECCDC conducts many downtown enhancement tasks extremely well, while generating significant benefits to the City of El Cajon.

However, ECCDC has confusing, convoluted and at times non-transparent budgeting and management practices. It appears to have limited Board oversight of key decisions, and devolves critical decisions to the Executive Committee which keeps no records of its attendance and actions.

The City of El Cajon has had poor tracking of how of the over \$600,000 in annual Grants to ECCDC are allocated, and has NO information of how ECCDC spends over \$600,000 in annual PBID/property assessment revenues.

General Recommendations:

- City should consider taking more direct control of current ECCDC programs, (especially housing redevelopment, and Grant awards) and/or consider breaking out these tasks to other service providers.
- If ECCDC maintains management of PBID, CDC should be required to prepare more detailed expenditure plans to be approved annually by City.
- The City of El Cajon should conduct a review of the Redevelopment Department's budget and procedures to ensure that lack tracking of CDC Grants is not systematic of a larger problem.
- At minimum, the ECCDC should re-invigorate its Board oversight procedures, its transparency practices and completely revamp its budgeting to ensure greater clarity and transparency.

Specific findings:

(These findings are based on the data researched and with discussions with CDC Board/Staff)

El Cajon CDC (ECCDC) diligently accomplishes a variety of popular programs benefitting the city, citizens and visitors to El Cajon. These highlights include implementation and oversight of:

- Clean and Safe Program
- Façade Improvement Program
- Lend a Hand program

In addition the CDC produces a variety of successful and popular programs which promote El Cajon including, but not limited to:

- A Toast to Music
- Homeownership Fair
- Concerts on the Green
- Cajon Classic Cruise

EDC is a focal point for generating a significant level of volunteer activities by CDC board members and other volunteers, which benefits the city and citizens.

While it's hard to quantify the net fiscal or economic impact of these activities, especially on generating enhanced economic activity for local businesses, these and other CDC programs augment the pride felt by citizens and add to the "community benefits" which could attract additional patronage of Downtown El Cajon.

ECCDC—Basic Facts and Findings (FY 2009)

Budget:

Total income went from \$875,246 in 2003 to \$1,479,068 in 2009.

About 90% of CDC revenues come from public resources (government grants, and property assessments)

In 2009 \$145,903 of CDC funds came from private sources

Expenses went from \$967,656 in 2003 to \$1,561,424 in 2009

CDC's budgeting and financial tracking is confusing and convoluted, making it almost impossible to effectively follow the expenditures of public funds

Line items budget revenue and expenditure projections are consistently wrong

Finance Manager is extremely detailed and knowledgeable, but too much reliance is placed on this one individual for this most critical task

ECCDC faces consistent cash-flow challenges

Limited to no Board oversight/participation in budget preparation and oversight

There is no detailed annual expenditure plan for \$600,000 in PBID assessment revenues

Records show significant variances in the amount of its rent payments

ECCDC has as of November 2009, \$150,000 in outstanding debt

Salaries:

Records show significant variances in the reporting of its expenditures of *Salaries*. CDC supplied Financial Statements and IRS 990 Forms show FY 2009 salaries of \$736,054, whereas CDC supplied salary table shows \$534,611 a difference of over \$200,000.

Its salaries are generally in-line with job descriptions, however number of employees may be difficult to sustain.

Grants:

The City of El Cajon has had poor tracking of how of the over \$600,000 in annual Grants to ECCDC are allocated

City of El Cajon unable to determine if Grant funds are spent as intended and how much of Grant funds are spent on Administration and Overhead

City of El Cajon destroys Grant applications after two years, making it impossible to effectively audit expenditures

It's unclear how *unused* CDC Grant funds are allocated each year

Procedures/Oversight:

Exec Committee makes significant decisions without informing full board

Exec Committee keeps no records of its meeting attendance or decisions

ECCDC Board is left uninformed on crucial financial decisions, resulting in lax oversight

CEO employed spouse as direct report employee—board apparently not informed/aware

CEO approved three outside consulting contracts just prior to departure. There is no record showing approval by Exec Committee or Board of Directors

There is no detailed annual expenditure plan for approximately \$600,000 in annual PBID assessment revenues

City of El Cajon has NOT (until last year) categorized the approx. \$600,000 in Grant awards to ECCDC

City of El Cajon is unable to determine if Grant funds are spent as intended and how much of Grant funds are spent on Administration and Overhead

City of El Cajon destroys Grant applications after two years, making it impossible to effectively audit expenditures

Wisconsin Cottages:

Wisconsin Cottage Project was a successful physical improvement for El Cajon

Wisconsin Cottage project resulted in a subsidy of over \$1.3 million, due to poor city coordination with ECCDC, weak ECCDC management, and degrading market conditions.

Independent Financial & Performance Review of the El Cajon Community Development Corporation

Mission Statement of El Cajon CDC

The El Cajon CDC is an independent 501(c)(3) non-profit community development corporation that was established in 1996 through a grassroots effort by local government, business owners, and residents. El Cajon CDC takes part in, and proactively works toward the many revitalization efforts in Downtown El Cajon.

The El Cajon CDC is a non-profit public benefit corporation, incorporated August 22, 2001. Barnett Consulting/Scott Barnett was retained by the city of El Cajon to conduct an Independent Financial & Performance Review of the El Cajon Community Development Corporation. The review included the following tasks:

A review of CDC budgets and policies with specific analysis of spending practices.

Study conducted a detailed evaluation of specific projects and programs including:

- A line item by line item review of budgeted expenditures
- CDC Grants
- Property Based Improvement District (PBID)
- Façade Improvements
- Clean & Safe Program
- Lend a Hand
- Wisconsin Street Housing Project
- Community Housing Development Organization (CHDO)

Detailed Findings

El Cajon CDC diligently accomplishes a variety of popular programs benefitting the city, citizens and visitors to El Cajon. These highlights include implementation and oversight of:

Clean and Safe Program
Façade Improvement Program
Lend a Hand program

In addition the CDC produces a variety of successful and popular programs which promote El Cajon including:

- A Toast to Music
- Homeownership Fair
- Concerts on the Green
- Cajon Classic Cruise

While it's hard to quantify the net fiscal or economic impact of these activities, especially on generating enhanced economic activity for local businesses, these and other CDC programs enhance the pride felt by citizens and add to the "community benefits" which could attract additional non-resident shopping activities to the City.

EDC is a focal point for generating a significant level of volunteer activities by CDC board members and other volunteers, which benefits the city and citizens.

CDC Budget Review.

This analysis conducted a line item by line item review of budgeted expenditures from 2002 through 2009, by examining CDC Financial Statements, CDC Budget schedules and *IRS Forms 990 (2006-2008)*, filed by the CDC.

Significant growth

The ECCDC's budget doubled from 2003 to 2005, with funds tapering off in recent years.

Income:

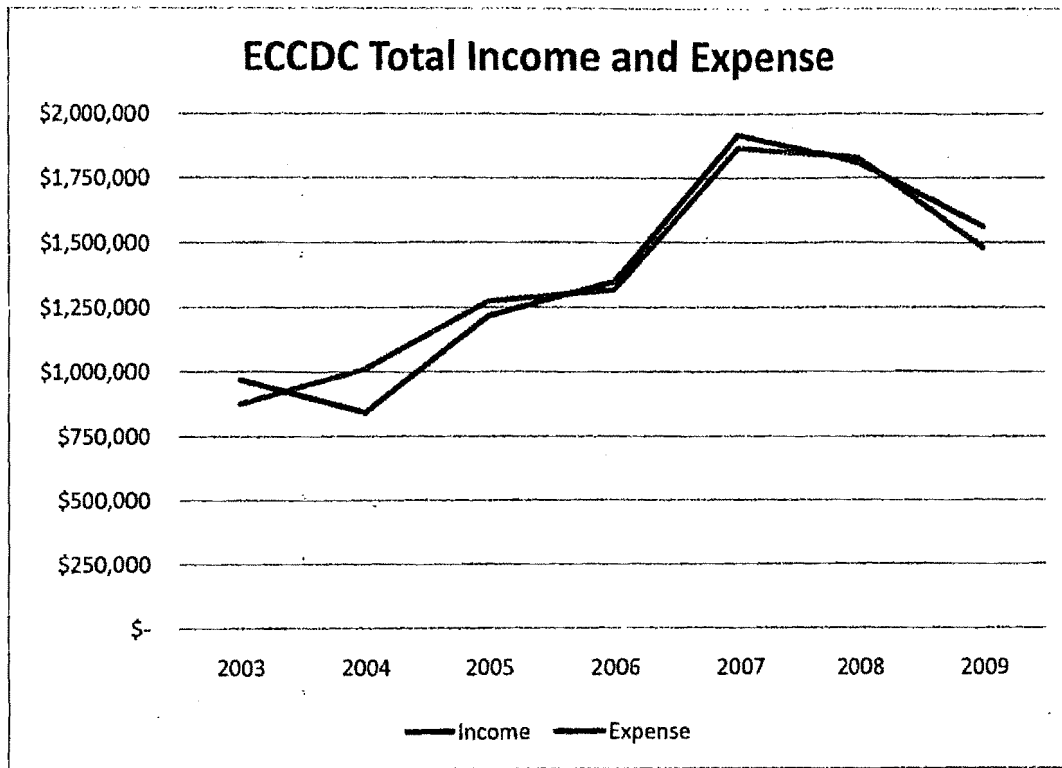
Total income went from \$875,246 in 2003 to \$1,479,068 in 2009. About 90% of CDC revenues come from public resources (assessment income and City of El Cajon Grants). In 2009 \$145,903 of CDC funds came from private sources.

Expenses:

Expenses went from \$967,656 in '03 to \$1,561,424 in 2009

While a detailed review of 2002 through 2009 is available in the appendix, these two tables below show the overall growth of revenues and expenditures over 7 full years. The one consistency throughout these years is a significant variance between budgeted and actual numbers. Variances of this sort are not uncommon in early years of operation of new organizations, but the continued variances through-out the years demonstrate a lack of critical budget oversight.

Budget and Finance Oversight : The ECCDC Finance & HR Manager has an impressive grasp on the myriad of revenue sources, expenditures and the rather convoluted financial structure. However, the "knowledge" and expertise seems almost wholly within the grasp of this one person. The risk is that this most critical aspect of the CDC is almost indecipherable by anyone else.



