
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: March 22, 2010

IBA Report Number: 10-30

City of San Diego Restricted Revenues

OVERVIEW

As described in the City's Annual Budget Document, departments funded by the City's General Fund provide core community services, such as public safety (including police and fire protection), parks and recreation, library services, and refuse collection. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees.

Some of the City's revenue sources are guided by restrictions outlined in the City's Charter, its Municipal Code, and/or Council Policies. These restrictions, limitations and allocation guidelines either reduce general revenue sources that would otherwise flow to the General Fund, or require certain funding levels within the General Fund. These sources include:

- Transient Occupancy Tax
- Business License Tax
- Franchise Fees
- Parking Meter Revenue
- Mission Bay Lease Revenue

This report describes each of these sources, the relevant governing documents that guide the restrictions and limitations, and outlines the authority or method by which changes could be considered in order to increase revenue to the General Fund, without creating new fees or taxes, or increasing rates of existing fees or taxes. Information has been compiled from the various governing documents, as well as budget documents, City staff reports, and previous IBA reports.

This report was prepared to provide information to the Citizen's Revenue Review and Economic Competitiveness Commission (CRRECC), and is intended to be presented at the upcoming CRRECC meeting on Thursday, March 25, 2010.

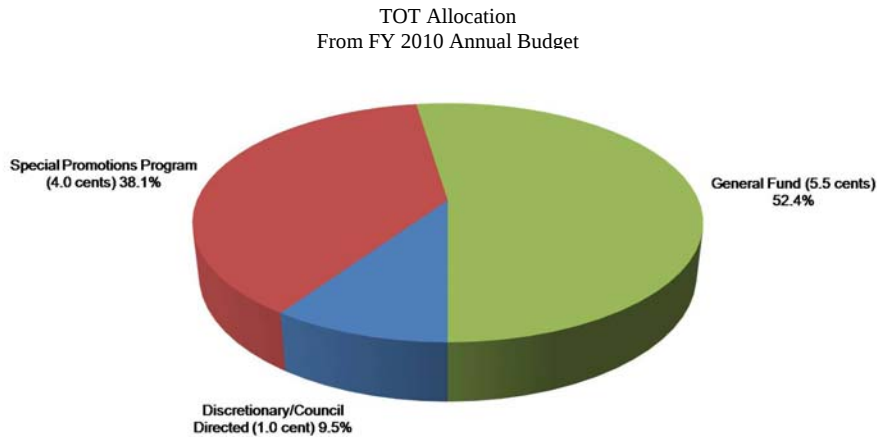
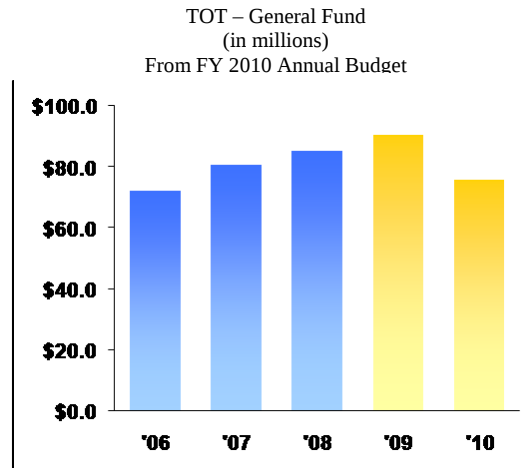
FISCAL/POLICY DISCUSSION

Transient Occupancy Tax

Transient occupancy tax (TOT) makes up 6.7% of the General Fund revenue budget and is levied at 10.5 cents per dollar of the daily room price in hotels and motels used by visitors staying in San Diego for less than 30 consecutive days. For FY 2010, the City's budgeted estimate for TOT totals

\$144.9 million. Of that, \$75.9 million is estimated to be received by the City's General Fund. Municipal Code Section 35.0128 governs the allocation of TOT funds for promotional purposes, requiring the 5 cents of the City's 10.5 cent TOT levy be deposited directly in the TOT Fund. Of the 5 cents, 4 cents are to be used solely for the purposes of promotion, while the remaining 1 cent may be used for any purpose as directed by the City Council.

The allocation of TOT is at the discretion of the Mayor and City Council with guidelines provided by City Council Policy 100-03 (Attachment 1).



Councilmember Frye introduced a proposal at the May 1, 2008 Budget Review Committee meeting that would amend the municipal code to reduce the amount of TOT that is required to be allocated for promotional purposes from 4 cents to 2 cents, and would require that 1 cent be allocated for Police facilities and equipment and 1 cent for Fire-Rescue facilities and equipment. It should be noted that the proposal would only require 3 cents of the City's 10 ½ cent TOT levy to be deposited into the TOT Fund, as the allocations for Police and Fire-Rescue facilities and equipment would go directly into the General Fund.

To discuss the implications of changes to the current TOT allocation policy, the IBA analysis prepared in response to Councilmember Frye's proposal is provided as an illustration. Figures utilized rely on FY 2009 data, while the considerations are the same.

The following table shows the current allocations per the Municipal Code, and the allocations as reflected in the proposal using FY 2009 budgeted dollar amounts.

TOT Allocations Using FY 2009 Budget Amounts			
ALLOCATION	CURRENT	PROPOSED	
Promotional Purposes	65,911,874	32,955,937	TOT Fund
Council Discretionary*	16,477,968	16,477,968	
Police Facilities & Equip.	-	16,477,968	General Fund
Fire-Rescue Facilities & Equip.	-	16,477,968	
TOTAL	82,389,842	82,389,842	

** The 1 cent Council discretionary was transferred to the General Fund in FY 2009.*

As this table shows, this proposal would allocate significant new funding to the General Fund for Police and Fire facilities and equipment. Using FY 2009 budgeted dollars, this proposal would have hypothetically resulted in an additional \$33 million for the General Fund.

FY 2009 TOT Allocations

The FY 2009 Budget included \$66.3 million in TOT allocations from the Special Promotional Programs budget. These allocations are for Arts & Cultural programs, Capital Improvements, Economic Development programs, and Safety and Maintenance of Visitor-Related Facilities. It should be noted that these allocations included \$7.5 million for General Fund promotion-related activities. In addition, \$16.2 million in Council 1-cent discretionary TOT is transferred to the General Fund

(which is slightly less than the full 1-cent as reflected in table above due to budget balancing). These allocations are shown in the table below.

TOT ALLOCATION	FY 2009 BUDGET	CENT- EQV.
Arts, Culture & Community Festivals	8,070,156	0.5
Capital Improvements*	36,158,513	2.2
Economic Development	1,823,969	0.1
Safety & Maintenance of Visitor Facilities	20,279,236	1.2
TOTAL TOT ALLOCATIONS	66,331,874	4.0
DISC. TRANSFER TO GF	16,213,238	1.0

** Reflects the net allocation to PETCO Park after applying the \$7.5 million repayment from the Redevelopment Agency.*

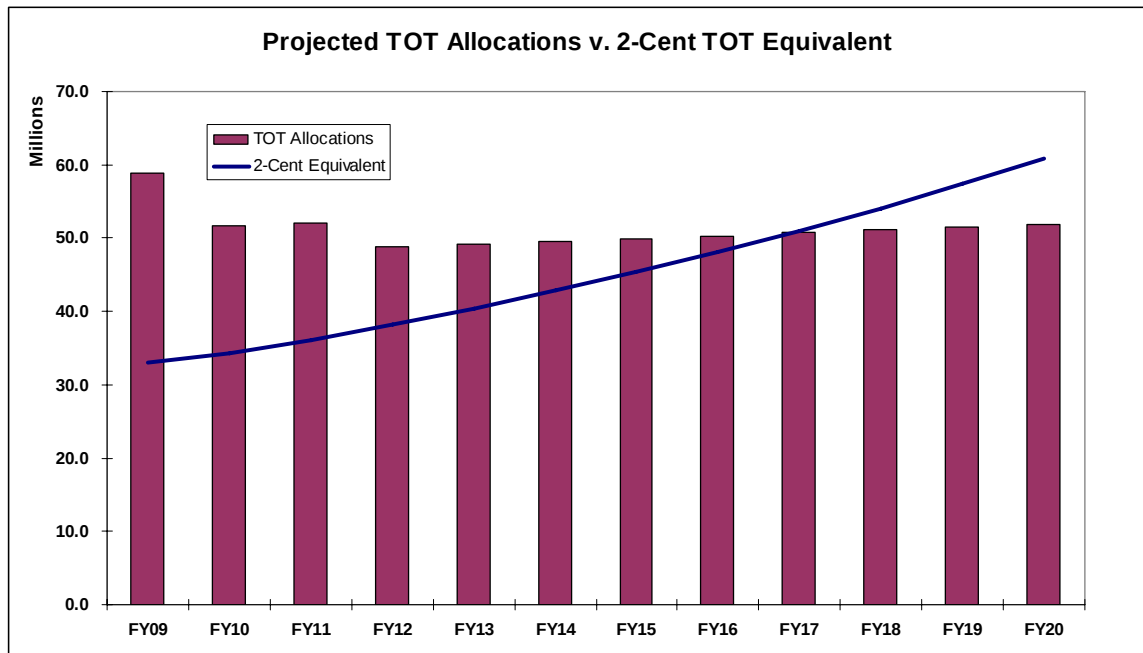
The table above also shows the TOT “cent-equivalent” for each allocation category. The cent-equivalent is calculated by dividing the budgeted allocation by the amount equivalent to 1-cent of TOT, or \$16.5 million for FY 2009.

From a budgetary standpoint, the main obstacle to implementing Councilmember Frye’s proposal is that the 4 cents of TOT currently required to be allocated for promotional purposes is already pledged for other purposes. Amending the Municipal Code to require a 1-cent allocation for both Police and Fire would require a commensurate reduction in allocations to other areas. It should be noted that the FY 2009 allocation for Capital Improvements, which alone were equivalent to 2.2 cents in FY 2009, are largely for debt service payments that cannot be reduced in the near future. The City’s TOT-backed debt obligations are shown in the table below, totaling \$41.5 million. Accounting for the Port District contribution of \$4.5 million reduces this total to \$37 million.

