REPORT TO COUNCIL
City of Sacramento

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Staff Report
February 19, 2008

Honorable Mayor and
Members of the City Council

Title: Sacramento Employment & Economic Development (SEED) Corporation Initial Working Capital

Location/Council District: Citywide

Recommendation: Adopt a **Resolution** authorizing: 1) establishment of a new interest-bearing fund on behalf of the Sacramento Employment and Economic Development (SEED) Corporation; 2) amendment the City's FY2007/08 Capital Improvement Program (CIP) budget to reallocate $400,000 in general funds, from the City's emergency generator project (FB32), to provide initial working capital to the SEED Corporation; and 3) appropriation of such $400,000 into the new fund.

Contact: Tom Zeidner, Sr. Project Manager, 808-1931

Presenters: Tom Zeidner, Sr. Project Manager, 808-1931

Department: Economic Development

Division: Citywide

Organization No: 4453

Description/Analysis

Issue: The City's 2007/08 fiscal year (FY) CIP general fund budget included $400,000 in funding for the emergency generators upgrade project (FB32), to provide generators at Fire Stations 10 (5642 66th Street) and 56 (3720 47th Avenue). Subsequent to adoption of the current FY Budget, grant funds were identified and secured for installation of the generators, at a cost of $200,000 each. Thus, the $400,000 originally budgeted in FY2007/08 is no longer required in connection with the generator installation at these two fire stations.

On July 24, 2007, the City Council approved the formation of the Sacramento Employment and Economic Development (SEED) Corporation. The intent of the SEED Corporation is to provide a financing and facilitation tool to help build and sustain a strong economy for the City. Establishment of the SEED Corporation was further intended to assist in implementing the Five-Year Economic Development Strategy, adopted by the City Council on May 29, 2007.

Since the Council's action on July 24, establishment of the SEED Corporation has proceeded with filing of Articles of Incorporation with the Secretary of State

and the Mayor's appointment of an Interim Board of Directors (Assistant City Managers John Dangberg and Gus Vina). The Interim Board is expected to approve the SEED Corp's Bylaws and direct the filing of applications to the Internal Revenue Service and Franchise Tax Board for tax-exempt status as a charitable organization in February of 2008. A regular Board of five members will be appointed by the Mayor and confirmed by the City Council (utilizing the Council Personnel and Public Employee [P&PE] Committee process) prior to initiation of SEED Corporation activities. Two City council members will serve as non-voting ex-officio members who will attend Board meetings and participate in deliberations.

As the SEED Corporation moves forward, it will provide a vehicle for investing in economic development projects and programs, including those outside of redevelopment areas. The Corporation's goals are to direct resources that promote economic vitality throughout the City, including: 1) fostering private investment; 2) assisting with business attraction and retention activities; and 3) creation of additional employment opportunities for citizens of the City.

Enabling the SEED Corporation to begin its work will require "priming the pump" through transfers of City funds and assets, to be used by the Corporation as working capital and equity in implementing projects. Long-term, the goal of the SEED Corporation will be to become self-sustaining through revenue streams that will accrue over time as it participates in projects.

The attached resolution authorizes: 1) establishment of a new interest-bearing fund to be administered by the City on behalf of the SEED Corporation; 2) reallocation of $400,000 from the City's emergency generator upgrade project (FB32), budgeted in the FY2007/08 CIP, to the SEED Corporation as initial working capital; and 3) appropriation of such $400,000 into the new fund. Expenditures of these funds will be subject to approval by the SEED Corporation's Board of Directors. Staff will report back in the future concerning potential transfers of additional City assets (i.e., developable land) to the SEED Corporation for its use in implementing the goals outlined above.

Policy Considerations: The actions recommended in this report are consistent with: 1) the goal of "spreading economic development throughout the City" identified at a City Council retreat in January of 2005; 2) the Five-Year Economic Development Strategy adopted by the Council on May 29, 2007; and 3) approval of the SEED Corporation by the Council on July 24, 2007.

Environmental Considerations: The requested actions are exempt under CEQA Guidelines Section 15262 as a planning action for possible future action. Environmental review will be performed as required in connection with specific projects that may result from the requested actions.

Rationale for Recommendation: These actions are supported by strategic goals adopted by the City Council in 2005, the Five-Year Economic Development Strategy adopted on May 29, 2007, and approval of formation of the SEED

Corporation on July 24, 2007.

Financial Considerations: The reallocation of $400,000 from the emergency generator project (FB32) will not negatively impact installation of the generators, as alternative funding sources have been identified and approved by the Sacramento Housing and Redevelopment Agency. Thus, projects and activities originally anticipated in the FY2007/08 CIP budget will be unaffected by the proposed reallocation.

Emerging Small Business Development (ESBD): The specific actions recommended in this report will not entail purchase of goods and/or services. Minority and Women's Business Enterprise requirements will apply to all activities of the SEED Corporation to the extent required by any federal funds that may be involved in such activities.

Respectfully Submitted by: _____
James R. Rinehart
Citywide Development Manager

Approved by: _____
David L. Spaur, CEcD, EDFP
Economic Development Director

Recommendation Approved:

_____
Ray Kerridge
City Manager

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RESOLUTION NO.

Adopted by the Sacramento City Council

APPROVAL OF AMENDMENT TO THE FY2007/08 CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET TO REALLOCATE $400,000 IN GENERAL FUNDS, FROM THE CITY'S EMERGENCY GENERATOR PROJECT (FB32), TO PROVIDE INITIAL WORKING CAPITAL TO THE SACRAMENTO ECONOMIC DEVELOPMENT AND EMPLOYMENT (SEED) CORPORATION AND RELATED ACTIONS

BACKGROUND

A. The City of Sacramento's adopted FY2007/08 CIP general fund budget (Budget) includes $400,000 for the installation of emergency diesel generators (Generators) at Fire Stations 10 (5642 66th Street) and 56 (3720 47th Avenue).

B. Subsequent to adoption of the Budget, alternative funding sources have been identified and approved by the Sacramento Housing and Redevelopment Agency for installing these Generators, thus making the $400,000 originally budgeted for this purpose available for other uses.

C. In 2005, the City Council adopted a strategic goal of spreading economic development throughout the City of Sacramento (City).

D. In furtherance of that goal, the City Council on May 29, 2007 approved a Five-Year Economic Development Strategy containing strategic objectives and related implementation actions, including the recommended establishment of a nonprofit economic development corporation.

E. On July 24, 2007, the City Council approved the formation of the Sacramento Employment and Economic Development (SEED) Corporation as a nonprofit public benefit corporation formed to lessen the burdens of government by revitalizing areas within the City and promoting economic development Citywide.

F. The SEED Corporation, prior to becoming self-sustaining, requires working capital to fund its start-up and initial operations.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. A new interest-bearing fund on behalf of the SEED Corporation to be known as the "SEED Corporation Working Capital Fund" (Fund) is established.

Section 2. The Finance Director is authorized to reallocate $400,000 from the emergency generator upgrade project (FB32) to fund the SEED Corporation Working Capital Fund.

Section 3 The $400,000 is appropriated into the SEED Corporation Working Capital Fund.