Budget Table 2003

ECCDC Budget vs Actual	2003 Budget	2003 Actual	2003 Variance
INCOME			
TOTAL 2003 INCOME	\$ 1,135,465	\$ 875,246	\$ 260,219
EXPENSES			
TOTAL 2003 EXPENSES	\$ 1,100,398	\$ 967,656	\$ 132,742

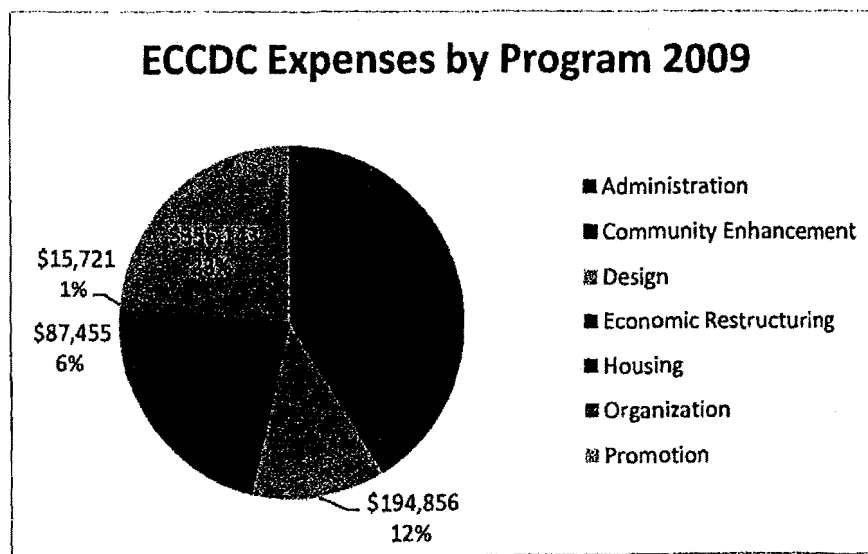
Source: Schedule I, Year Ended May 31, 2002 (5 month) and June 30, 2003 through 2009

Budget Table 2009

ECCDC Budget vs. Actual	2009	2009	2009
2009 Income Budget	Actual	Variance	ECCDC Budget vs. Actual
\$56,237	\$47,005	\$9,232	2009 TOTAL INCOME
2009 Expenses Budget	Actual	Variance	EXPENSE CATEGORIES
\$499,470	\$561,424	\$61,954	2009 TOTAL EXPENSES

Source: Schedule I, Year Ended May 31, 2002 (5 month) and June 30, 2003 through 2009

Chart showing 2009 expenditures. Categories designated by CDC.



Line item detailed review of 2002-2009 revenues/expenditures are available in the appendix

ECCDC Debt

According to the November 19, 2009 Independent Auditors Report, the ECCDC has the following obligations as of June 30, 2009:

- Bank Line of Credit \$100,000
 Owes \$99,959 (min interest: 5.25%) Matures September, 2010

- City of El Cajon \$100,000
 For capital projects to be paid back in two installments of
 \$50,000 on June 30, 2010; and June 30, 2011 (plus 3%
 interest)

ECCDC Salaries and Benefits FY 2009

ECCDC Employee Salaries and Benefits		2009			
Status	Job Title	Annual Salary	Annual Medical	Annual Dental	Employee Cont.
FT	CEO/President (previous CEO)	98,000	N/A	N/A	N/A
FT	Finance & HR Manager	59,842	4,284		600
FT	Resource Development Associate	30,160			
FT	Community Development Coordinator	43,165	3,084	569	1,225
FT	Community Development Associate	34,000	2,796	569	937
FT	Economic Development Coordinator	41,200	2,796	569	
FT	Receptionist	17,160			600
FT	Promotions and Events Manager	63,050	4,932		1,585
PT	Marketing & Special Events Associate	8,500			
FT	Clean & Safe Technician	24,960	4,284	215	600
FT	Clean & Safe Ambassador	26,000	4,284	215	600
PT	Clean & Safe Ambassador	9,690			
PT	Clean & Safe Technician	11,220			
PT	Clean & Safe Technician	2,850			
PT	Clean & Safe Technician	6,240			
FT	Urban Improvement Manager	36,126			
	TOTAL	512,163	26,460	2,136	6,148
	Payroll	512,163			
	Medical & Dental	28,596			
	Less Employee Contributions	(6,148)			
	Total ECCDC Payroll and Benefits	534,611			

Note: CEO salary is "budgeted" as she left December 2009

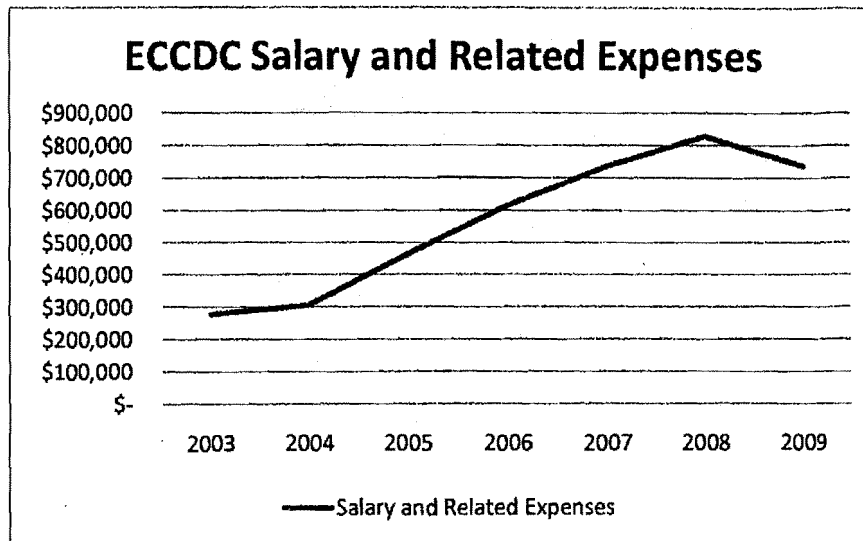
The data above was received based on a request for a list of *all current employee positions/salaries and benefits*.

This chart shows 2009 total salaries/benefits as \$534,611. But a review of CDC supplied Financial Statements and IRS 990 Forms show FY 2009 salaries of \$736,054, a difference of over \$200,000.

In addition, the 2007 and 2008 Form 990's show "Compensation officers, directors, etc" as a separate line-item (as required by Form 990), which is consistent with the "Total salaries" shown for 2008 \$827,944, but it is not clear why this practice was discontinued in 2009. (CEO is considered an "officer").

	2008-9	2007-8	2006-7
Compensation officers, directors, etc		97,093	91,050
Salaries and Wages	736,054	730,851	623,625

Source IRS forms 990



Source: CDC financial statements

While the salaries themselves are in-line with the employee responsibilities, the larger issue is the whether the CDC can sustain the number of employees given the ongoing cash flow challenges and potential diminution of future city Grant funding given the tough fiscal circumstances facing cities.

Outside Services

Outside Services is a broad category which encompassed over \$ 2.2 million in expenditures from June 2005 through April 2010 (the time period in which data was made available by CDC) CDC removed the name of the specific vendor which supplied the various *Outside Services*.

After receiving a line-item break down of these expenditures, it is not clear why these 1400 individual line items were placed in the *Outside Services* category, as opposed to being designated under specific budget items. An analysis of the expenditures showed that these funds were spent in the following major categories:

NOTE: Details of all 1400 line items are available in the Appendix.

Outside Services June, 2005-April 2010	\$ Amount
Source: ECCDC	
Administration	67,942
Misc Community Development	41,550
Economic Restructuring	179,803
Misc Economic Development	1,150,380
Housing	3,376
Organizational	47,397
Promotions	396,133
Urban Improvement-Clean & Safe	185,098
Urban Improvement-Master Plans	201,187
Total Outside Services	\$2,272,870

Rent Issues

The following tables show the Budgeted and Actual CDC rent payments based on;

- CDC financial statements,
- Independent Auditors report and
- Rent information supplied by CDC

(Note: Detailed rent information from FY '02 – FY '09 is available in appendix)

Rent-Financial Statements

Budget Year	Budgeted	Actual
FY 2008	49,038	27,777
FY2009	65,000	26,326

Rent-Independent Auditors Report

Budget Year	Actual
FY 2008	42,377
FY 2009	77,984
FY2010(anticipated)	73,736

November 19, 2009 Independent Auditors report (Hutchinson and Bloodgood), page 17

When it was found that the financial statements did not match the lease amounts on rental agreements, we requested a detailed breakdown of the rental payments, which were supplied for FY '08/'09/10. All three sources show *DIFFERING* rental amounts.

Following: CDC supplied rent chart, (April 2010)

**El Cajon CDC
Rent Analysis
0707 - Current**

07/07 - 06/08

C&S Office	\$ 1,775.00
168 Main St	\$ 24,200.00
Storage	\$ 6,087.00
	\$ 32,062.00

07/08 -06/09

C&S Office	\$ 2,700.00
168 Main St	\$ 24,200.00
131 Main St	\$ 39,197.84
Storage	\$ 1,690.00
	\$ 67,787.84

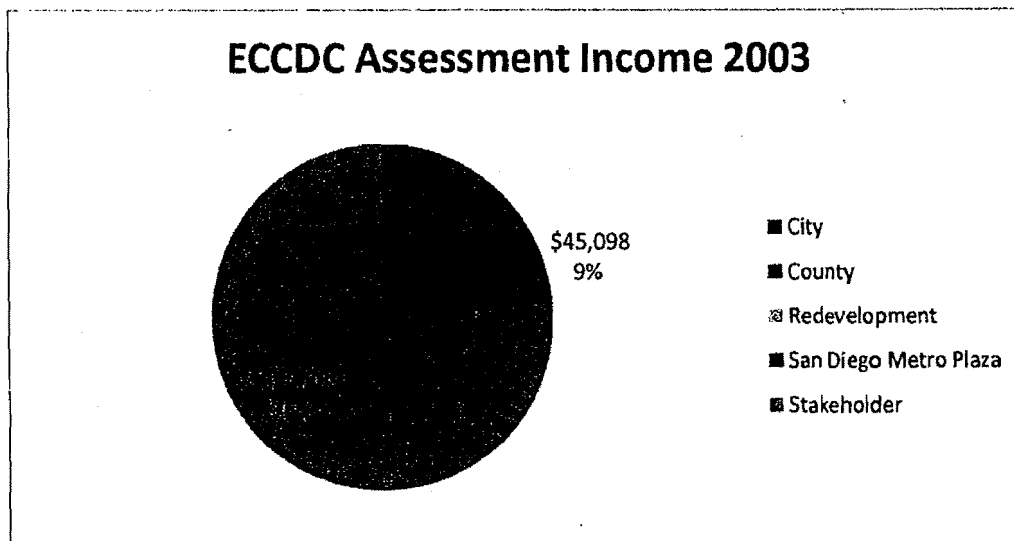
07/09 - 03/10 Current Fiscal Year

168 Main	\$ 2,000.00	709
131 Main St	\$ 43,345.00	0709 -0310
131 Main St	\$ 14,607.00	0410 - 0610
	\$ 59,952.00	

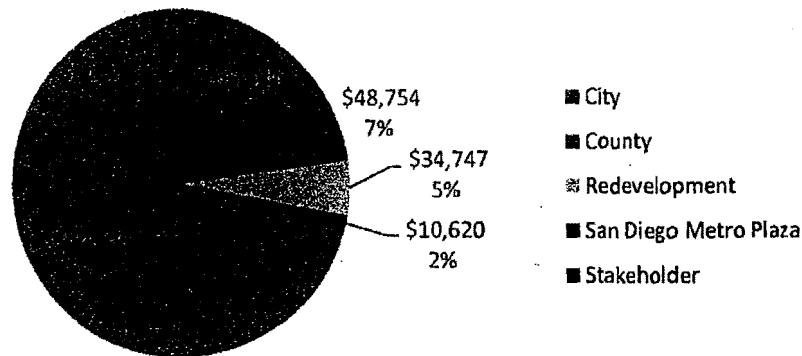
PBID--Property Based Business Improvement District