Debt Obligation	FY 2009 Payment	Final Maturity
City/MTDB Bayside Trolley	\$2.9 million	FY 2010
Balboa Park/Mission Bay 1996A	\$3.5 million	FY 2011
Balboa Park/Mission Bay 1996B	\$0.9 million	FY 2022
Ballpark Refunding Bonds	\$11.3 million	FY 2023
City/MTDB Old Town Trolley	\$1.2 million	FY 2023
Balboa Park/Mission Bay 2003	\$2.2 million	FY 2024
Qualcomm Stadium Bonds	\$5.8 million	FY 2027
Convention Center Expansion*	\$13.7 million	FY 2028

** The Port District pays \$4.5 million of this debt obligation annually*

As TOT revenue grows in the future, and as current allocations are reduced as debt is retired, the TOT allocations as proposed by Councilmember Frye may become more feasible from a budgetary standpoint. However, as shown in the table above, all but two of the City’s TOT-backed debt obligations will not mature for many years. The chart below compares projected TOT allocations, adjusted for debt service and certain inflationary factors, with a projected 2-cent TOT equivalent. It should be noted that the projected TOT allocations do not include any allocations to the General Fund for promotion-related expenses, as this strategy would presumably not be necessary under Councilmember Frye’s proposal.



This table shows that existing TOT allocations will not become equivalent to 2 cents of TOT until approximately FY 2017. In addition, this does not account for any potential increases in TOT funding for Arts & Culture, or allocations to other groups that may apply for TOT funding in the future.

A slight modification to Councilmember Frye’s proposal could remedy this budgetary dilemma, if such a plan were to be considered. Changing the proposed language to indicate that *a minimum* of 2-cents of TOT is required be used for promotion, and that *up to* 1-cent of TOT may be allocated for both Police and Fire facilities and equipment, would allow for continuation or increases to existing allocations, while at the same time allow any excess funding (i.e. below the current 4-cent equivalent) to be allocated for Police and Fire (or other) purposes. It should be noted that this alternative would not currently allow for a full 1-cent to be allocated for both Police and Fire unless existing allocations are reduced. However, it would provide increased

flexibility for the allocation of TOT funds for Police and Fire facilities and equipment, or any other purposes, in the future.

The City's Debt Management Department is preparing to refund outstanding debt issuances to achieve savings, and reduce annual debt payments, including some of those funded by TOT as described above. Consideration could be given to require that savings achieved through refinancing of current outstanding debt, or savings achieved as debt obligations are paid off, should be directed to the City's General Fund, in conjunction with a revision to the allocation formula.

Business License Tax

The business tax is a tax levied on any businesses operating within the City of San Diego based on the number of employees. Those with 12 or fewer employees pay an annual flat tax of \$34 and businesses with 13 or more employees pay an annual flat tax of \$125 plus an additional \$5 per employee.

In 1995, the City Council established the Small Business Enhancement Program (SBEP) with an annual General Fund appropriation equivalent to \$20 per small business registered with the City (from the \$34 fee). The purpose of the SBEP was to provide continuing support to small businesses in recognition of their vital economic, employment, service and cultural roles, and their importance in sustaining and revitalizing older commercial and residential areas.

Actual receipts for the Business License Tax, as shown in the table below, amounted to \$7.7 million in FY 2006 growing to \$9.2 million in FY 2009. In 2007, the City Treasurer entered into an agreement with the State Franchise Tax Board to utilize its tax data for business tax compliance, in accordance with Assembly Bill 63.

Business License Tax		
Fiscal Year	Total Revenue	SBEP Funding
2006	\$7.7 million	\$1.1 million
2007	\$7.2 million	\$1.4 million*
2008	\$9.4 million	\$1.3 million*
2009	\$9.2 million	\$1.5 million

*Note: Include prior year funds

In 1999, the Small Business Enhancement Program was formalized with the creation of City Council Policy 900-15. The Office of Small Business of the City's Economic Development Division administers SBEP funds in accordance with this policy, last revised in November 2008 (Attachment 2). The Office of Small Business utilizes SBEP funds to develop and implement programs, services and specialized resources for the City's 80,000 plus small businesses.

Policy changes in November 2008 committed a fixed annual dollar amount totaling \$1,265,000 for the SBEP program, contingent on 80,000 small businesses registering with the City annually. Any unspent

Council Policy 900-15 Cost Summary	
Citywide Business Assistance	\$465,000
Business Districts – City	\$485,000
Business Districts - BID Council	\$315,000
TOTAL	\$1,265,000

funds at year-end remain with the SBEP program. At the end of Fiscal Year 2009, the SBEP fund had a balance in excess of \$870,000. Also, in Fiscal Year 2009, staff proposed a 10% reduction of budgeted non-personnel expenses totaling \$126,500 as a cost-saving measure. However, this proposal was not accepted or recommended by the Mayor for consideration by the City Council.

The Business Improvement District Council (BIDC) is a collaboration of the City's 18 active Business Improvement District (BID) organizations. The BIDC is allocated SBEP funds to implement programs for small business districts and communities within the City. This includes BID areas and other commercial areas where the businesses are organized as a local merchants' association, chamber of commerce or community economic development corporation.

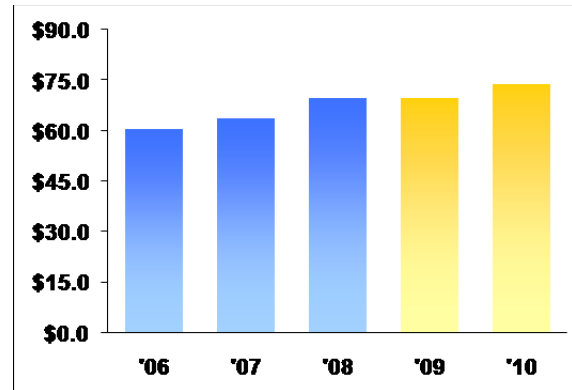
The business tax within the City of San Diego ranks quite low when compared to the largest cities within California. In addition to the low level of revenue generated, the City has chosen to dedicate approximately 13% of these resources on an annual basis to provide assistance in the form of the SBEP, and thereby reducing its budgetary flexibility.

Further changes to the policy, which could be implemented with City Council approval, could include reducing the level of committed expenditures. Consideration could be given to eliminating the policy altogether, which would help to diminish budgetary pressures. Attention should be given, however, to the valuable services and assistance provided through this policy, and its importance especially during these difficult economic times. The need for even greater resources to provide incentives to businesses and to grow the region's economy has also been discussed as a priority.

Franchise Fees

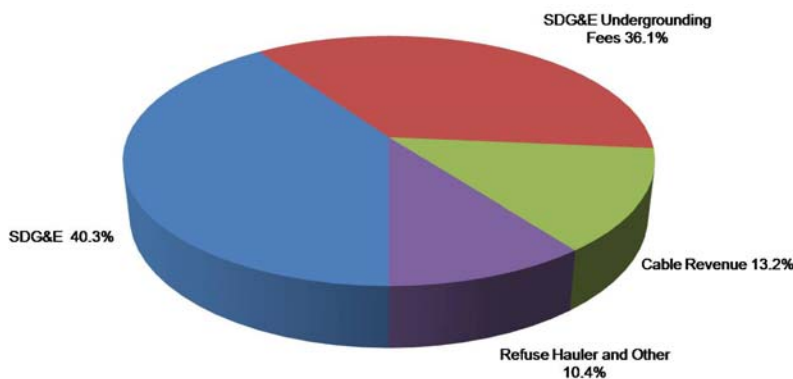
Franchise fees revenue makes up 6.5% of the General Fund revenue budget and results from agreements with private utility companies in exchange for the City's rights-of-way. Currently, San Diego Gas and Electric (SDG&E), Cox Communications, Time Warner Cable, and AT&T are the franchises that pay the City. For FY 2010, the City's budgeted estimate for Franchise Fees totals \$ 137 million. Of that, \$73.7 million is estimated to be received by the City's General Fund. The revenue received from the above agreements is based on a percentage of gross sales. In addition, the City collects franchise fees from private refuse haulers that conduct business within its borders.

Franchise Fees - General Fund
(in millions)
From FY 2010 Annual Budget



SDG&E, the single largest generator of franchise fee revenue, is charged 3% of the gross sales of gas and electricity within the City of San Diego - which is split between the General Fund (75 %) and the Environmental Growth Fund (25 %), according to the City Charter. In addition, the City receives a 3.5% surcharge on SDG&E's electricity sales for the undergrounding of electric utility lines that was approved by the California Public Utilities Commission in December 2002. The City also generates revenue by collecting 5% of gross revenues from Cox Communications, Time Warner Cable, and AT&T. Refuse hauler fees are imposed on private refuse haulers based on tonnage per year: Class I haulers (less than or equal to 75,000 tons per year) or Class II haulers (more than 75,000 tons per year).

Franchise Fees
From FY 2010 Annual Budget



The projected revenue for FY 2010 from SDG&E franchise fees is \$55.2 million. In accordance with City Charter Section 103.1a (Attachment 3), 25% of revenue received from SDG&E or \$13.8

million is to be deposited into the Environmental Growth Fund (EGF). One-third of the EGF is used to finance the maintenance of parks; the remaining two-thirds are

used for the annual interest payments for debt service on open space acquisition bonds and parkland maintenance. The remaining revenue balance of approximately \$41.4 million received from SDG&E franchise fees is allocated to the General Fund.

Franchise Fees and Undergrounding– SDG&E			
Fiscal Year	General Fund	EGF	Undergrounding
2006	\$35.0 million	\$11.7 million	\$40.7 million
2007	\$39.2 million	\$13.1 million	\$48.9 million
2008	\$38.7 million	\$12.9 million	\$46.8 million
2009	\$40.3 million	\$13.4 million	\$47.3 million

Municipal Code §63.30 entitled “Utilization of the Environmental Growth Fund” (Attachment 4) outlines further requirements for the use of the EGF, including expenditure priorities and a mechanism to temporarily suspend compliance with requirements in the event of insufficient revenues.

As discussed in IBA Report No. 08-102, requests had been made for the development of a long-term strategy for the Environmental Growth Fund. As budgetary constraints intensified and competing priorities arise for General Fund resources, newly available funds from the EGF, as bond obligations were paid off, have been increasingly directed to support existing eligible General Fund park and recreation programs and capital projects to ensure service levels are maintained to the extent possible. Over time, this shift has essentially become the City’s strategy for the EGF, and changes to this approach, without the identification of other resources, will likely create an additional burden for the General Fund.

If the City intends to continue to use all Environmental Growth Funds to support General Fund park maintenance and similar functions, as is currently the case, consideration should be given to permanently amending the Municipal Code, and seeking a possible change to the Charter, rather than temporarily suspending these requirements on an annual basis. Changes to the Municipal Code could eliminate the prioritization of expenditures and minimize budgetary restrictions on the use of the EGF. Eliminating the Charter requirement would permit all gas and electric franchise fee revenue to be received by the City’s General Fund, and would remove the restriction that revenues be dedicated to park and open space improvements.

Parking Meter Revenue

The City Treasurer's Parking Meter Operations section collects parking meter revenue and installs and maintains City parking meters. Total revenue to be generated by parking meters is estimated to be \$7.6 million annually.

The Community Parking District Program was established in 1997 as an investment in older neighborhood commercial districts and is part of the City of San Diego's comprehensive community and economic development strategy. The program provides small businesses with a tool to compete with regional shopping malls while maintaining their unique, neighborhood flavor. It also provides parking impacted communities with a mechanism to devise and implement parking management solutions to meet their specific needs.

Parking Meter Revenue			
Fiscal Year	Total Amount	To Districts	% of total
2006	\$7.12 million	\$2.8 million	39%
2007	\$7.35 million	\$2.3 million	31%
2008	\$7.56 million	\$4.5 million	60%
2009	\$7.43 million	\$3.4 million	46%

The Office of Small Business within the Economic Development Division manages the Community Parking District Program distributing a portion (45%) of the revenue from parking meters and other parking related revenues to designated parking districts. These funds are used by the districts to implement solutions to parking problems. Such solutions may include: parking lots, parking structures, valet parking, parking/transportation signage, landscaping, maintenance, and security. Currently, six districts are in operation, with three receiving parking meter revenues; Downtown, Uptown, and Mid-City. In FY 2009, the Downtown district received \$2.5 million.

In FY 2009, City staff proposed a 10% reduction of budgeted non-personnel expenses related to the Community Parking District Program, totaling \$330,150 as a cost-saving measure. However, this proposal was not accepted or recommended by the Mayor for consideration by the City Council.

Recently, downtown pilot projects for varying rates and time limits and employing multi-space pay stations were successfully completed, improving parking space utilization rates and parking meter revenue in test areas, with positive public/customer acceptance. Each multi-space pay station replaces six to ten single head parking meters, allows customers a broader range of payment options, including credit cards, and improves the overall aesthetics of city streets and sidewalks. City staff is working with the City's community parking districts to expand the use of this technology. The pilot projects came as a result of recommendations from a Parking Task Force formed back in 2003.

A proposal to expand the pilot program Citywide is awaiting Council approval. As proposed, staff has estimated a gross increase of \$8.4 million in revenue to the City and Community Parking Districts as a result of the proposed changes to the Parking Meter Program. This would be in addition to the \$7.6 million already budgeted in the General Fund, resulting in a 110% increase.

Revenue from this program is deposited in the City's General Fund and then disbursed to the Community Parking Districts based on the allocation formula outlined in Council Policy 100-18. For FY 2010, staff is projecting that the City will receive a net increase of \$4.3 million to the General Fund. This figure is net of expenses related to Personnel, Non-Personnel, and the Community Parking Districts' transfers.

A legal opinion from the City Attorney indicated that revenues from parking meters are fees to "provide for the proper regulation and control of traffic upon the public streets", in accordance with Municipal Code Section 82.08. In order to comply, an analysis of the City's costs that are intended to be recovered by increased parking meter revenues has been requested prior to Council's consideration of the proposal.

Included in the proposal are modifications to Council Policy 100-18. Under the current Council policy, the City's costs for administering the Community Parking Meter program are absorbed by the City with the exception of \$113,000 related to administrative services. If the proposed modifications to Council Policy 100-18 are approved, the Community Parking Districts will assume 45% of the operational costs to the program. If approved, this would result in a significant savings to the City's General Fund of \$948,094. Staff has indicated that the Community Parking Districts' support the changes to the Council Policy.

An evaluation of the relative priority of the Community Parking District Program could be helpful. At present, prior to the proposal, over \$3.4 million of general revenue is allocated for parking lots, parking structures, signage and related improvements. While these items are likely important, this funding comes possibly at the expense of other higher priority needs, at a time when reductions to public safety and other critical functions are being considered. Rescinding or altering this policy could alleviate General Fund budgetary pressures, possibly in the short-term, or permanently.

Mission Bay Lease Revenue

The rents and concessions category makes up 4% of the General Fund revenue budget and include revenue generated from Mission Bay Park, Balboa Park, and Torrey Pines Golf Course. The largest component of this category is revenue from Mission Bay Park rents and concessions, the majority of which is generated from leases with Sea World, the Marina Village Conference Center, and the hotels and marinas within Mission Bay Park.

In November 2008, voters approved Proposition C, which amended the City Charter to require annual lease revenue generated in Mission Bay Park exceeding \$23 million initially and decreasing to \$20 million in FY 2015 be appropriated 75% for capital improvements to Mission Bay and 25% for capital improvements to regional parks, beginning July 1, 2010 and continuing for thirty years.

Previously, similar language was included in the Municipal Code which specified a minimum General Fund threshold of \$20 million, a \$2.5 million maximum allocation for the Mission Bay Improvement Fund and Regional Park Improvement Fund, with the remaining funds above these allocations returning to the General Fund. The prior language also permitted the suspension of allocations to the project funds in the event of a fiscal emergency, with a term of ten years, commencing with the FY 2004 budget and terminating with the FY 2013 budget. In FY 2010, budgetary solutions included utilizing prior years accumulated project funds to minimize General Fund budget reductions.

Mission Bay Lease Revenue			
Fiscal Year	Total Amount	To Projects	% of total
2006	\$31.4 million	--	--
2007	\$31.7 million	\$3.88 million	12%
2008	\$33.4 million	\$3.90 million	12%
2009	\$33.2 million	\$3.97 million	12%

The IBA prepared estimates of future Mission Bay Lease Revenues and the impact to the City's General Fund, if Proposition C were to be approved by voters. Based on information available at the time, the estimated loss to the General Fund totaled \$2.76 million for FY 2010, and will increase to over \$10 million annually, starting in FY 2015.

MISSION BAY LEASE REVENUE PROPOSAL					
<i>Assumes annual growth of 3%; FY 2009 based on adopted budget</i>					
FY	Estimated Lease Revenue	General Fund	Mission Bay	Regional Parks	Estimated Annual Loss to General Fund
2009	29,867,208	24,933,604	2,466,802	2,466,802	-
			75%	25%	50%
2010	30,763,224	23,000,000	5,263,224	2,500,000	2,763,224
2011	31,686,121	23,000,000	6,186,121	2,500,000	3,686,121
2012	32,636,705	23,000,000	7,136,705	2,500,000	4,636,705
2013	33,615,806	23,000,000	7,961,854	2,653,951	5,615,806
2014	34,624,280	23,000,000	8,718,210	2,906,070	6,624,280
2015	35,663,008	20,000,000	11,747,256	3,915,752	10,663,008
2016	36,732,899	20,000,000	12,549,674	4,183,225	11,732,899

The Mission Bay Park rents and concessions are now projected to generate \$28 million in Fiscal Year 2010, which is reduced from previous estimates. The threshold amount for the General Fund allocation is \$23 million as now required by the Charter. The \$5 million excess above the threshold amount will then be split between the San Diego Regional Park Fund and Mission Bay Park Fund according to the formula previously outlined. The 25% allocation to the San Diego Regional Park Fund does not meet the minimum dollar threshold, so the amount allocated to this fund will be the minimum contribution of \$2.5 million. The remaining \$2.5 million will go to the Mission Bay Park Regional Park Improvement Fund.

As noted earlier, voters approved this proposal in November 2008 thereby expressing a priority for these funds to be dedicated to Mission Bay Park and the City's regional parks, rather than the City's General Fund. Proposals such as this do create budgetary restrictions by earmarking general revenues, and reduce options during times of economic strife.

CONCLUSION

Some of the City's revenue sources are guided by restrictions outlined in the City's Charter, its Municipal Code, and/or Council Policies. These restrictions, limitations and allocation guidelines either reduce general revenue sources that would otherwise flow to the General Fund, or require certain funding levels within the General Fund. These sources include:

- Transient Occupancy Tax
- Business License Tax
- Franchise Fees
- Parking Meter Revenue
- Mission Bay Lease Revenue

This report describes these sources, and outlines considerations for possible policy, Municipal Code, or Charter changes that could increase revenue to the General Fund, or create budgetary flexibility, without creating new fees or taxes, or increasing rates of existing fees or taxes.

[SIGNED]

Elaine DuVal
Fiscal & Policy Analyst

[SIGNED]

APPROVED: Andrea Tevlin
Independent Budget Analyst

Attachments:

1. Council Policy 100-03: Transient Occupancy Tax
2. Council Policy 900-15: Small Business Enhancement Program
3. City Charter Section 103.1a: Environmental Growth Fund
4. City of San Diego Municipal Code §63.30 Utilization of the Environmental Growth Fund
5. Council Policy 100-18: Community Parking District Policy
6. City Charter Section 55.2: Mission Bay Lease Revenue

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

CURRENT

SUBJECT: TRANSIENT OCCUPANCY TAX
 POLICY NO.: 100-03
 EFFECTIVE DATE: September 12, 2005

BACKGROUND:

HISTORY OF TOT RATES

ORDINANCE NUMBER	EFFECTIVE DATE	TOT RATE
O-9033	June 9, 1964	4%
O-9767	April 1, 1968	5%
O-11077	June 5, 1973	6%
O-16286	January 1, 1985	7%
O-17108	August 1, 1988	8%
O-17154	June 1, 1989	9%
O-18078	August 1, 1994	10.5%

On June 6, 1994, the City Council adopted Ordinance No. O-18078 N.S. increasing the Transient Occupancy Tax (TOT) rate from 9% to 10.5% effective August 1, 1994. The ordinance specifically provides that the additional 1.5% tax is to be allocated to the General Fund for general government purposes as the City Council so designates.

On February 24, 1998, the City Council adopted Resolution Numbers R-289773 and R-289774, outlining recommendations to enhance and streamline application requirements and clarify category definitions for the TOT policy. Consequently, recommendations detailed in City Manager Reports 97-175, 97-188, and 98-13 have been utilized in the development of this revised Council Policy on TOT.

MISSION STATEMENT:

The purpose of Transient Occupancy Tax (TOT) is to advance the City's economic health by promoting the City of San Diego as a visitor destination in the national and international marketplace; supporting programs that increase hotel occupancy and attract industry, resulting in the generation of TOT and other revenue; developing, enhancing, and maintaining visitor-related facilities; and supporting the City's cultural amenities and natural attractions.

PURPOSE:

Consistent with the Mission Statement, the purpose of this policy is to:

1. Provide funding for the promotion of tourism and support of cultural programs and visitor-related facilities.
2. Provide guidance to the City Manager in the preparation of the annual budget submittal to the Mayor and City Council.
3. Provide a set of uniform guidelines, conditions, and criteria governing the application for, and granting of, funds to private non-profit organizations for the purpose of

CITY OF SAN DIEGO, CALIFORNIA

COUNCIL POLICY**CURRENT**

supporting their ongoing operational expenses and/or their sponsorship of special events.