Since January 1997 Downtown El Cajon property owners have assessed themselves for services for the downtown PBID. These assessments are collected under the aegis of a "Benefit Assessment District" as defined by the California Streets and Highway Code, and must be consistent with California Constitutional Amendments Proposition 13 (1978) and Proposition 218 (1996). 218 "the right to vote on taxes act" tightened the assessment voting process, thus requiring support from at least 50% of the assessed properties, in a mail ballot sent out by the City Clerk. Assessments are paid through property taxes bills. The current assessment expires in December 2011. Assess The ECCDC manages the City of El Cajon's PBID which is within the boundaries of the Downtown El Cajon Management District, generates over \$600, 000 in assessment revenue annually. The current PBID Expires July 1, 2011 unless extended by the property owners.

Assessment Revenues



ECCDC Assessment Income 2009



The Assessment revenues are applied to the **Clean & Safe program, Marketing & Promotions, Administrative, Management, Corporate Operations and a Contingency/Reserve**. While the April 28, 2006 PBID Management Plan does list specific "Examples" where each PBID category would apply its funds, (with the caveat: "Examples include, but are not limited to") there is no way to determine in detail where these public assessed dollars have been spent. See chart below

Assessments		639,829
TOTAL Revenue		639,829
Expenses		
*Clean & Safe	40%	255,900
Marketing & Promotions	27%	172,750
Administrative, Management and Corporate Operations	25%	160,000
Contingency/Reserve	8%	51,179
TOTAL EXPENSE	100%	639,829
BALANCE		

Source: Downtown El Cajon PBID Management District Plan 4/28/06

*Note: Clean and Safe expenditures ARE detailed and will be discussed under that section.

Different PBIDs throughout the show varying levels of budget detail. Below are PBID budgets from the City of San Diego's downtown PBID, which shows great detail, and the current proposed PBID budget for Downtown Fresno. Fresno is not as detailed as San Diego's but more detailed then El Cajon CDC.

PBID Budget	2009 - 2010					
	31.27%	17.73%	28.58%	9.60%	12.82%	
Income	Core	Gaslamp	E Village	Cortez	Marina	Total
Assessments	\$1,069,744.62	\$1,060,139.82	\$1,708,899.95	\$574,018.18	\$766,553.44	\$5,979,356.01
5% Uncollectable	(\$93,487.23)	(\$53,006.99)	(\$85,445.00)	(\$28,700.91)	(\$38,327.67)	(\$298,967.80)
Sub-Total	\$1,776,257.39	\$1,007,132.83	\$1,623,454.95	\$545,317.27	\$728,225.77	\$5,680,388.21
5% Increase	\$0.00	\$0.00	\$0.00	\$27,265.86	\$0.00	\$27,265.86
Gas Tax	\$11,064.33	\$0.00	\$11,064.33	\$0.00	\$11,064.33	\$33,192.99
Parks	\$14,071.50	\$7,978.50	\$12,861.00	\$4,320.00	\$5,769.00	\$45,000.00
Total Income	\$1,801,393.22	\$1,015,111.33	\$1,647,380.28	\$576,903.13	\$745,059.10	\$5,785,847.06
Expenses						
Contractors						
Aquatic	\$30,019.20	\$17,020.80	\$27,436.80	\$9,216.00	\$12,307.20	\$96,000.00
CleanStreet				\$141,980.80		\$141,980.80
Davey Tree (Medians)	\$79,872.00		\$53,247.96		\$26,624.04	\$159,744.00
Davey Tree (Trees)	\$24,528.00	\$12,264.00	\$45,552.00	\$19,272.00	\$31,536.00	\$133,152.00
Davey Tree (Tree Keeper)	\$656.67	\$372.33	\$600.18	\$201.60	\$269.22	\$2,100.00
Day & Night (Marina)					\$98,904.00	\$98,904.00
Jani King (Core)	\$150,560.28					\$150,560.28
Jani King (Gaslamp) includes CW		\$188,757.60				\$188,757.60
Painting Gaslamp Sign		\$5,000.00				\$5,000.00
San Diego Concrete (Core)	\$158,680.08					\$158,680.08
San Diego Concrete (E.V.)			\$220,532.00			\$220,532.00
SCI	\$307,596.46	\$241,648.84	\$285,891.79	\$80,588.55	\$161,060.30	\$1,076,585.93
Tech Team	\$1,563.50	\$886.50	\$1,429.00	\$480.00	\$641.00	\$5,000.00
Contractor Totals	\$753,476.19	\$465,950.07	\$634,489.73	\$251,738.95	\$331,341.76	\$2,436,996.69
Operating Expenses						
Audit Services (Accounting)	\$7,129.56	\$4,042.44	\$6,516.24	\$2,188.80	\$2,922.96	\$22,800.00
Overhead Billed (Sals & Wages)	\$474,135.84	\$281,428.87	\$443,984.14	\$148,794.78	\$188,983.37	\$1,537,327.00
Insurance- Other (Benefits)	\$183,647.10	\$108,535.70	\$171,571.40	\$57,512.00	\$73,400.60	\$594,666.80
Admin & Plan Check (Partnership Reimbursement)	\$22,514.40	\$12,765.60	\$20,577.60	\$6,912.00	\$9,230.40	\$72,000.00
Vehicle Insurance	\$6,879.40	\$3,900.60	\$6,287.60	\$2,112.00	\$2,820.40	\$22,000.00
Fidelity & General Liability Ins.	\$19,074.70	\$10,815.30	\$17,433.80	\$5,856.00	\$7,820.20	\$61,000.00
Other Operating Expenses:						
Office Supplies	\$3,127.00	\$1,773.00	\$2,858.00	\$960.00	\$1,282.00	\$10,000.00
Postage & Mailing	\$343.97	\$195.03	\$314.38	\$105.60	\$141.02	\$1,100.00
Cleaning & Janitorial Supplies	\$21,889.00	\$12,411.00	\$20,006.00	\$6,720.00	\$8,974.00	\$70,000.00
District Mailings / Web Services	\$4,690.50	\$2,659.50	\$4,287.00	\$1,440.00	\$1,923.00	\$15,000.00
Cement & Aggregates (Sidewalk repair)	\$9,381.00	\$5,319.00	\$8,574.00	\$2,880.00	\$3,846.00	\$30,000.00
Other Repair & Maintenance	\$36,273.20	\$20,566.80	\$33,152.80	\$11,136.00	\$14,871.20	\$116,000.00
Misc Services / Supplies	\$8,130.20	\$4,609.80	\$7,430.80	\$2,496.00	\$3,333.20	\$26,000.00
Waste Removal (Refuse Disposal)	\$14,071.50	\$7,978.50	\$12,861.00	\$4,320.00	\$5,769.00	\$45,000.00
Dry Goods / Wearing Apparel (Uniforms)	\$3,127.00	\$1,773.00	\$2,858.00	\$960.00	\$1,282.00	\$10,000.00
Photocopy (Office Copier)	\$938.10	\$531.90	\$857.40	\$288.00	\$384.60	\$3,000.00
Travel	\$938.10	\$531.90	\$857.40	\$288.00	\$384.60	\$3,000.00
Training	\$625.40	\$354.60	\$571.60	\$192.00	\$256.40	\$2,000.00
Rents / Leases	\$29,268.72	\$16,595.28	\$26,750.88	\$8,985.60	\$11,999.52	\$93,600.00
Leasing / Purchasing (Equip.)	\$31,182.76	\$17,680.53	\$28,500.26	\$9,573.22	\$12,784.23	\$99,721.00
Electric Services	\$15,635.00	\$8,865.00	\$14,290.00	\$4,800.00	\$6,410.00	\$50,000.00
Telephones	\$938.10	\$531.90	\$857.40	\$288.00	\$384.60	\$3,000.00
Water Services	\$9,381.00	\$5,319.00	\$8,574.00	\$2,880.00	\$3,846.00	\$30,000.00
Cellular Phones	\$15,009.60	\$8,510.40	\$13,718.40	\$4,608.00	\$6,153.60	\$48,000.00
Total Operating Expenses	\$918,331.15	\$537,694.65	\$853,690.10	\$286,296.00	\$369,202.90	\$2,985,214.80
Other City Expenses						
Interest / City Admin. Expenses	40,651.00	23,049.00	37,154.00	12,480.00	16,666.00	130,000.00
Lighting Expense	120,600.00	19,095.00	140,700.00	25,460.00	29,145.00	335,000.00
Sub-Total:	\$161,251.00	\$42,144.00	\$177,854.00	\$37,940.00	\$45,811.00	465,000.00
Total Expenses:	\$1,833,058.34	\$1,045,788.72	\$1,666,033.83	\$575,974.95	\$746,355.66	\$5,867,211.49
Surplus (Deficit)	(\$31,665.12)	(\$30,677.39)	(\$18,653.55)	\$928.19	(\$1,296.56)	(\$81,364.43)

Above: City of San Diego Downtown PBID, FY '09/'10 Budget

D. Plan Budgets

2011 Operating Budget Summary

The total improvement and activity plan budget for 2011 is projected at \$607,000. The initial budget allocation is summarized below:

Activity	Budget	% of Total
Economic Enhancements	\$ 190,000	31.3
Environmental Enhancements	185,000	30.5
Fulton Mall Activation	44,500	7.3
Management & Administration	130,000	21.4
Delinquency & Contingency	57,500	9.5
Total	\$ 607,000	100.0

An illustrative budget follows, but final budget allocation decisions will be subject to the annual determination of the PBID Owner Association, which will be the Downtown Association of Fresno.