4. Provide continuing financial support to those projects where financial commitments of the City are in place, as part of the debt service requirements associated with capital improvements of visitor-related facilities.
5. Provide limitations on future Transient Occupancy Tax rate increases levied by the City of San Diego.

UTILIZATION OF REVENUES:

As stated in Municipal Code Sections 35.0128 - 35.0133:

1. Four cents must be used solely for the purpose of promoting the City.
2. One cent can be used for any purpose the City Council may direct.
3. Five and one-half cents is deposited in the General Fund for general government purposes as the City Council may provide in accordance with the Charter of the City of San Diego and the City Council's appropriation ordinance.

POLICY:

1. Increases to the TOT Rate Future increases to TOT shall be limited to a rate that is no greater than the average rate, excluding the highest and lowest rate cities, at that time, of the 15 following major cities: *Atlanta, Boston, Chicago, Denver, Honolulu, Houston, Las Vegas, Los Angeles, Miami Beach, New Orleans, New York, San Francisco, Santa Fe, Seattle, Washington D.C.* The City Council shall limit any tax increases if the hotel occupancy rates in the City of San Diego are less than 70% for two consecutive calendar years.
2. Funding of Private Non-Profit Organizations for Operational Expenses or Sponsorship of Special Events In order to assist the City Council in receiving and acting upon requests for funding by private non-profit organizations, general TOT application processes have been established and are reflected on Attachment A.

Eligible programs fall into one of the following major categories:

ECONOMIC DEVELOPMENT

To promote the City as a visitor destination and advance the City's economy by increasing tourism and attracting industry.

SAFETY AND MAINTENANCE OF VISITOR-RELATED FACILITIES

To provide supplemental funding for public safety and the maintenance of visitor-related facilities.

CAPITAL IMPROVEMENTS

To provide funding for the renovation, construction and expansion of visitor-related facilities and projects.

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

CURRENT

ARTS, CULTURE AND COMMUNITY FESTIVALS

To enhance the economy and contribute to San Diego's reputation as a cultural destination by nurturing and maintaining art and culture institutions of national and international reputation; by supporting programs and projects that provide access to excellence in culture and the arts for residents and visitors; and by funding programs and events which enrich the lives of the people of San Diego and build healthy, vital neighborhoods.

MAJOR EVENTS

To provide funding for the attraction and production of major events and conventions that generate Transient Occupancy Tax and other revenues.

3. **Application Processes**

Applications are required for organizations requesting funding within the 1) Economic Development and 2) Arts, Culture, and Community Festivals categories. The Economic Development category includes the 1) Citywide and 2) Economic Development and Tourism Support subcategories. The Citywide Economic Development application process is administered by the Financial Management Department. This funding category supports programs that promote the City as a visitor destination and advance the City's economy by increasing tourism and attracting industry on a citywide basis. The Economic Development and Tourism Support subcategory provides funding for non-profit, tax-exempt organizations to produce regionally significant programs, services and events that promote tourism, attract business, and create employment. The Economic Development and Tourism Support application process is administered by the Community and Economic Development Department.

The Arts, Culture, and Community Festivals category contains three subcategories: 1) Organizational Support Program; 2) Festivals and Celebrations Program; and 3) Neighborhood Arts Program. The Commission for Arts and Culture administers these application processes. The Organizational Support Program subcategory provides annual, ongoing, general operating support for nonprofit, tax exempt arts and culture organizations with an emphasis on the delivery of programs and services that impact San Diego's quality of life and tourism. The Festivals and Celebrations Program provides project support to community-based festivals, parades, and other celebrations, with an emphasis on projects which promote neighborhood pride and community reinvestment. The Neighborhood Arts Program funds projects that make arts and culture activities more available and accessible in San Diego neighborhoods and encourage people of diverse backgrounds and ages to share their heritage and culture.

Recommended funding levels for all categories and specific program funding for Citywide Economic Development, Safety and Maintenance of Visitor-Related Facilities, Capital Improvements, and Major Events will be made by the Office of the City Manager.

CITY OF SAN DIEGO, CALIFORNIA

COUNCIL POLICY**CURRENT**

All funding recommendations are provided to the City Council for consideration and final approval as part of the annual budget process.

Organizations may only submit one TOT application to the City. An organization cannot apply for, or receive funding from, more than one category or subcategory of TOT. Applicant organizations must determine which one TOT category or subcategory best matches their program. City administrative staff can assist organizations in making that determination. All organizations must comply with the requirements and conditions outlined in Attachment B.

If necessary, prior to the beginning of the application process for each fiscal year, an informational report shall be presented annually to the Natural Resources & Culture (NR&C) Committee that will identify organizations funded by Citywide Economic Development that were not in compliance with their contractual agreement with the City in the past fiscal year. Appeals to the NR&C Committee can be made by any organization regarding compliance issues, and potential impacts on future allocations. A report on compliance issues for organizations funded within the Arts, Culture, and Community Festivals category or the Economic Development and Tourism Support subcategory will be presented to the respective review panels, if necessary.

4. Funding for debt service requirements/annual lease payments related to capital improvements of visitor-related facilities.
Funding is provided for debt service for projects that contribute to a balance of community cultural, recreational, and promotional programs, designed to enhance the well-being of the community and promote the City as a world-class visitor destination. Funding may include, but is not limited to the following:
 - a. Balboa Park/Mission Bay Park Improvements
Financial support will be provided for improvements to Balboa Park and Mission Bay Park consistent with adopted master plans (refer to Resolution No. R-271992).
 - b. Funding for the Extension of the San Diego Trolley
Funding will be provided for annual lease payments for debt issued for the City's share of trolley extension costs as matching funds to qualify for State and Federal funding required to implement extension of the San Diego Trolley as called for in the Regional Transportation Plan (refer to Ordinance Numbers O-16947 and O-17942).
 - c. Convention Center Complex
Funding will be provided for annual debt payments and other expenses related to the expansion of the Convention Center onto the adjacent surface parking lot.

CITY OF SAN DIEGO, CALIFORNIA

COUNCIL POLICY**CURRENT**

- d. PETCO Park
 Funding will be provided for annual debt payments and other expenses related to PETCO Park.
 The adoption of this policy is not intended to be and shall not constitute an irrevocable commitment by the City Council to allocate monies for this purpose. Such a commitment may be made only at the time the annual budget ordinances are adopted.

Attachment A

General Requirements and Conditions

HISTORY:

“Funding of Private Organization for Operational Expenses or Sponsorship of Special Events”

Adopted by Resolution R-183022 03/09/1965

Amended by Resolution R-191654 09/21/1967

Amended by Resolution R-211279 08/08/1974

Amended by Resolution R-218061 04/05/1977

Amended by Resolution R-220777 05/01/1978

Amended by Resolution R-222451 12/19/1978

Amended by Resolution R-254157 05/11/1981

Amended by Resolution R-272990 03/06/1989

Retitled to “Transient Occupancy Tax” with inclusion of Policies 100-04, 100-11 and

100-13 by Resolution R-279227 01/06/1992

Amended by Resolution R-280380 07/21/1992

Amended by Resolution R-284044 06/06/1994

Amended by Resolution R-284698 10/03/1994

Amended by Resolution R-286076 07/17/1995

Amended by Resolution R-286991 03/04/1996

Amended by Resolution R-289773 02/24/1998

Amended by Resolution R-289774 02/24/1998

Amended by Resolution R-300814 09/12/2005

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

CURRENT**ATTACHMENT A General Requirements and Conditions****A. General**

1. City funding support for private nonprofit organization operational expenses and for special events will be established so as to contribute to a balance of community cultural, recreational, and promotional programs designed to enhance the well-being of the community.
2. The functions or services to be provided by a private nonprofit organization must be of such nature that the interests of the City are better served by an agreement with a private nonprofit organization than by the performance of the services or functions by the City.
3. Programs or special events supported by the City must be open to the public.
4. It is the policy of the City to encourage similar organizations to operate in a coordinated and cooperative manner. If the City funds an “umbrella” organization for federated support of similar activities, then the City will not independently fund other organizations which should properly be part of the “umbrella” organization.
5. The City will only provide funding support to a legally constituted nonprofit corporation completely directing and in complete control of its own affairs through its own officers or members. Support for special events must also be directed to a sponsoring nonprofit corporation. The majority of the activities of the applicant organization must take place within the San Diego City limits and/or benefit City residents. A representative of the City designated by the City Manager shall conduct liaison with the corporation and shall be permitted to attend meetings of the board of directors of such organizations, as deemed appropriate by the City Manager.
6. Organizations may only submit one TOT application to the City. An organization cannot apply for, or receive funding from, more than one category or subcategory of TOT. Applicant organizations must determine which one TOT category or subcategory best matches their program. City administrative staff can assist organizations in making that determination.
7. The City will not provide funding support to a private nonprofit organization for the conduct of any religious or political activity.
8. The City will only provide funding support to a private nonprofit organization that, in the conduct of its activities and affairs, adheres to the City’s Equal Opportunity Contracting Program. The organization must not discriminate against any person because of sex, race, color, creed, national origin, physical handicaps, age, or sexual orientation.
9. The City Council retains the prerogative to waive any policy or requirement herein contained. Council may also impose such other conditions on City support to private nonprofit organizations, as it deems appropriate.

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

CURRENT**B. Funding**

1. Expenses must be both incurred and paid by an organization before the City will release funding to the organization, except as otherwise may be provided.
2. Expenses must be incurred during the City's fiscal year (July 1 - June 30) for which the program is funded, except as otherwise may be provided.
3. City funds may not be used for alcoholic beverages. In addition, City funds may not be used for travel, meals, lodging, or entertainment expenses, except as otherwise may be provided. Waivers to this provision will be considered for expenditures within the Economic Development Program categories. Organizations receiving waivers may use City funds for travel, meals, or lodging within the following parameters:
 - a. Travel – when use of public air carrier transport is required in order to perform the contractual scope of services to the City, City funds may be applied toward the equivalent of coach airfare only. City funds may not be applied toward any upgrades.
 - b. Meals – when provision of meals is required in order to perform the contractual scope of services to the City, City funds may be applied toward a maximum of \$50 per day per person for meals (excluding sales tax and a maximum 15% gratuity, which are also eligible expenses). This daily maximum is further limited by meal, as follows: \$10, \$15, and \$25 are the maximum City funds that can be applied toward breakfast, lunch, and dinner, respectively, per person. If alcoholic beverages are consumed with meals, they may not be paid for with City funds. In the event that meals are provided to individuals who are not members of the funded organization within the scope of a business development meeting, documentation containing the purpose of the meeting, the benefit to the City, and a list of attendees must be provided to the City in order for City funding to be utilized.
 - c. Lodging – when out-of-town lodging is required in order to perform the contractual scope of services to the City, City funds may be applied toward the equivalent of the cost of a standard room in a business class hotel, or toward the conference rates of the host hotel when attending a conference.
 - d. Sponsorships – the City acknowledges the business requirement of event sponsorships by promotional organizations in order to market San Diego as a convention destination in a highly competitive market, and to attract businesses to the region. The primary objective of a funded organization's participation in such events is to gain exposure for San Diego and secure access to important decision makers representing prominent convention groups and businesses. Financial sponsorship of such events is an acceptable application of City funds. If alcoholic beverages are consumed during event sponsorships, they may not be paid for with City funds.