Activity	Sub-Total	TOTAL
Economy		
Marketing Manager (\$50K x 20%)	60,000	
Market Research & Business Development	20,000	
Image Enhancement -- Consumer Marketing	60,000	
Website, electronic marketing	20,000	
Special Events	30,000	
Total Economy		190,000
Environment		
<i>Clean & Safe</i>		
Ambassadors (160 hrs/wk @ \$12.50)	104,000	
Insurance, Workmans Comp, Etc. 20%	21,000	
Streetscape Enhancement Allowance	50,000	
Parking Management Strategies	10,000	
Total Environment		185,000
Fulton Mall Manager (\$37K x 20%)	44,500	
Total Fulton Mall Activation		44,500
Management & Administration		
Executive Director 67% (\$85K x 20%)	68,340	
Administrative Asst 67% (\$25K x 20%)	20,100	
Rent, Audit, Bookkeeping, Supplies, etc.	41,560	
Total Management & Administration		130,000
<i>Delinquency Contingency</i>		57,500
TOTAL		607,000

When asked why the ECCDC does not have a more detailed budget delineating the use of the PBID assessment funds. CDC responded that:

Spending of PBID assessment revenue is allocated according to the priorities established by the property owners. The issue is addressed in the Downtown El Cajon PBID Management District Plan dated April 28, 2006. This document is required and updated as part of the recertification process. [see chart below]

Assessments		639,829
TOTAL Revenue		639,829
EXPENSES		
*Clean & Safe	40%	255,900
Marketing & Promotions	27%	172,750
Administrative, Management and Corporate Operations	25%	160,000
Contingency/Reserve	8%	51,179
TOTAL EXPENSE	100%	639,829
BALANCE		

Source: Downtown El Cajon PBID Management District Plan 4/28/06

CDC response continued:

The Plan includes a table with a breakdown of these allocations. These all reference First Year budget numbers, but the established allocations continue for each succeeding year, even though the budget numbers may vary.

From an accounting standpoint, the PBID revenue is recognized as admin revenue. The reason PBID funds were processed as admin was to keep the allocation process from becoming too complicated. Not knowing when revenue would arrive, and which properties would go into default. The adjustment of income for those situations was potentially an accounting and administrative nightmare. Administrative funds always back fill any department or programs that do not have a funding source or if the funding does not cover all the expenses at year end. (Source: CDC response to PBID Inquiry)

Consultant Response:

Regarding the "timing of revenues" issue, the PBID assessments are paid by property owners at the time of their property tax payment. The time when revenue is received is a legitimate cash flow issue, but not a reason to preclude detailing budget expenditures. Regarding the issue of "default" by property owners, that is what the contingency reserve is for.

The lack of detail raises concerns that these publicly assessed funds could potentially be expended for inappropriate uses, un-related to the management of the PBID. However there is no evidence of this.

Clean & Safe, Lend a Hand, Façade Program

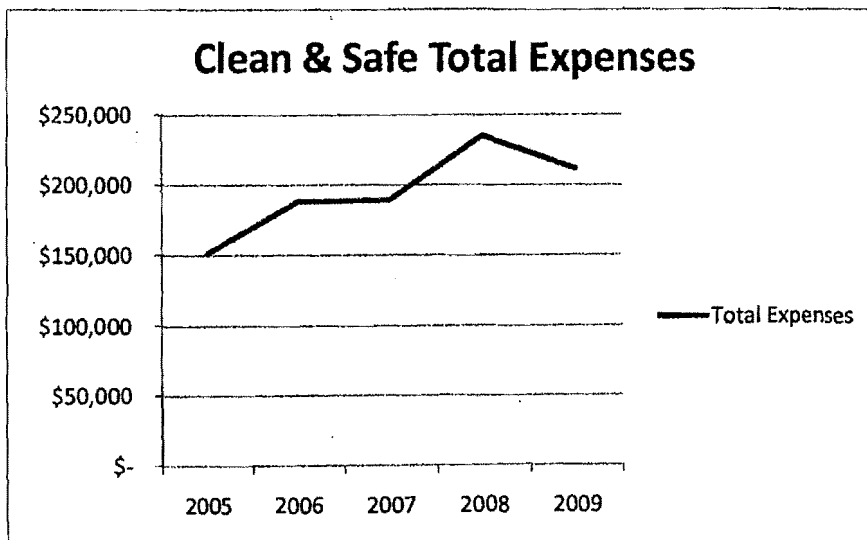
El Cajon CDC diligently accomplishes a variety of popular programs benefitting the city, citizens and visitors to El Cajon. These highlights include implementation and oversight of:

- Clean and Safe Program
- Façade Improvement Program
- Lend a Hand program

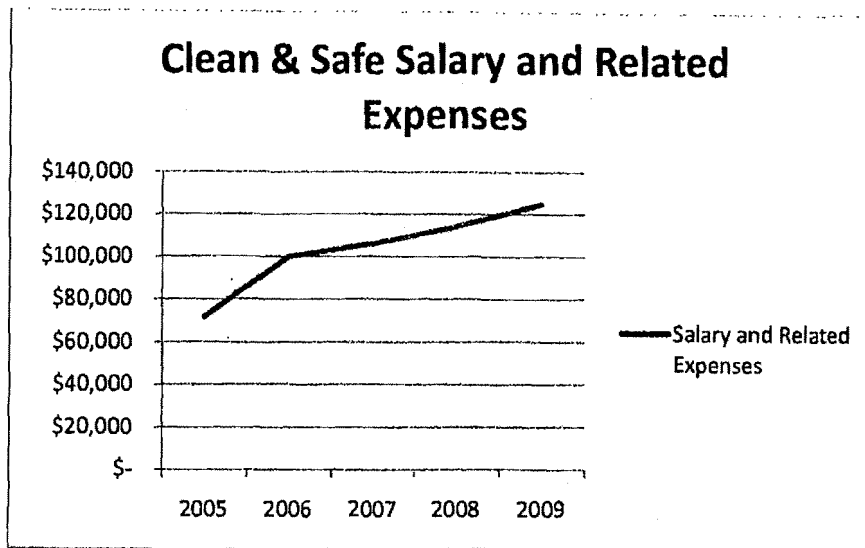
Clean & Safe Program—Funded from PBID Proceeds

Clean & Safe Program Expenses	2005	2006	2007	2008	2009
TOTAL	151,222	188,147	189,285	235,093	211,498

Source: CDC Schedule I, Year Ended June 30, 2005 through 2009



Source: ECCDC



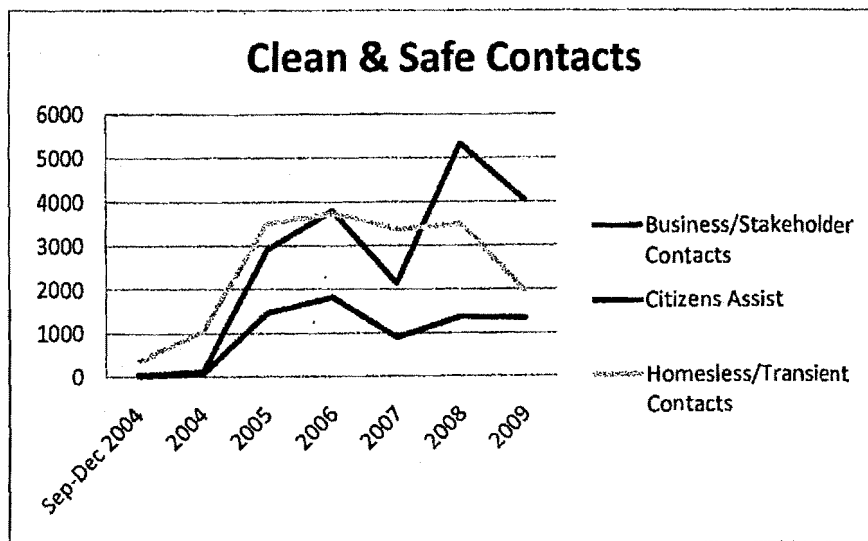
Source: ECCDC

Clean & Safe Activity Reports

Clean & Safe Program Outcomes	Sep-Dec 2004	2005	2006
Business/Stakeholder Contacts	35	105	2902
Citizens Assist	19	57	1446
Graffiti Reported/Removed	70	210	891
Flyers/Signs Removed	N/A	N/A	N/A
Homeless/Transient Contacts	346	1038	3508
Illegal Dumping	25	75	352
Litter Removed (gal)	49	147	1578
Maintenance Referral	9	27	101
Police Call	6	18	43
Panhandling	see #4	see #4	32
Shopping Carts Recovered/Returned	169	507	1384
Unsecured Dumpster	31	93	174
Vehicle Activity	2	6	35
Recovered syringes/sharps	N/A	N/A	N/A

Clean & Safe Program Outcomes	2006	2007	2008	2009
Business/Stakeholder Contacts	3791	2134	5320	4025
Citizens Assist	1810	886	1365	1329
Graffiti Reported/Removed	1123	1405	1508	1068
Flyers/Signs Removed	N/A	169	270	253
Homeless/Transient Contacts	3731	3364	3494	1969
Illegal Dumping	98	99	92	99
Litter Removed (gal)	15760	10024	6087	4859
Maintenance Referral	16	41	47	22
Police Call	34	26	29	34
Panhandling	45	14	17	48
Shopping Carts Recovered/Returned	1611	1522	619	789
Unsecured Dumpster	152	148	102	38
Vehicle Activity	N/A	N/A	N/A	N/A
Recovered syringes/sharps	N/A	2	9	3

Sources: Clean & Safe Ambassador Activity
Logs 2004-2009



Details can be reviewed in the Appendix. According to CDC the reduction in contacts (litter removal, transients, etc) is due to effectiveness of programs.

GRANTS

CDC receives Grants in which it allocates to the following programs: **Business Recruiting, Façade and Design, Utility Box Art, Lend a Hand and CHDO.**

Total CDC Grant Income received between FY 2003 and 2009 was \$3.1 million, while \$2.2 Million was allocated to grant recipients (of which all except \$159,000 was awarded.) It is not indicated where the additional \$900,000 was spent. In other words, are they escrowed until next fiscal year or used to maintain cash-flow?