CITY OF SAN DIEGO, CALIFORNIA

COUNCIL POLICY**CURRENT**

4. City funds will be used only to assist an organization in its annual operating program or in its sponsorship of special events. City funding will not be used for capital or equipment outlay, for the purchase of awards, trophies, gifts, or uniforms, nor for the buildup of reserves.
5. Matching fund requirements will be determined by the appropriate application process as called for in the specific funding guidelines within each funding category, if applicable.
6. Organizations requesting funds should possess, at a minimum, a three-year track record of operations. Annual requests for funding may be for one-time events or projects, though applicant organizations must have a three-year history.

C. Request for Funds

1. It is the City's intent to provide advance notification of the annual application process to a wide distribution of potential organizations that may be eligible for funding. Requests by private nonprofit organizations shall be supported by appropriate documentation and in accordance with the submission schedule as prescribed by the City Manager and promulgated in a procedural guide. Late submissions will not be accepted.
2. One-time special event requests must be accompanied by the same documentation outlined in paragraph C.1. above, except that financial data may be confined to the special event. A disclosure of the full-year fiscal status of the sponsoring organization will not normally be required.
3. If an organization charges fees for admission to or participation in an event, the organization's request for funding must include a disclosure of all such fees.
4. Initial requests for funding must, additionally, be accompanied by documents that evidence the existence of the organization as a legal entity in good standing. Such documents shall be determined by the City Manager and promulgated in a procedural guide.

D. Evaluation of Requests

1. All requests for support by private nonprofit organizations will be referred to the appropriate review panel for each funding subcategory application process for analysis and subsequent recommendations to the Mayor and City Council. These subcategories include Festivals and Celebrations, Organizational Support, Citywide Economic Development and Economic Development and Tourism Support. All requests will be reviewed and evaluated in the light of the criteria of this Council Policy.

E. Agreements

1. No expenditure may be made out of any appropriation until a written agreement setting out the terms and obligations of the parties has been consummated. The agreement will specify in detail the services or functions to be performed, the nature of the payment or reimbursement schedule, and the financial reporting requirements.

CITY OF SAN DIEGO, CALIFORNIA

COUNCIL POLICY**CURRENT**

2. All agreements will provide that the City may withhold funds from the contracting organizations and terminate its entire obligation upon notice to the organization if the organization violates any of the terms of the agreement, or for other good cause shown not related to a violation of the terms of the agreement. The City Manager shall thereafter advise the City Council of the notification of termination made to the organization.
3. Compliance with the terms and conditions of agreements shall be determined by the City Manager.

F. Performance Reporting

Performance reporting shall be required of all funding recipients. Organizations receiving funding shall provide the Contract Administrator, each year, a Final Performance Report detailing the organization's progress towards meeting the goals and objectives outlined in the contract's scope of services. The Contract Administrator may require additional documentation to substantiate the information. The report shall also include a Statement of Compliance signed by the executive director or other chief executive officer of the organization, certifying that the organization has complied with the terms of the City's agreements. This information must be submitted within ninety (90) days of the end of that fiscal year.

G. Financial Disclosure

1. Any organization receiving \$500,000 or more of TOT funding, when that funding represents more than 10 percent of the organization's annual budget, must include in their applications salary and wage ranges for each of their job classifications, including actual executive salaries and benefits packages applicable for the contract period, during the annual budget process each fiscal year. Organizations receiving less than \$500,000 may voluntarily comply with these disclosure requirements.
2. Financial disclosure information shall be required of all funding recipients receiving \$10,000 or more in City funds. Organizations receiving funding shall provide the Contract Administrator, each year, copies of true, accurate and complete financial disclosure documentation evidencing the financial status of the organization's last complete fiscal year within ninety (90) days of the end of that fiscal year. All organizations receiving funding in the amount of \$10,000 or more shall submit the following documents:
 - a) A statement of the expenditure of City funds by program to be identified in the same expenditure classifications as contained in the City funded final budget approved through the application process and compared with the budgeted amounts.
 - b) A statement of revenues and expenditures and a balance sheet of all funds received by the organization.

CITY OF SAN DIEGO, CALIFORNIA

COUNCIL POLICY**CURRENT**

3. If City funding is \$75,000 or greater, audited financial statements, including items a and b above, must be prepared in accordance with generally accepted accounting principles (GAAP) and audited by an independent Certified Public Accountant, in accordance with generally accepted auditing standards (GAAS) and submitted to the Contract Administrator within one hundred-fifty (150) days of the end of that fiscal year. The Contract Administrator may grant extensions of up to thirty (30) days to these deadlines when deemed necessary, upon written request by the funded organization.
4. An organization receiving funding support will permit the City to inspect all books and records at any time and to perform or require audits the City reasonably desires. City shall periodically monitor records of contracting organizations.

H. Compliance with General Requirements and Conditions

1. Failure to comply with the City's terms and conditions could result in the suspension of any current remaining funding, at the discretion of the Contract Administrator.
2. All organizations must be in good standing at the time of application for future funding. Non-compliance with any terms and conditions could result in the disqualification of funding requests for future fiscal years, until such time as organization comes into full compliance.

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

SUBJECT: SMALL BUSINESS ENHANCEMENT PROGRAM (SBEP)
POLICY NO: 900-15
EFFECTIVE DATE: November 13, 2008

BACKGROUND:

In 1995, the City Council established the Small Business Enhancement Program (SBEP) with an annual General Fund appropriation equivalent to \$20 per small business (businesses with 12 or fewer employees) registered with the City. The purpose of the SBEP was to provide continuing support to small businesses in recognition of their vital economic, employment, service, and cultural roles, and their importance in sustaining and revitalizing older commercial and residential areas.

Administered by the Economic Development Division's Office of Small Business, SBEP has significantly enhanced the City's partnership with the Business Improvement Districts (BID's) and the BID Council and with non-profit business assistance organizations, and has provided a broad range of direct assistance programs for San Diego's 80,000 plus small businesses.

Since inception, the SBEP has provided funding and services to enhance commercial neighborhood revitalization, promote individual business success; and strengthen the network of non-profit small business service providers. However, SBEP funded activities evolve over time and new needs are identified.

PURPOSE:

The purpose of this Policy is to avoid delays in the SBEP allocation process resulting from SBEP's unique appropriation methodology, and to provide for accountability, efficiency, and flexibility in the administration of the Program. The allocation guidelines are not intended to restrict new program development or innovation within the prescribed categories if such enhancements would provide greater benefit to the small business community.

POLICY:

It shall be the policy of the City Council, as part of the City's annual budget, to provide and appropriate funds for a specific staffing commitment, and to appropriate a specific dollar amount, for SBEP. The appropriation and staffing commitment shall be fixed, based on a realistic estimate of the number of small businesses that will register with the City over the course of the ensuing fiscal year.

**CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY**

The appropriation shall not be adjusted at year end but unused funds shall be carried forward to the following fiscal year for SBEP. However, should the number of small business registering with the City increase significantly then the annual commitment of staff services and funding shall be re-evaluated by the Small Business Advisory Board in conjunction with City staff. If the number of small businesses registering with the City on an annual basis falls below 80,000 then the annual appropriation shall be reduced accordingly. Specifically, the following amounts for categories within SBEP and staff support shall be allocated (subject to a minimum number of 80,000 small businesses registering with the City annually):

1.) Allocation Guidelines

<u>Citywide Business Assistance</u>	<u>Staffing</u>	<u>\$</u>
Storefront Improvement Program- Incentives and Design Services		\$220,000
- Staff Support (OSB)	1.0 FTE	
Services and Information		\$25,000
- Projects		
- Staff Support (OSB)	2.5 FTE	
Citywide Small Business Enhancement Grants		\$120,000
Small and Disadvantaged Business Development - Projects		<u>\$100,000</u>
Totals	3.5 FTE*	\$465,000

* Estimated FY2009 Staffing Cost \$335,000

<u>Business Districts (Funds Disbursed by City)</u>	<u>\$</u>
City Fees and Services Offset	\$170,000
BID Management Support	<u>\$315,000</u>
Total	\$485,000

<u>Business Districts (BID Council)</u>	<u>\$</u>
BIDC – Program Support and Operations	\$185,000
Micro-Districts and Commercial Neighborhoods (Grants/In-kind Services)	\$75,000
Technical Assistance	<u>\$55,000</u>
Total	\$315,000

2.) Accountability and Flexibility

To ensure program accountability, to accommodate unanticipated needs, and to provide some flexibility, the following procedures shall be followed:

- a.) Each program and project must provide an annual report on its outcomes. The City-wide programs shall report to the Small Business Advisory Board and BID programs shall report to the BID Council.

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

- b.) Funding in the Citywide Small Business Enhancement Grants line shall be made based on competitive, but simple, applications submitted to and reviewed by the Small Business Advisory Board.
 - c.) Funding in the Micro-Districts and Commercial Neighborhoods lines shall be made based on competitive, but simple, applications submitted to and reviewed by the BID Council.
 - d.) Allocations between organizations for BID Management Support and City Fees and Services Offset (starting with FY2010) shall be determined by the BID Council and such determinations shall be communicated in writing to the City.
 - e.) The Small Business Advisory Board and the BID Council may make recommendations to the Mayor and City Council from time to time regarding any changes in the SBEP allocation guidelines based on changing needs. The allocation guidelines shall sunset in five years from adoption, unless modified or expressly extended by the Mayor and Council, based on those recommendations.
- 3.) BID Administrative Responsibilities
The City shall maintain oversight of SBEP funds so that the funds are used consistent with City policies.