CDC GRANTS	Grants Funds Received by CDC*	Grants Awarded by CDC**
2008/2009	\$592,281	\$479,953

*CDC Financial Statements 2003-2009

** Compiled by CDC staff

City Does Not Track how Grant Funds it Gives CDC is Allocated

The City of El Cajon has remarkably, never kept track of how much of the Grant funding it gives CDC goes to CDC Administration and overhead*. It does list individual dollar amounts for each individual grant payment to CDC, but staff has indicated it would have to "guess" what funds were used for what purpose. In addition the City only keeps back-up files for only two years (except as required by Federal law) and destroys older files.

**The city recently started keeping track.*

EL CAJON CDC
GRANT USAGE
2003-2009
BUS REC, FAC, U-ART, LHD, CHDO

	Bus Recruiting	Façade & Design	Utility Box	Lend Hand	CHDO	
2008 - 2009						
Awarded	\$ 235,000.00	\$ 135,000.00	\$ 12,000.00	\$ 60,000.00	\$ 37,953.00	\$ 479,953.00
Used	\$ 235,000.00	\$ 135,000.00	\$ 11,979.86	\$ 60,000.00	\$ 37,953.00	\$ 479,932.86
Unused Funds	\$ -	\$ -	\$ 20.14	\$ -	\$ -	\$ 20.14
2007 - 2008						
Awarded	\$ 235,000.00	\$ 135,000.00		\$ 60,000.00	\$ 39,212.00	\$ 469,212.00
Used	\$ 234,999.98	\$ 134,349.76		\$ 60,000.00	\$ 39,212.00	\$ 468,561.72
Unused Funds	\$ 0.04	\$ 650.24		\$ -	\$ -	\$ 650.28
2006 - 2007						
Awarded	\$ 150,000.00	\$ 163,000.00		\$ 60,000.00	\$ 39,521.00	\$ 412,521.00
Used	\$ 137,929.46	\$ 159,213.46		\$ 56,942.47	\$ 39,521.00	\$ 393,606.39
Unused Funds	\$ 12,070.54	\$ 3,786.54		\$ 3,057.53	\$ -	\$ 18,914.61
2005 - 2006						
Awarded	\$ 100,000.00	\$ 140,132.03		\$ 40,000.00	\$ 41,829.00	\$ 321,961.03
Used	\$ 97,093.45	\$ 140,132.03		\$ 4,825.95	\$ 41,829.00	\$ 283,880.43
Unused Funds	\$ 2,906.55	\$ -		\$ 35,174.05	\$ -	\$ 38,080.60
2004 - 2005						
Awarded	\$ 75,000.00	\$ 75,000.00		\$ 40,000.00	\$ 45,488.00	\$ 235,488.00
Used	\$ 74,999.34	\$ 67,743.32		\$ 33,367.64	\$ 45,488.00	\$ 221,598.30
Unused Funds	\$ 0.66	\$ 7,256.68		\$ 6,632.36	\$ -	\$ 13,889.70
2003 - 2004						
Awarded	\$ 50,000.00	\$ 50,000.00		\$ 39,000.00	\$ 45,488.00	\$ 184,488.00
Used	\$ 48,879.74	\$ 50,000.00		\$ 3,971.02	\$ 45,488.00	\$ 148,338.76
Unused Funds	\$ 1,120.26	\$ -		\$ 35,028.98	\$ -	\$ 36,149.24
2002 - 2003						
Awarded	\$ 50,000.00	\$ 50,000.00		\$ 39,000.00		\$ 139,000.00
Used	\$ 3,091.76	\$ 45,558.12		\$ 39,000.00		\$ 87,647.88
Unused Funds	\$ 46,908.24	\$ 4,443.88		\$ -	\$ -	\$ 51,352.12
TOTAL AWARDED						\$ 2,242,623.03
TOTAL USED						\$ 2,083,568.34
TOTAL UNUSED						\$ 159,056.69

Source: ECCDC

Lend a Hand

According to the CDC website, **Lend a Hand** "...is about inspiring active and motivated neighbors to define and direct lasting change in their neighborhoods. More than just physical improvements, Lend a Hand educates neighbors and brings the community together in a big way."

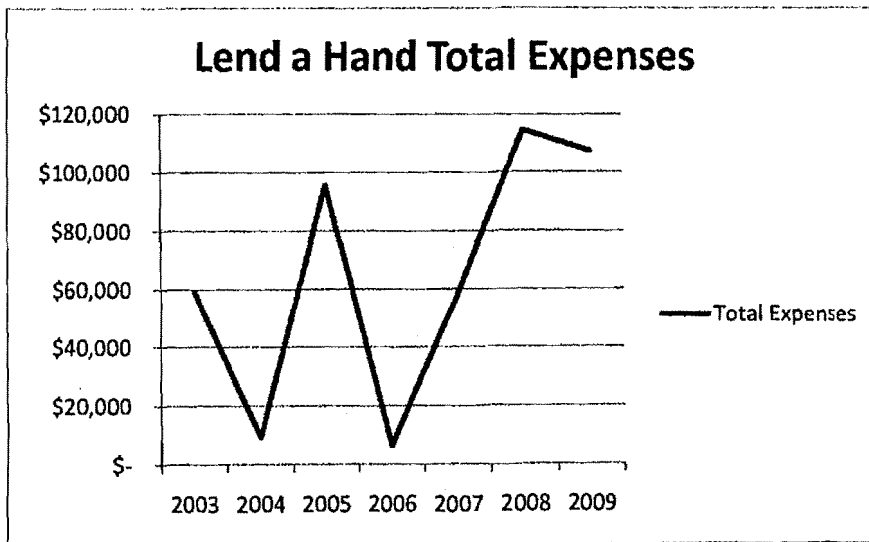
Lend a Hand is clearly a successful program which demonstrates tangible results.

Expenses

Lend a Hand Day Program Expenses	2003	2004	2005
TOTAL	59,239	9,051	95,496

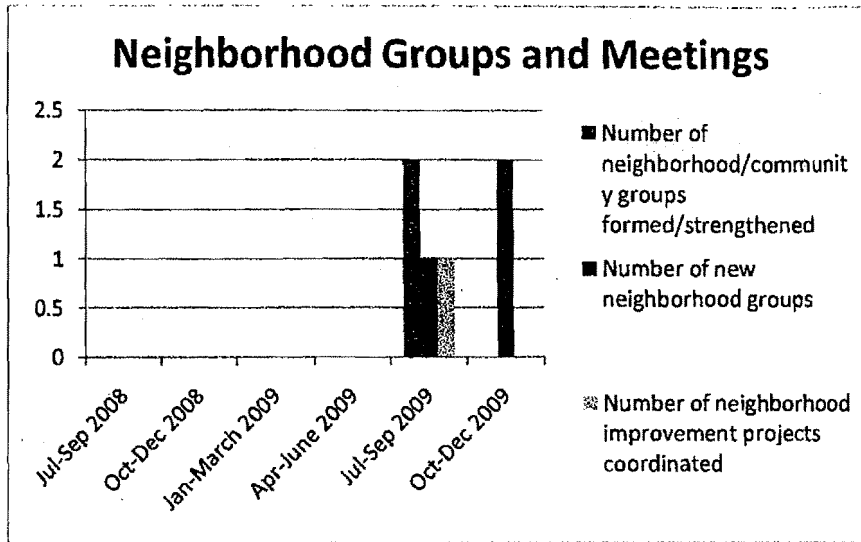
Source: Schedule I, Year Ended June 30, 2003 through 2009

Lend a Hand Day Program Expenses	2006	2007	2008	2009
TOTAL	16,248	57,820	114,724	106,981

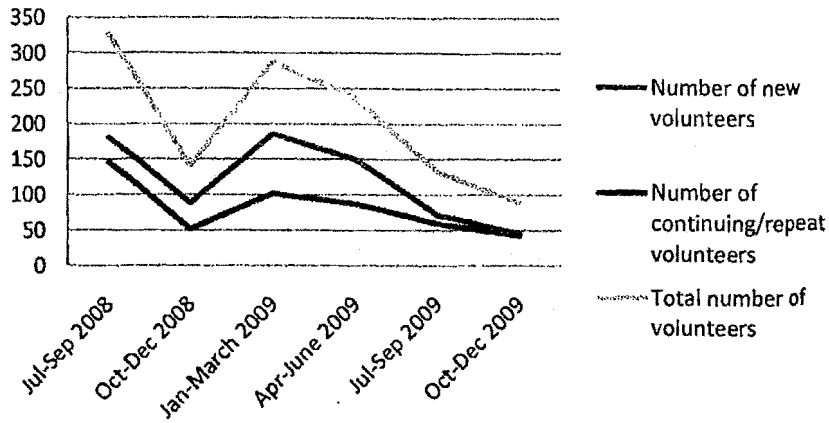


Source: CDC

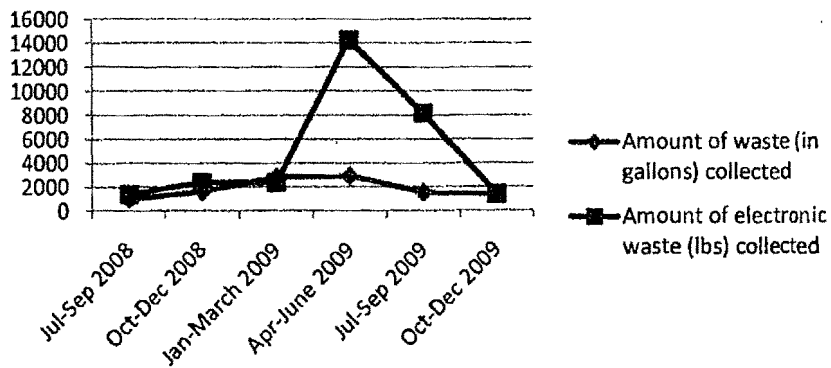
Lend a Hand, Selected Activity Results

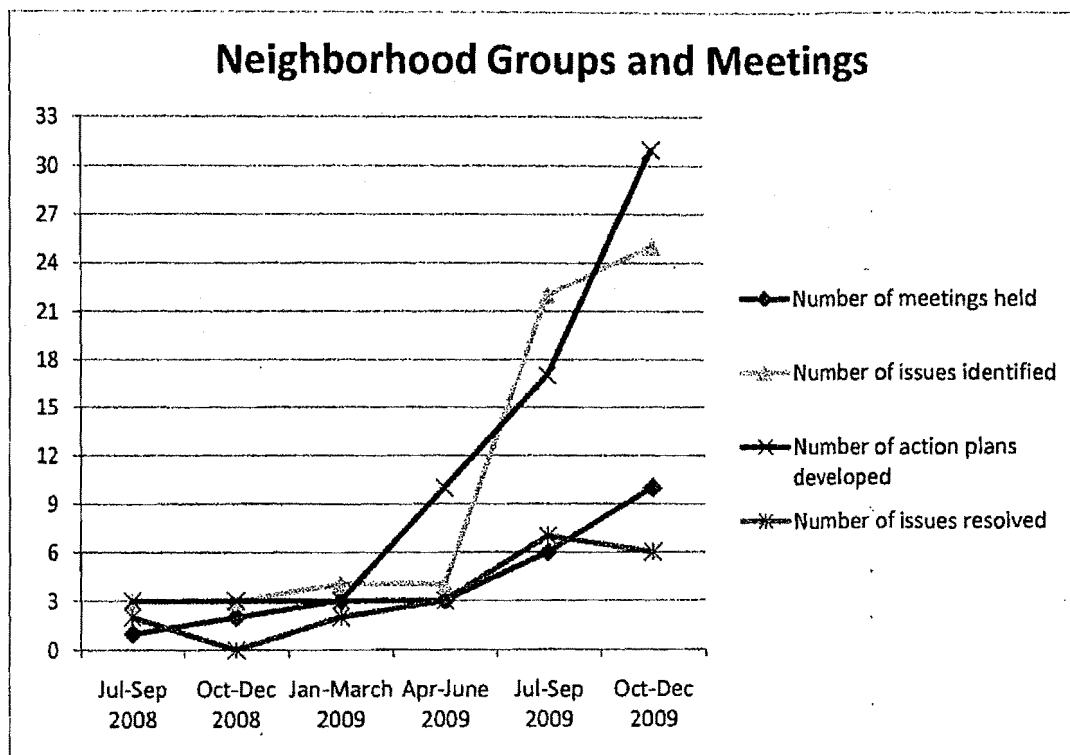


Volunteers



Saturday Morning Clean-ups: Amount of Waste Collected





For detailed spending analysis and more results charts see appendix.

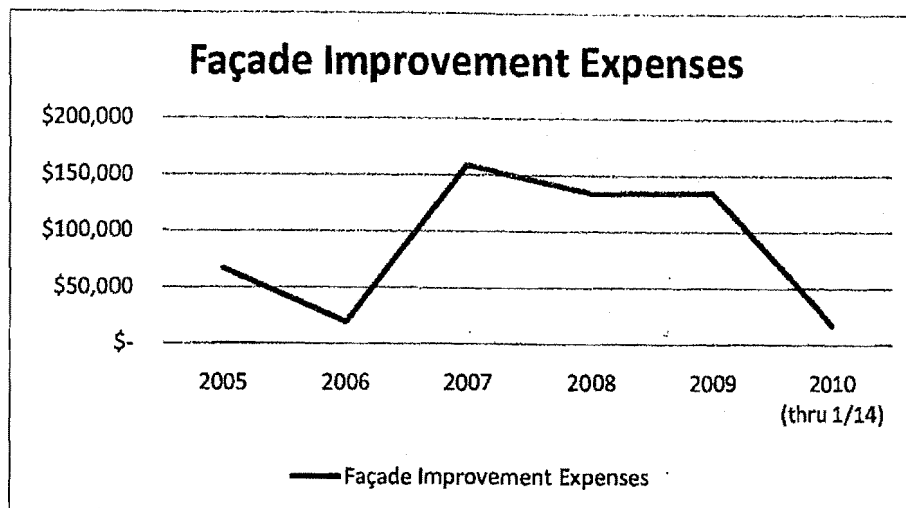
Façade Improvements

This is an extremely successful program implemented by CDC. The visual impact on downtown El Cajon has been remarkable.

However, there are some serious financial management concerns, such as the City not-tracking Administration and Overhead costs, plus there are some differences between the grant allocation numbers between the City

	2005	2006 (est)
# of Projects Reviewed by Design Review Committee (DRC)	26	10
Projects Approved	14	3
Projects Approved with Conditions	8	4
Projects Denied	3	0
Projects Unable to Review	1	3
DRC Administrative/Overhead Cost	\$ 15,156.68	\$ 8,470.88
Façade Grants Approved	6	0
Amount of Grants Approved	\$ 103,900.00	\$ -
Façade Grant Program Administrative/Overhead Cost	\$ 14,703.32	\$ 7,403.03
Total Grant Amount Funded	\$ 74,140.00	\$ 30,000.00
Total Façade Projects Funded and Completed	5	1
Design & Façade Business Success Orientation Attendees	N/A	24

	2005	2006	2007	2008	2009	2010
Façade Improvement Expenses	\$ 66,723	\$ 19,240	\$ 158,616	\$ 134,350	\$ 135,000	\$ 17,375



NOTE: CDC directed consultant to acquire all façade documentation from the City of El Cajon.

Detailed Discussion:

City Does Not Track how Grant Funds it Gives CDC is Allocated

The City of El Cajon has remarkably, never kept track of how much of the Grant funding it gives CDC goes to CDC Administration and Overhead*. It does list individual dollar amounts for each individual grant payment to CDC, but staff has indicated it would have to "guess" what funds were used for what purpose.

In addition the City only keeps back-up files for only two years, and destroys older files. (Except for Federal funds used for projects such as Wisconsin Cottages).

**The city recently started keeping track.*

CHDO/Wisconsin Street Cottages

CHDO/Community Housing Development Organization

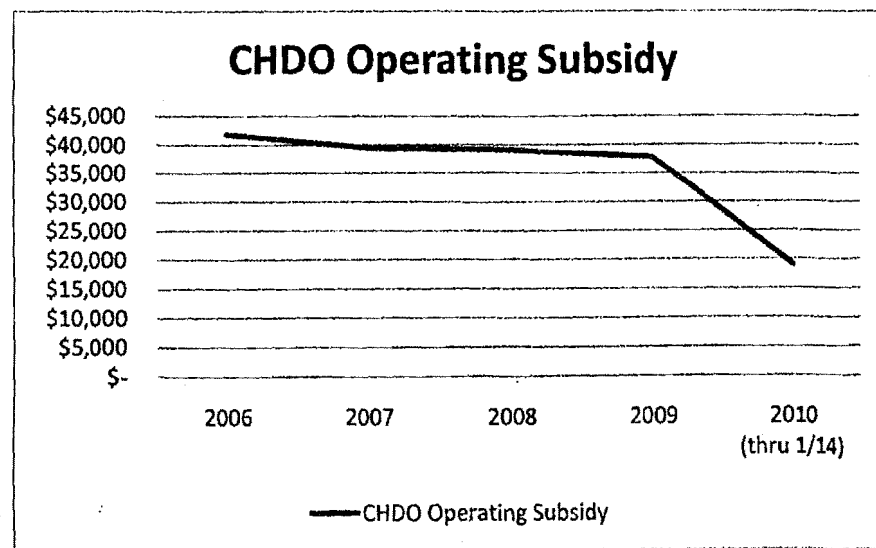
Federal Housing and Urban Development agency (HUD) defines:

A CHDO (pronounced cho'do) is a private nonprofit, community-based service organization whose primary purpose is to provide and develop decent, affordable housing for the community it serves. Certified CHDOs receive certification from a PJ (Participating Jurisdiction) indicating that they meet certain HOME Program requirements and therefore are eligible for HOME funding.

HUD strongly recommends recertification of CHDOs annually. However, at a minimum, a participating jurisdiction (PJ) must requalify an organization as a CHDO each time it receives additional set-aside or operating funds.

The ECCDC is the CHDO for El Cajon. (Note: The State of California department of Housing and Community Development web site lists less than two dozen "Certified CHDO's" as of 9/10/09. El Cajon is not listed. <http://www.hcd.ca.gov/fa/home/> It is assumed the ECCDC CHDO has been "certified" by the City of El Cajon/Redevelopment Agency)

CHDO Operating Subsidy	41,829	39,521	39,212	37,953	18,976
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Wisconsin Street Cottages

The Wisconsin Street Cottages have been a controversial project which was managed by the ECCDC. The project, while developing an attractive, occupied housing addition to the City of El Cajon, resulted in a significant financial loss. The estimated project costs went increased from 10/7/04 \$ 2,856,749 in 10/7/04 to \$ 3,517,485 in 6/30/08. The net subsidy by the taxpayers after sale of the properties was \$1,339,595.

Based on our review, three factors contributed to the loss:

- 1) Reduction of the number of units from 8 to 7:
The former Director of Planning indicated in an interview that the "City was responsible for this error," in initially allowing 8 units to be planned, and subsequently reducing it to 7.
- 2) Poor management/oversight of project: Total development costs increased from \$2.8 to \$3.5 million from initial estimates in 2004 through construction in 2009. This on top of the elimination of one unit resulted in a significant subsidy of over \$1.3 million by the City Redevelopment Agency. The ECCDC should have re-evaluated the viability of the project at that time.
- 3) Market Conditions: a "perfect storm" of increased construction costs followed by a significant drop in housing values contributed to the significant loss.

The ECCDC, while well meaning, clearly lacked the expertise to be a cost-effective developer, resulting in a huge taxpayer's subsidy.