HISTORY:

Adopted by Resolution R-291758 06/08/1999
Adopted by Resolution R-304314 11/13/2008

City of San Diego City Charter

Article VII

Section 103.1a: Environmental Growth Fund

There is hereby created a fund in the City Treasury, to be known as the Environmental Growth Fund. Into this fund each year there shall be placed 25 percent of all moneys derived from the revenues accruing to the City from any franchises for the transmission and distribution of gas, electricity and steam within the City of San Diego.

The Environmental Growth Fund shall be used exclusively for the purpose of preserving and enhancing the environment of the City of San Diego in whatever manner is deemed appropriate by the City Council of The City of San Diego; provided, however, that two-thirds of the moneys paid into the Environmental Growth Fund shall be used exclusively as debt service for bonds of any nature issued for the acquisition, improvement and maintenance of open space to be used for park or recreational purposes. In connection with the issuance of any general obligation bonds for the acquisition, improvement and maintenance of open space to be used for park or recreational purposes, the Council may pledge up to two-thirds of the Environmental Growth Fund to the payment or security of such general obligation bonds and the interest thereon and may so state in any ordinance calling an election authorizing the issuance of said general obligation bonds. If there are no such bonds outstanding or if two-thirds of the moneys paid into the Environmental Growth Fund exceed the amount necessary to service any outstanding bonds issued for the above purposes in any fiscal year, then in those events, and those events only, the moneys set aside for debt service of said bonds or that portion of said moneys which is not needed for debt service of said bonds, shall be used, if at all, exclusively for the purpose of preserving and enhancing the environment of the City of San Diego in whatever manner is deemed appropriate by the City Council of The City of San Diego.

(Addition voted 06-06-1972; effective 08-03-1972.)

City of San Diego Municipal Code

§63.30 Utilization of the Environmental Growth Fund

Pursuant to the Environmental Growth Fund provision of the San Diego Charter section 103.1a, it is incumbent upon the City Council of the City of San Diego to use moneys derived from that fund exclusively for the purpose of preserving and enhancing the environment of the City of San Diego.

The City Council of the City of San Diego, in implementing said Charter provision, shall allocate all moneys within the fund not employed to pay the debt service on bonds, as set forth in San Diego Charter section 103.1a as follows:

- (a) The difference between two-thirds of the Environmental Growth Fund and the amount actually necessary to make principle and interest payments on outstanding open space bonds shall be accumulated and utilized solely for the purpose of providing funds for the acquisition of open space lands.
- (b) The remaining one-third of the Environmental Growth Fund shall be used for the purpose of preserving and enhancing the environment and shall be allocated to utilization each year, by the City Council, during the budget process, in accordance with the following priorities:
 - (1) Open space maintenance, including litter removal and control;
 - (2) To provide matching funds for acquiring open space in cooperation with other private or governmental entities;
 - (3) Regional Park maintenance;
 - (4) Any other purposes consistent with the San Diego Charter section 103.1a.
- (c) The City Manager of the City of San Diego shall prepare, for approval by the City Council, regulations for the administration of the open space matching grant program.
- (d) If the City Manager determines that anticipated revenues in any fiscal year will be insufficient to maintain existing City services necessary for preserving and enhancing the environment, the City Manager may ask the City Council to temporarily suspend compliance with this Section in order to allow Environmental Growth Funds to be allocated consistent with San Diego Charter section 103.1a. A majority vote of the City Council can temporarily suspend compliance with this Section for that fiscal year. Creating a mechanism for the suspension of this Section is necessary to prevent the abrogation of duties, obligations, and prerogatives of the City Council in the preparation and passage of the Annual Appropriation Ordinance pursuant to San Diego Charter section 71.

(Amended 3-17-2003 by O-19159 N.S.)v

COUNCIL POLICY**CURRENT**

SUBJECT: COMMUNITY PARKING DISTRICT POLICY
POLICY NO.: 100-18
EFFECTIVE DATE: November 15, 2004

PURPOSE:

The intent of this Policy is to provide a mechanism whereby communities unable to meet existing parking demands may devise and implement parking management solutions to meet their specific needs and resolve undesirable parking impacts. This Policy anticipates that such communities, at their initiative, and with the approval of the City Council, can be responsible for establishing and managing a Community Parking District. This Policy specifies the procedures to be followed to establish a Community Parking District. This Policy also provides for, and specifies the procedures under which, certain parking management-related revenues earned by the City within the geographic boundaries of an existing or newly designated Community Parking District may be allocated to the Community Parking District to implement and manage improvements that address parking impacts. This Policy is not intended to reduce existing City revenue streams derived from various parking management-related fees, citations, permits, etc. Any references in this Policy to allocating a portion of parking meter or other parking management-related fees to Community Parking Districts is intended to apply only to new or prospective revenues. This Policy will be implemented in a manner that precludes any reduction or diminishment of City revenues.

POLICY:**A. Establishment of Community Parking Districts**

1. A community planning group or a business improvement district may submit to the City Manager a request to form a Community Parking District when existing City mechanisms for implementing parking management solutions have been insufficient or such mechanisms do not exist within the community. The City Manager shall convey all such requests, along with the Manager's recommendation regarding each, to the City Council or any of its committees for its consideration. In the event that an organization submits a request that affects an existing Community Parking District, the City Manager will present the request to the board of the existing Community Parking District prior to forwarding the request to the City Council or any of its committees for action. A request to form a Community Parking District shall contain each of the following:
 - a. A map or other description of the geographic area proposed to be designated as a Community Parking District.
 - b. Data to verify that the proposed geographic area is in fact adversely impacted by parking demands. Such data may be provided by a parking study commissioned by the City Manager or by a qualified private traffic engineer who would be required to submit his/her data and findings to the City Manager for review; a

COUNCIL POLICY**CURRENT**

combination of project-specific parking studies which, in the aggregate, present credible information regarding parking impacts in the geographic area; or such other information as the City Manager may determine to be credible and persuasive.

- c. A conceptual plan for how the Community Parking District will be managed, including, but not limited to:
 - (1) The legal entity proposed to be designated as the Community Parking District Advisory Board for the purpose of managing the District. The City Council may designate as the District Advisory Board the existing board of a business improvement district, a redevelopment corporation, a community development corporation, or other nonprofit corporation approved by the City Council. As wide a representation of community interests within the proposed geographic area as is possible shall be sought;
 - (2) How community input will be obtained and incorporated into the management of the District;
 - (3) The sources and amounts of District revenues;
 - (4) Examples of or proposed improvements that would address the District's parking impacts;
 - (5) Anticipated financing for these improvements, provided that no existing financing obligations or commitments shall be jeopardized or restricted; and
 - (6) A first year budget.
- 2. Prior to consideration of the proposal by the City Council or any of its committees, the requesting entity shall make the proposal publicly available for review and shall conduct a noticed public meeting for affected citizens in the proposed Community Parking District. The requesting entity shall also provide notice of this public meeting to all affected Community Planning Groups.
- 3. Geographic areas that, prior to December 31, 1997, were established as Parking Meter Districts are hereby now designated as established Community Parking Districts, and the organizations designated by the City Council as Parking Meter District Advisory Boards are hereby now designated as the established Community Parking District Advisory Boards.
- 4. The Community Parking District Program shall be administered by the City Manager. On an annual basis, 5% of the Community Parking District Program allocation as

COUNCIL POLICY

CURRENT

listed in the City Budget will be allocated to the City Manager to be applied to the City's administrative costs of the program.

B. Revenues Subject to Allocation to a Community Parking District

1. A percentage of the total parking meter revenues generated within each Community Parking District shall be allocated to that Community Parking District on an annual basis. The percentage shall be forty-five (45%) each fiscal year. In addition to this 45% allocation, the City may allocate all or a portion of the parking management-related revenues to a Community Parking District on a case-by-case basis. Such additional revenues may be allocated to a Community Parking District so long as all of the following requirements are met:
 - a. Any City administrative costs necessary to implement and collect the fees are fully recovered;
 - b. The City conducts, or causes to be conducted, an analysis of the proposed use(s) of the additional parking management-related revenues, and the analysis indicates that the amount allocated, along with any other authorized revenues, is sufficient to implement and manage the proposed use(s);
 - c. The amount allocated is no more than necessary to implement and manage the proposed use(s); and
 - d. The City determines through a fiscal impact analysis that the Community Parking District's proposed use(s) is/are in the City's long-term best interest.
2. For the purpose of this Policy, City revenues which may be allocated to a Community Parking District in addition to parking meter revenue, if any, may include:
 - a. Fees paid by users to park in a facility operated by the Community Parking District;
 - b. Valet parking fees;
 - c. Residential or shopper parking permit fees;
 - d. Parking in-lieu fees levied on new development; and
 - e. Any other authorized fees obtained to regulate parking in a Community Parking District.
3. Community Parking District revenues shall be allocated to each Community Parking District based on the percentage of average annual gross collections generated within each District. Monies collected will be disbursed pursuant to the adoption and

COUNCIL POLICY**CURRENT**

approval of an implementation plan submitted to the City Council, as provided in section C below. The Community Parking District Program Administrator shall maintain a map and other relevant data showing the location of each parking meter, revenue earned by each meter, and other revenue sources, for the purpose of projecting and verifying parking management-related revenues allocable to each District.

4. The City will conduct an annual fiscal year-end reconciliation of actual parking management-related revenues. To the extent that actual revenues are less than or greater than the approved budget estimate, the difference will be incorporated in the following fiscal year's Community Parking District allocation.

C. Use of Allocated Community Parking District Funds

1. An allocation of parking meter or other parking management-related revenue to a Community Parking District shall be made only from new or prospective revenues resulting from meter installations or the implementation of other parking management activities within the District, and the allocation shall not result in any reduction of current City revenues or anticipated increases in City revenues.
2. Community Parking District revenues shall be primarily used to address parking supply and mobility issues. Improvements and activities that increase the availability, supply, and effective use of parking for residents, visitors, and employees within the adopted Community Parking Districts shall be the principal focus of expenditure of the funds. Community Parking District revenues shall be used in accordance with Municipal Code §82.08 and §82.09 and may be used for such purposes as, but not limited to, the following:
 - a. Increasing the parking supply (e.g., self-parking, valet-parking, on-street parking, surface parking, and structured parking lots). This may include the acquisition of land, project design, financing, construction, and/or operation of public parking facilities.
 - b. Managing the existing parking inventory, including such measures as, but not limited to, parking evaluations, reconfiguration of existing on-street parking inventory, residential permit parking programs, employee parking programs, enforcement, and/or mitigation of any adverse effects resulting from the implementation of such program(s).
 - c. Providing mobility information such as signing, marketing, and communicating the location, availability, cost, etc. of district-wide parking options.
 - d. Providing funding for community shuttles within the boundaries of the Community Parking District.