Sources of all data below: 7/31/09 memo from J. Ficacci to K. Henry; 6/4/08 letter from C. Carpenter to K. Henry; various dated "Detailed Development Budget" spreadsheets

Wisconsin Street Cottages - anticipated vs. actual costs						
	May-04	Nov-06	May-07**	Jun-08**	Jul-09	unknown date
Total Development Cost	(2,856,749)	(3,895,803)	\$(3,895,804)	(3,763,374)	(3,359,595)	(3,814,129)
Estimated Sale/MV	2,857,000	3,064,000	3,064,000	2,040,000	2,020,000	3,064,000
Grant			1,000,000	1,000,000	1,000,000	
Loan Forgiveness				723,374	339,595	
Net Project Surplus/(Loss)	251	(831,803)	168,196			(750,129)
Net Agency Subsidy (Grants + loan Forgiveness)			1,000,000	1,723,374	1,339,595	

Wisconsin Cottages Detailed Development Costs					
	7/15/04	11/21/05	11/13/06	12/31/07	6/30/08**
Land Acquisition & Closing	377,500	376,408	376,374	376,374	376,374
Design & Engineering	253,050	241,929	250,169	243,701	247,054
Legal/Financial/Other	23,625	36,750	36,750	31,797	35,400
Permits/Bonds/Fees	179,772	198,851	180,525	115,931	115,931
Site Improvements/Infrastructure	52,500	256,536	556,488	136,144	166,814
Direct Construction	1,517,252	1,483,602	1,799,563	1,071,056	2,250,577
Financing Costs	239,109	274,676	497,377	212,673	298,726
Marketing/Gen & Admin	213,941	204,617	198,557	17,159	26,609
Total Development Costs	2,856,7439	3,073,369	3,895,80	2,204,835	3,517,485

Percent Change from Original 23.13%

**Note: (Above Chart does not show May '07. See appendix for all data.)

Discrepancy in Development/Construction Cost Estimates		
May 2007	3,895,804	3,640,052
June 2008	3,763,374	3,517,485

Other ECCDC Issues

Consulting Contracts Approved December 2009 by Outgoing CEO

As part of our review of CDC we reviewed all leases (office space, copier, automobile) and contracts. Three consulting contracts, two of which were apparently continuation of existing contracts, were approved by the CEO her last few days on the job. They were for:

- Cole Davis & Assoc. PR and Marketing --December 14, 2009
(This contract "amendment" was done by email, apparently with no signed document.)
\$3500/month
- Nichole Keith Fundraising Consultant --December 15, 2009
\$100/hour
- Leah McIvor – Resource Development and PR--December 17, 2009
\$1800/month for 1st 3 months then augmented by "performance"
 - (This contract has "performance measures" which according to a hand written note "details to be worked out with management Team..." We have been told (as of 4/10) that this has not yet occurred

While it is not surprising that the outgoing CEO would have an assortment of issues to deal with before leaving, entering into contracts deserved scrutiny.

When asked to see the Board Minutes approving these contracts, CDC indicated that:

Claire executed all three of the personal services contracts (Davis, McIvor & Keith) at the direction of the Executive Committee as part of our planned transition before she left.

No Minutes kept of Executive Committee Meetings

When asked to review the Executive Committee Minutes showing approval, we were told that CDC "does not keep minutes of the Executive Committee meetings." This is disturbing in that while the Bylaws allows the Board to Delegate certain authority to the Executive Committee, approval of contracts should be reviewed or at least ratified by the entire Board. In addition, with minutes kept of Executive Committee Meetings, there is no way to determine who attended, if there were quorums, and if proper procedures are being followed

Personnel Policy—CEO hired Husband as Direct Report Employee

While in no way a reflection on the quality of the work of the CDC Employee, who all indications are has been an exemplary employee, it is imprudent to have the CEO hire her husband. In fact, the Chairman of the Board indicated that he was not aware of their relationship until near the end of the CEO's employment, and is not clear if the Board of Directors was made aware of this at the time of hire.

Appendices with detailed Excel spread sheets compiling all data used are available upon request.

Consultant

Barnett Consulting/Scott Barnett: Mr. Barnett has almost three decades of political and public policy experience, including a term on the Del Mar City Council from 1984-1988, where he was the city's representative on the SANDAG and North County Transit Boards. Mr. Barnett was executive director of the San Diego County Taxpayers Association from 1995 through 2001. In 2003 Mr. Barnett formed **Taxpayers Advocate** a private company which conducts studies on local government spending policy. Also formed in 2003 was **Barnett Consulting**, a land-use, political and public affairs company. Details of studies can be reviewed at: www.taxpayersadvocate.org.

EL CAJON – List of Docs, CHDO and PBID info consulted

List of El Cajon Docs

Agreements between CDC and RA for FY 09-10:

- a. Lend a Hand (aka Neighborhood Stabilization)
- b. Utility Box Beautification
- c. Design Review and Façade Program
- d. Business Retention/Recruitment Program

List of current employees' annual compensation as of February 2010

List of assets: Book Asset Detail 10/01/09-12/31/09

Leases for:

- a. Office Space – January 25, 2008
- b. Copy Machine – 12/21/07
- c. Postage Machine – 9/29/09
- d. Pickup Truck – 12/17/2007

Contracts for:

- a. Fundraising Counsel – 1/1/10
- b. Resource Development Consultant
- c. Public Relations Consultant – Emails dated 7/1/09 and 12/31/09

Bylaws – 12/3/07 revised

Articles of Incorporation – certified 8/28/01

Business Recruitment and Retention Program, Quarterly Reports July 2008-December 2009

Lend a Hand Program, Quarterly Reports July 2008-December 2009 + 1 accomplishments flyer (undated, untitled)

Clean and Safe Program Ambassador Activity Logs 2004-2009

Façade Improvements, Quarterly Reports July 2008-December 2009; Project Transactions FY 2005-2009, invoices & receipts for 2008 & 2009

CHDO agreements b/w ECCDC & City dated 4/2009

Downtown El Cajon (PBID) Management Plans, 2/1996 and 4/2006

California Main Street Annual Reports 2001-2009

Real Estate Hot Sheets 2007-2009

Employee Job descriptions February 2010

1. Resource Development Consultant I
2. Accounting & Human Resources Manager
3. Community Development Coordinator
4. Community Development Assistant
5. Promotion and Events Manager
6. Receptionist and Administrative Associate
7. Downtown El Cajon Clean & Safe Ambassador
8. Clean & Safe Technician
9. Urban Improvement Manager
10. Economic Development Coordinator

Schedules I and II, Budget to Actual for 2001-2009 (not listed whether this comes from financial statements or budget,)

Wisconsin Street

1. 7/31/09 memo from J. Ficacci to K. Henry
2. 6/4/08 Letter from C. Carpenter to K. Henry
3. 7/20/04 Letter from S. Williams
4. Detailed Development Budgets dated: 10/7/04, 9/9/05, 9/9/05(labeled B by me), 9/12/05, 11/21/05, 3/12/06, 10/8/06, 11/13/06
5. Wisconsin Cottages Revenue Projection (undated)
6. Wisconsin Cottage – Grant Funds (undated)
7. El Cajon Homes Loan Payoff Information 6/4/08
8. "Sources" dated 4/27/07, calculates Total Development Cost per unit
9. Wisconsin Cottages Construction Sources 9/13/06 and 9/21/06
10. Wisconsin Cottages Expended Funds 5/15/07
11. OMP Miller Pacific undated, untitled spreadsheet on cost changes over time
12. Davy Architects "Sources and Uses of Funds": 7/12/04 NON-Design Build Contract, 7/12/04 (2 copies same), 7/15/04
13. Undated Development Description
14. Undated Wisconsin Development Information Sheet (2pp)
15. El Cajon Homes LLC Financial Statements 6/30/08, 12/31/07
16. El Cajon Homes LLC Budget vs. Actual as of 6/2/08
17. ECCDC Balance Sheet 1/31/08
18. Davy Architects Phases & Uses of Funds 7/15/04
19. Market Purchase Price Impacts 2004-2006
20. Wisconsin Cottages Sales Summary Sheet 11/13/06
21. Wisconsin Cottages Closing Projects (9/21/06)
22. Mortgage Qualifier Worksheet – 50.01%-80% Low Incomes; 80.01%-120%

Audits for Downtown El Cajon, Inc. 2001-2002

Audits for ECCDC 2003, 2007-2009

IRS Form 990 for ECCDC 2006-7 thru 2008-9

Minutes from establishment of PBID 7/2/96

City of El Cajon Records Management Policy 6/24/08

El Cajon CDC Grant Usage 2003-2009

El Cajon CDC Rent Analysis 0707-Current

El Cajon CDC Transaction Detail by Account June 1, 2005 through April 22, 2010 {outside services}

CHDOs

HUD site on HOME, CHDOs:

<http://www.hud.gov/offices/cpd/affordablehousing/programs/home/topical/chdo.cfm>

California HCD site on HOME, CHDOs: <http://www.hcd.ca.gov/fa/home/>

Certified CHDOs (why is El Cajon not on this list? Not updated?):

http://www.hcd.ca.gov/fa/home/CHDO_List.html

Compton: <http://www.comptoncity.org/index.php/Community-Redevelopment-Agency/community-housing-development-organization-chdo.html>

CORE (LA and Riverside): <http://www.schdc.org/>

Berkeley: <http://www.rcdev.org/>

SB, SLO, etc.: <http://www.pshhc.org/>

Anaheim: <http://www.nhsoc.org/>

Indio: <http://www.cvhc.org/>

PBIDs

Sacramento: <http://www.downtownsac.org/DSPAPP/V/index.html>

Fresno (also good general information): <http://www.downtownfresno.org/pbid.html>

Long Beach: <http://www.downtownlongbeach.org/residents/Home>

Downtown San Diego: http://www.downtownsandiego.org/index.cfm/fuseaction/clean.cln_faq

<http://www.sdcleanandsafe.org/>

Barnett Consulting
Scott Barnett
7770 Regents Road, #113-286, San Diego, CA 92122 – 619-857-1857

February 17, 2010

Kathi Henry
City Manager
City of El Cajon
200 Civic Center Way
El Cajon, CA 92020

Re: CDC Study—Status Report

Dear Ms. Henry:

Per your email, what follows is a Status Report as requested by Council members Kendrick and Wells.

The attached letter dated December 10, 2009 outlines the original CDC study "proposed time line and request for documents." (This was a revision based on your feedback. The changes from the original are shown.)

Documents

Unfortunately as of this date I have not yet received all of the materials requested in December. I understand that delays were partly a result of CDC questions as to what documents are "public." Since over 90% of CDC funding is from public revenues/fees I would hope that the decision has been made that nothing would be held back.

As of February 5, 2010 I have received two sets of documents. While I now have a significant amount of material, many significant items have not yet been delivered. It is my understanding that the CDC anticipates delivering them in the next few days.

Report Timing

While I have been analyzing the materials I have received to date, the remaining documents are crucial in order to complete the scope of work approved by the City Council. Understanding the inter-relationship between many of the documents is vital to painting an accurate picture of the CDC.

Scott Barnett
7770 Regents Road, #113-286, San Diego, CA 92122 – 619-857-1857

December 10, 2009

Kathi Henry
City Manager
City of El Cajon
200 Civic Center Way
El Cajon, CA 92020

Re: CDC Study—Timeline, Documents, Interviewees/Questions.

In response to your letter of December 9, 2009, I have made the following additions/changes to this letter. (See all changes in yellow through this letter.)

Changed **timeline** below to start January 11, 2010, on the assumption now that I may not have all documents until then. In any event I would appreciate receiving documents as they are collected so I can start my research.