COUNCIL POLICY

CURRENT

- e. Promoting alternative forms of transportation to reduce parking demand (e.g., community shuttles, public transit, bicycling, and walking).
 - f. Providing for extraordinary maintenance and landscaping activities associated with or required by any of the activities listed above.
 - g. Providing for extraordinary security activities associated with or required by any of the activities listed above.
- 3. Community Parking District revenues shall supplement, and not supplant, existing City funding sources and program revenues for each District.
 - 4. The cost of new meters or other parking related equipment and their installation in existing and proposed Community Parking Districts will be shared between the City and the Community Parking District based upon the percentage by which the meter revenues are shared as described in sections B above, unless otherwise proposed in the Community Parking District plan and approved by the City Council.
 - 5. The use of solar-powered parking technology shall be encouraged.

D. Community Parking District Management

- 1. Annually, each Community Parking District Advisory Board shall develop, through community input, and recommend to the City Council an annual improvement/implementation plan and budget for the next year. Approval of the Community Parking District plan and budget shall rest with the City Council. Such approval may be granted by authorizing the City Manager to execute a written Agreement between the City and each Community Parking District Advisory Board, or through the annual citywide budgetary approval process.
- 2. A Community Parking District plan shall include each of the following:
 - a. How community input will be obtained and incorporated into the management of the District;
 - b. A budget, including the sources and amounts of District revenues and how each are proposed to be used; and
 - c. Proposed improvements to address the District's parking impacts, and their proposed financing.
- 3. In addition to proposed improvements, if any, the plan may include recommendations regarding the following:

CITY OF SAN DIEGO, CALIFORNIA

COUNCIL POLICY**CURRENT**

- a. Parking meter rates, hours of meter enforcement, parking meter time limits, and additions or removals of parking meters;
 - b. Establishment or removal of time limited parking areas;
 - c. Implementation of valet parking fees, residential or shopper permit parking fees, and in-lieu fees;
 - d. The acquisition of any private property for a public purpose necessary to implement the plan; and
 - e. Any other relevant matters pertaining to the effective management of parking demand within the District.
4. Each Community Parking District Advisory Board shall comply with all State and Federal laws and regulations pertaining to nonprofit corporations, including making its annual filing of IRS Form 990 available to the public, and shall comply with State public records and open meeting laws with regard to the use of Community Parking District funds.
 5. Each Community Parking District shall be provided a seat on the City's Parking Advisory Board, and each Community Parking District Advisory Board shall recommend a member of its board to fill the seat.

HISTORY:

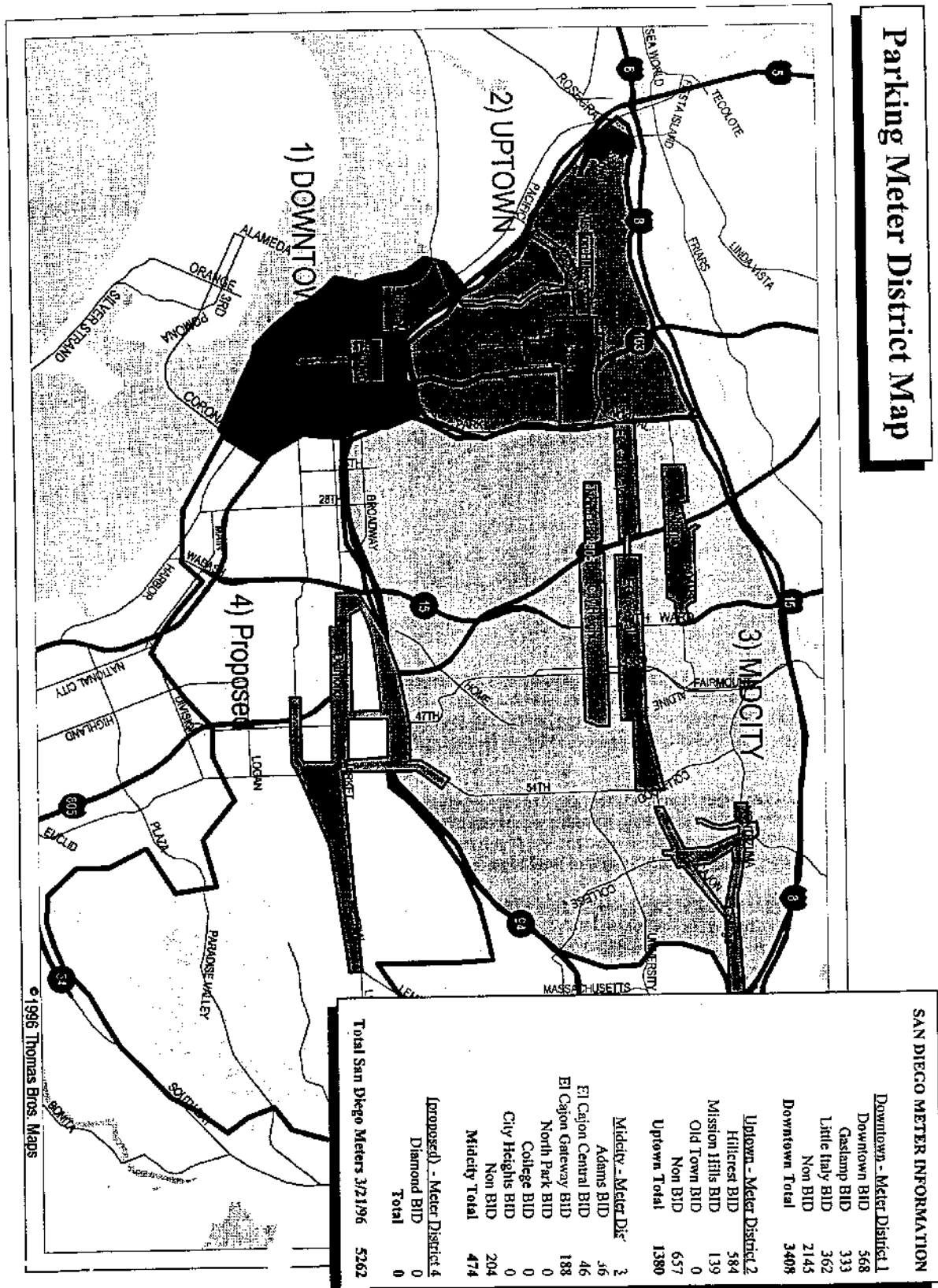
Adopted by Resolution R-288408 03/04/1997

Amended by Resolution R-299836 11/15/2004

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

CURRENT

Parking Meter District Map



(Amendment voted 09-17-1963; effective 02-11-1964.)

(Amendment voted 11-04-1975; effective 12-01-1975.)

Section 55.1: Mission Bay Park - Restrictions upon Commercial Development

Notwithstanding any other provision of this Charter to the contrary, the total land and water area of all leases in Mission Bay Park shall not exceed twenty-five percent (25%) of the total dedicated land area or six and one-half percent (6.5%) of the total dedicated water area respectively of the park without such lease being authorized or later ratified by vote of 2/3's of the qualified electors of the City voting at an election for such purpose.

(Amendment voted 11-03-1987; effective 12-17-1987.)

Section 55.2: Mission Bay Park and Regional Parks Improvement Funds

- (a) For the purpose of this Section, the following definitions shall apply and the words shall appear in italics:
 - (1) *Capital Improvement* means physical assets, constructed or purchased, or the restoration of some aspect of a physical or natural asset that will increase its useful life by one year or more or which constitutes an environmental improvement of a natural asset.
 - (2) *Mission Bay Baseline Chart* shall be defined as the Mission Bay dredging plans on file with the City Clerk as Document No. OO-19776. It shall serve as the baseline for depths for navigable waters within Mission Bay. Depths may be increased or decreased for specific areas within Mission Bay only if, after review of these areas by the San Diego Fire Department or the *Mission Bay Park Improvement Fund Oversight Committee*, it is found that either the original depth no longer supports or ensures safe navigation, is inconsistent with the *Mission Bay Park Master Plan*, or needs to be modified in order to create sustainable shorelines. Any changes must be adopted by ordinance of the City Council and shall act as amendments to the original dredging plans.
 - (3) *Mission Bay Park* means the area described in the Mission Bay Park Record of Survey 16891, filed on February 28, 2001, in the Office of the County Recorder as File No. 2001-0113422.
 - (4) *Mission Bay Park Improvement Zone* means those areas encompassed within the boundaries of *Mission Bay Park*, Oceanfront Walk from the Mission Bay jetty to Crystal Pier and the adjoining seawall, coastal parks and ocean beaches contiguous thereto, Rose Creek from its terminus in Mission Bay to the southern end of the Santa Fe Road flood control channel, Tecolote Creek from its terminus in Mission Bay to the western end of the

Tecolote Creek flood control channel and the San Diego River as it passes through the boundaries of *Mission Bay Park* as described herein. The boundaries of the San Diego River, Rose Creek and Tecolote Creek shall be the width of those waterways to the nearest property line.

- (5) *Mission Bay Park Improvement Fund* means a separate interest bearing monetary fund maintained by the City of San Diego to receive and spend the *Mission Bay Park Lease Revenues* identified herein for the benefit of the *Mission Bay Park Improvement Zone*.
- (6) *Mission Bay Park Improvement Fund Oversight Committee* means the committee determined by ordinance of the City Council to carry out the oversight responsibilities described herein.
- (7) *Mission Bay Park Lease Revenues* means all revenues collected by the City of San Diego from commercial and non-profit sources within *Mission Bay Park*, including but not limited to all monetary consideration received under leases of city owned property within *Mission Bay Park*, as well as revenue collected from contracts for concessions or any other revenues collected for the use of city owned property within *Mission Bay Park*. The term does not include revenue from the Mission Bay Golf Course, unless privately leased; mooring fees; any revenues from taxes including but not limited to Transient Occupancy Taxes, sales taxes, possessory interest taxes, property taxes; or permit fees such as park and recreation fees or special event fees to the extent those fees are levied to recover actual costs incurred by the City of San Diego.
- (8) *Mission Bay Park Master Plan* means the Master Plan adopted by the City Council for Mission Bay Park in 1994, the Natural Resources Management Plan, and any amendments or updates that are subsequently adopted by the City Council or any such similar replacement plan that may be subsequently adopted by the City Council. For purposes of this Section, the definition shall also include adopted plans for areas located within the *Mission Bay Park Improvement Zone*.
- (9) *San Diego Regional Parks* means those parks that serve regional residents and/or visitor populations as determined by ordinance of the City Council. *San Diego Regional Parks* shall initially include Chollas Lake Park, Balboa Park, Mission Trails Regional Park, Otay River Valley Park, Presidio Park, San Diego River Park, open space parks, and coastal beaches along with coastal parks contiguous thereto. For the purposes of this Section, this

definition shall specifically exclude the *Mission Bay Park Improvement Zone*.

- (10) *San Diego Regional Parks Improvement Fund* means a separate interest bearing monetary fund maintained by the City of San Diego to receive and spend the *Mission Bay Park Lease Revenues* identified herein for the benefit of the *San Diego Regional Parks*.
- (11) *San Diego Regional Parks Improvement Fund Oversight Committee* means the committee determined by ordinance of the City Council to carry out the oversight responsibilities described herein.
- (b) *Mission Bay Park Lease Revenues* up to the threshold amount in each fiscal year shall be deposited into the San Diego General Fund and may be used for any municipal purpose, including but not limited to, police, fire, streets, sewers, water delivery, roads, bridges, and operation of parks. All *Mission Bay Park Lease Revenues* in excess of the threshold amount shall be allocated in the City of San Diego budget to two distinct funds. Twenty-five percent (25%) of the *Mission Bay Park Lease Revenues* in excess of the threshold amount, or two million five hundred thousand dollars (\$2,500,000) whichever is greater, shall be allocated to the *San Diego Regional Parks Improvement Fund* that solely benefits the *San Diego Regional Parks* and seventy-five percent (75%) of the *Mission Bay Park Lease Revenues* over the threshold amount, or the remainder of those revenues if less than 75% is available after the allocation to the *San Diego Regional Parks Improvement Fund*, shall be allocated to the *Mission Bay Park Improvement Fund* that solely benefits the *Mission Bay Park Improvement Zone*. The threshold amount shall be \$23 million beginning fiscal year 2010 and ending fiscal year 2014. The threshold amount shall be \$20 million beginning fiscal year 2015 and shall remain \$20 million thereafter.
- (c) Funds in the *Mission Bay Park Improvement Fund* may be expended only in the *Mission Bay Park Improvement Zone*, to restore wetlands, wildlife habitat, and other environmental assets within the *Mission Bay Park Improvement Zone*; to preserve the beneficial uses of the *Mission Bay Park Improvement Zone* including, but not limited to, water quality, boating, swimming, fishing, and picnicking by maintaining navigable waters and eliminating navigational hazards; to restore embankments and other erosion control features; and to improve the conditions of the *Mission Bay Park Improvement Zone* for the benefit and enjoyment of residents and visitors, consistent with the *Mission Bay Park Master Plan*.
 - (1) To achieve these goals, all of the following identified priorities are

intended to be authorized, funded, and completed in the order provided below:

- (A) Restoration of navigable waters within *Mission Bay Park* and elimination of navigational hazards. When depth conditions no longer support and ensure safe navigation, those areas that pose a danger or impede the passage of watercraft shall be dredged in accordance with the *Mission Bay Baseline Chart*.
 - (B) Wetland expansion and water quality improvements and the protection and expansion of eelgrass beds as identified in the *Mission Bay Park Master Plan*.
 - (C) Restoration of shoreline treatments within the *Mission Bay Park Improvement Zone* including restoration of beach sand and stabilization of erosion control features.
 - (D) Expansion of endangered or threatened species preserves and upland habitats on North Fiesta Island and along the levee of the San Diego River floodway as identified in the *Mission Bay Park Master Plan*.
 - (E) Completion of bicycle and pedestrian paths and bridges as identified in the *Mission Bay Park Master Plan*, installation of sustainable lighting in the *Mission Bay Park Improvement Zone*, installation of signage and landscaping at points of entry to *Mission Bay Park* and the South Shores, and the repair, resurfacing and restriping of parking lots within the *Mission Bay Park Improvement Zone*.
 - (F) Restoration of the seawall bulkhead on Oceanfront Walk to a condition no less than the quality of restoration previously performed in 1998 from Thomas Street to Pacific Beach Drive or to conditions as may be required by historic standards.
 - (G) Deferred maintenance that are also *Capital Improvements* hereunder on existing assets within the *Mission Bay Improvement Zone* as may be recommended by the *Mission Bay Park Improvement Fund Oversight Committee* and approved by the City Council.
- (2) After each priority project identified in (c)(1)(A-G) above has been budgeted and approved by the City Council and a funding plan adopted for it, construction of a subsequent project may proceed concurrently provided construction of a lesser priority does not unreasonably delay, prolong, or

preclude completion of a greater priority. To the extent funds become available from grants or other sources for a lower priority before a higher priority has been completed, or in the event of substantial delay in proceeding with a higher priority, funds may be committed to the next lower priority in the order set forth in (c)(1)(A-G), provided such expenditure of a lesser priority does not unreasonably delay, prolong, or preclude completion of a greater priority. The City Council shall be required to make findings that completion of a higher priority project will not be unreasonably delayed, prolonged, or precluded by expending funds on a lower priority project before approving said expenditure.

- (3) Once the projects identified in (c)(1)(A-G) have been fully budgeted or completed, additional projects shall be prioritized and funded only for *Capital Improvements* as identified in the *Mission Bay Park Master Plan*, recommended by the *Mission Bay Park Improvement Fund Oversight Committee*, and approved by the City Council.
- (4) To the extent items (c)(1)(A-G) that have been completed herein are later in need of additional *Capital Improvements*, then those items shall again have priority over other *Capital Improvements* only if approved by the City Council.
- (5) Except as may be specifically authorized above in this subsection, funds in the *Mission Bay Park Improvement Fund* may not be expended for commercial enterprises or improvements of leasehold interests; for any costs associated with utilities, including, but not limited to, water and sewage; or for roads, vehicle bridges, or vehicular ramps; or on costs that cannot be capitalized; or on daily, weekly, monthly, or annual upkeep of the *Mission Bay Park Improvement Zone* and there shall be no expenditure for contracted labor or services or for city employee salaries, pensions or benefits unless those expenses can be capitalized, and only then at the then-standard rates used by the City of San Diego for all other capital improvement projects.
- (d) Funds in the *San Diego Regional Parks Improvement Fund* may be expended only for non-commercial public *Capital Improvements* for the *San Diego Regional Parks* and only for park uses. Funds in the *San Diego Regional Parks Improvement Fund* may not be expended for commercial enterprises or improvements of leasehold interests; for any costs associated with utilities, including, but not limited to, water and sewage; or for roads, vehicle bridges, or vehicular ramps; or on daily, weekly, monthly, or annual upkeep of the *San Diego Regional Parks*.

Priority for *Capital Improvements* hereunder shall be recommended by the *San Diego Regional Parks Improvement Fund Oversight Committee*, in accordance with the master plans for each of the *San Diego Regional Parks*, and approved by the City Council.

- (e) The *Mission Bay Park Improvement Fund Oversight Committee* and the *San Diego Regional Parks Improvement Fund Oversight Committee* shall meet at least quarterly to audit and review the implementation of this Charter Section, to recommend priorities for expenditures and *Capital Improvements* hereunder in accordance with the master plans for each of the *San Diego Regional Parks* or with the *Mission Bay Master Plan* or within the priorities identified in (c)(1)(A-G), as applicable; and to verify that the appropriate funds are collected, segregated, retained and allocated according to the intent of this Section, and spent as prioritized in this Section and consistent herewith.

The San Diego City Auditor, in cooperation with each committee, shall establish and oversee a mechanism to ensure public accountability by effectively reporting and communicating the extent and nature of revenues, expenses and improvements generated hereunder and compliance with the requirements outlined herein. This shall include, at a minimum, an annual audit report to the Mayor, City Council and public. Each report shall, at a minimum, contain a complete accounting of all revenues received, the amount and nature of all expenditures, a report as to whether in each committee's view the expenditures have been consistent with the priorities and provisions hereof, whether the City of San Diego has complied with sections (c)(2), (f), (g) and (h).

In the event that either committee finds that there has been a violation of this Charter Section by the City of San Diego, it should set forth the alleged violation in a written communication to the City Manager and members of the San Diego City Council. If the alleged violation is not resolved to the satisfaction of the aggrieved committee within 30 days, the San Diego City Council shall docket an action item for a public meeting of the San Diego City Council within 60 days. If evidence presented to the San Diego City Council by the aggrieved committee establishes a violation of this Section, the San Diego City Council shall forthwith cure the violation including but not limited to the restoration of inappropriately expended funds.

- (f) The City of San Diego shall take all steps necessary to ensure the collection and retention of all *Mission Bay Park Lease Revenues* for purposes described herein and to utilize those revenues only for the purposes described herein and consistent with the priorities and intentions described herein. The City of San Diego may

issue bonds, notes or other obligations to expedite the *Capital Improvements* contemplated herein, utilizing the revenue stream from *Mission Bay Park Lease Revenues* designated herein.

- (g) The annual budgets allocated for park operations and maintenance in the *Mission Bay Park Improvement Zone* and the *San Diego Regional Parks* shall not be reduced at a greater rate or increased at a lesser rate relative to the overall annual budget of park and recreation as a result of monies available hereunder.
- (h) The City of San Diego is encouraged to seek other sources of funding for the purposes of improving the *Mission Bay Park Improvement Zone* and the *San Diego Regional Parks*, including but not limited to grant funding from other governmental agencies, private individuals, or foundations. In the event the City of San Diego receives any such additional funds, they shall be in addition to, and shall not offset or reduce funds dedicated to the *Mission Bay Park Improvement Fund* or *San Diego Regional Parks Fund* under this Section.
- (i) Nothing contained herein shall prevent the City of San Diego from spending funds in excess of the *Mission Bay Park Improvement Fund* or *San Diego Regional Parks Fund* for the purposes of improving the *Mission Bay Park Improvement Zone* or the *San Diego Regional Parks*.
- (j) This Section shall take effect and be in force on July 1, 2009, and will expire on June 30, 2039. Before the expiration of this Section, the City Council shall place on the ballot no later than the last regularly scheduled election prior to June 30, 2039 a measure to amend the Charter to extend the effect of this Section for an additional 30 years.
- (k) In the event of a conflict between any provision of Section 55.2 and any other provision of this Charter or the Municipal Code, Section 55.2 shall govern.
(Addition voted 11-04-2008; effective 12-16-2008.)

Section 56: Bureau of Safety

(Repeal voted 04-21-1953; effective 05-29-1953.)

Section 57: Police Department

The Police Department shall consist of a Chief of Police and such other officers, members and employees as the Council may from time to time prescribe by ordinance.

The Chief of Police shall be appointed by the City Manager and the appointment shall be confirmed by a majority of the Council, provided, however, that the Chief of Police may