Regarding issue of "**accomplishments**" I have already compiled the items on the CDC web site under: "*What does El Cajon CDC do?*" which primarily focuses on CDC successes. But my overall intent of this study is not to focus on "failure or success" but to review all the facts, including all the various projects and programs based on the data and then put together the assessment. I do not have any pre-conceived notions good/or bad going into to this. In addition, as most of what the CDC does is driven by where it spends its revenues, my assumption is the documents I receive will demonstrate the results of the various programs and projects. However, as many CDC's also rely on a significant "volunteer effort" of its board and a variety of community volunteers, I will add a "document request" item to the list below on "volunteer activities" and as part of the study attempt to quantify the numerical/financial "value" of the volunteer time. Finally, the questionnaire (below) asks about "**successes and shortcomings**" of CDC. But please ask CDC to feel free to send over any additional documents that they feel would address this "successes" issue.

Regarding "**city/agency documents**" what I was referring too was any City of El Cajon/redevelopment agency ordinances or policies/resolutions which were approved when the CDC was created (if any) and any subsequent city council actions related to CDC activities, from PBID to CHDO, etc.

Regarding "**Interviewees**" I have copied the names of CDC board members and staff below from the web site. My remaining "interview" requests are to interview you (the earlier the better), the city council and the redevelopment director. It would be appreciated if you could facilitate me interviewing Claire Carpenter prior to her departure.

Documents Requested (please note additional items below in yellow)
Ideally all or most of the following can be made available in electronic format.

CDC documents

- Incorporation papers
- Bylaws
- Procedures
- HR policies
- Budgets FY 1998 thru FY 2009
- Break down of salaries, health, retirement and any additional benefits of existing employees by individual position. (Including president/ceo) PLUS hire date. (name not needed just position held.)
- Copies of any leases (office space, equipment, automobile's, etc)
- Copies of any current contracts/agreements with sub-contactors/consultants, etc
- Audits (actual revenues/expenditures) FY 1998 thru FY 2009
- Monthly Financial Statements FY '98, FY '03, FY 2009
- IRS Forms 990s 1999-2009
- Annual Registration Renewal Fee Report (Form RRF-1) 1999 - 2009
- CDC Board Agendas FY 1998 thru FY 2009
(after review of above selected minutes will be reviewed)

- Documents (formation, policies, etc) and revenues/expenditures related to PBID
- Documents and revenue sources/expenditures related to Façade Improvements
- Documents and revenue sources/expenditures related to Tenant Improvements/Relocations
- Documents and revenues/expenditures related to Clean & Safe Program
- Documents and revenues/expenditures related to Lend a Hand
- Documents and revenues/expenditures related to Wisconsin Street Project
- Documents and revenues/expenditures related to Community Housing Development Organization (CHDO)

Additional items

- Compilation of volunteer activities
- List/value of CDC Assets (cars, equipment, etc)
- Additional items deemed relevant by City CDC.

City of El Cajon/Redevelopment Agency Documents

All CDC related Ordinances/Policies

Merchant Promotion Co-chair

Wendy Morris

Bobbi Pearson

Resource Development Chair

Martin Samo

Vicki Whitmire

Community Development Chair

Cheryl Williams

Community Development Chair

Cathy Zeman

Clean & Safe Advisory Chair

Edward Zouhar

Economic and Arts

Development Co-chair

Corporate Advisor

Cole Davis

Marketing and Public Relations Consultant

• **CDC Management and Staff**

☞ Claire Carpenter, President & CEO

☞ Michelle Brown, Accounting and Human Resources Manager

☞ Edith Saldivar, Economic Development Coordinator

☞ Christina Burke, Community Development Coordinator

☞ Rebecca Reyes, Community Development Associate

☞ Ron Sequin, Urban Improvement Manager

☞ Kathryn Courter, Promotion and Events Manager

☞ Kellye Buchanan, Resource Development Associate

☞ Karlee Thayer, Administrative Assistant

☞ Erica Nagy, Neighborhood Resource Assistant

☞ Roberto Garcia, Community Outreach Assistant

☞ Megan Fisher, Marketing and Special Events Intern

☞ Gayle Payne, Accounting Intern

- What if any Suggested Changes to CDC would you recommend
- Other comments

Form **990**



Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2008

Open to Public Inspection

A For the **2008** calendar year, or tax year beginning **07-01-2008** and ending **06-30-2009**

- B** Check if applicable:
☒ Address change
☐ Name change
☐ Initial return
☐ Termination
☐ Amended return
☐ Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization
EL CAJON COMMUNITY DEVELOPMENT CORPORATION
Doing Business As
Number and street (or P.O. box if mail is not delivered to street address) Room/suite
131 E MAIN STREET ROOM/SUITE 201
City or town, state or country, and ZIP + 4
EL CAJON, CA 92020

D Employer identification number

31-1804672

E Telephone number

(619) 401-8858

G Gross receipts \$ 1,417,601

F Name and address of Principal Officer

H(a) Is this a group return for affiliates? ☐ Yes ☒ No

H(b) Are all affiliates included? ☐ Yes ☐ No
(If "No," attach a list. See instructions.)

H(c) Group Exemption Number

I Tax-exempt status ☒ 501(c)(3) (insert no) ☐ 4947(a)(1) or ☐ 527

J Web site: DOWNTOWNELCAJON.COM

K Type of organization ☒ Corporation ☐ trust ☐ association ☐ other

L Year of formation 2001 **M** State of legal domicile CA

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities TO STIMULATE REVITALIZATION IN THE CITY OF EL CAJON			
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its assets			
	3 Number of voting members of the governing body (Part VI, line 1a)	3	18	
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	18	
	5 Total number of employees (Part V, line 2a)	5	38	
	6 Total number of volunteers (estimate if necessary)	6		
Revenue	7a Total gross unrelated business revenue from Part VIII, line 12, column (C)	7a	0	
	b Net unrelated business taxable income from Form 990-T, line 34	7b		
	8 Contributions and grants (Part VIII, line 1h)	1,631,321	1,403,054	
	9 Program service revenue (Part VIII, line 2g)	31,335	15,134	
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-455	32	
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	386	-619	
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,662,587	1,417,601	
	Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)		0
		14 Benefits paid to or for members (Part IX, column (A), line 4)		0
		15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	827,944	736,054
16a Professional fundraising fees (Part IX, column (A), line 11e)			0	
b (Total fundraising expenses, Part IX, column (D), line 25 ⁰)				
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)		839,255	769,300	
18 Total expenses—add lines 13-17 (must equal Part IX, line 25, column (A))		1,667,199	1,505,354	
19 Revenue less expenses Subtract line 18 from line 12		-4,612	-87,753	
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	2,469,431	418,937	
	21 Total liabilities (Part X, line 26)	2,446,900	478,771	
	22 Net assets or fund balances Subtract line 21 from line 20	22,531	-59,834	

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign Here

Signature of officer: ***** Date: 2009-11-12
 CLAIRE CARPENTER EXECUTIVE DIRECTOR
 Type or print name and title

Paid Preparer's Use Only

Preparer's signature: JERE R BATTEN Date: 2009-11-12 Check if self-employed: ☐
 Firm's name (or yours if self-employed), address, and ZIP + 4: BATTEN ACCOUNTANCY INC
2020 CAMINO DEL RIO N SUITE 810
SAN DIEGO, CA 92108
 Preparer's PTIN (See Gen. Inst.): EIN
 Phone no: (619) 501-6359

May the IRS discuss this return with the preparer shown above? (See instructions.) ☒ Yes ☐ No

EXHIBIT 15

Part V Statements Regarding Other IRS Filings and Tax Compliance

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096, <i>Annual Summary and Transmittal of U.S. Information Returns</i> . Enter -0- if not applicable		
1a	36		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable		
1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		No
1c			
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return		
2a	38		
b	If at least one is reported in 2a, did the organization file all required federal employment tax returns? Note: If the sum of lines 1a and 2a is greater than 250, you may be required to e-file this return.		No
2b			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?		No
3a			
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O		
3b			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		No
4a			
b	If "Yes," enter the name of the foreign country _____ See the instructions for exceptions and filing requirements for Form TD F 90-22.1, <i>Report of Foreign Bank and Financial Accounts</i> .		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
5a			
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5b			
c	If "Yes," to 5a or 5b, did the organization file Form 8886-T, <i>Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction</i> ?		
5c			
6a	Did the organization solicit any contributions that were not tax deductible?		No
6a			
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
6b			
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization provide goods or services in exchange for any quid pro quo contribution of \$75 or more?		No
7a			
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
7c			
d	If "Yes," indicate the number of Forms 8282 filed during the year		
7d			
e	Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7e			
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7f			
g	For all contributions of qualified intellectual property, did the organization file Form 8899 as required?		No
7g			
h	For contributions of cars, boats, airplanes, and other vehicles, did the organization file a Form 1098-C as required?		No
7h			
8	Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		No
8			
9	Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?		No
9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?		No
9b			
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b	

Recommendation on PBID Recertification

- 1. Separate the CDC from PBID.**
- 2. Lay out a clear plan showing PBID owners the benefits of continuing the self taxation.**
 - a. Property owner control**
 - b. Public Safety**
 - c. Clean Streets**
 - d. Car Show**
 - e. Concerts**
 - f. Promotion of a positive downtown**
 - g. Web based leasing/selling/promoting of the businesses and downtown**
 - h. Have a manager directly listening to the property owners and acting on their behalf**
- 3. Work in conjunction with M. Bradley Segal of Progressive Urban Management Associates to redefine PBID area and amount of assessment.**
- 4. Get PBID recertified for 5 years**
- 5. Elect a board made up of 8 PBID property owners and 1 City representative. These would run the new organization. The New board would be elected 100% by other PBID owners. Any PBID owner can run for the board.**
- 6. New, unpaid, Board of PBID owners and city representative**
Hire the following paid positions:
 - a. Manager**
 - b. Tech-person**
 - c. all around person**

Managers Responsibility

To be out on the street talking to and responding to the needs of all PBID owners. Talking to brokers to help bring business to empty storefronts. Be a promoter. Do whatever it takes to get the job done. Probably someone young with a tremendous amount of energy.

Pay: \$60,000

Tech Person

Since we live in a growing Tech era we need someone who can keep a Website running up to date and be responsive to the leasing agents in meaningful way.

Pay: \$35,000

All Around Person

To fill any gaps and be able to do many jobs @ help with the car show, etc.

Pay: \$30,000

Conclusion

Get the PBID back under the direct control of owners with a new staff, trimmed back to an acceptable level. In my opinion, having done more new redevelopment in downtown El Cajon/PBID than anyone else, using this catalyst could be our last chance to finally bring Downtown El Cajon back to a healthy and profitable state.