



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: 157

Proposed Ballot Measure to Extend and Modify City Charter Section 55.2

OVERVIEW

On June 30, 2016, the Mayor's Office presented a potential ballot measure to the City Council's Infrastructure Committee that proposes to extend and modify City Charter Section 55.2 "Mission Bay Park and Regional Park Improvement Funds". Following voter approval of Proposition C in 2008, Section 55.2 was added to the Charter to address the allocation and use of revenues generated from commercial leases in Mission Bay Park. The Mayor's proposed ballot measure includes the following key amendments to Charter Section 55.2:

- Extending the requirements of Charter Section 55.2 for an additional 30 years from the original expiration date of June 30, 2039 to an expiration date of June 30, 2069;
- Modifying existing language to provide a framework for pursuing multiple capital improvement projects simultaneously within the Mission Bay Improvement Fund; and
- Modifying the distribution formula for Mission Bay Park lease revenues in excess of \$20 million to the Mission Bay Park Improvement Fund (MBPIF) and the Regional Parks Improvement Fund (RPIF)¹.

At the Infrastructure Committee meeting, our Office offered to provide an analysis of the proposal, as well as potential adjustments and options for the ballot measure.

In this report, our Office provides background on usage requirements for Mission Bay Park lease revenues, a description of the Mayor's proposed ballot measure, and recommendations for Council consideration, including those discussed at the Infrastructure Committee meeting. Specifically, we

¹ Mission Bay Park lease revenues in excess of the established revenue threshold of \$20.0 million shall be allocated to the MBPIF and the RPIF at a distribution ratio described in City Charter Section 55.2.

provide a recommendation for a shorter extension period than recommended by the Mayor and a proposal allowing for growth of the General Fund allocation over time as was discussed at the Infrastructure Committee meeting.

FISCAL/POLICY DISCUSSION

Background

In October 2002, the City Council adopted Ordinance No. 19113 which added a section to the San Diego Municipal Code that established a reliable funding source to address needed capital improvements within Mission Bay Park and other Regional Parks. The main components of the new section included: 1) the creation of the MBPIF and the RPIF as new separate funds; 2) the determination that any lease revenues collected from commercial leases within Mission Bay Park in excess of \$20.0 million on an annual basis would be disbursed at 50% to the General Fund and 25% to each of the MBPIF and the RPIF² with an annual cap of \$2.5 million to each of the funds; and 3) the ability of the City Manager (Mayor) to suspend compliance with these requirements if anticipated revenues in any fiscal year were projected to be insufficient to fund existing City services.

Table 1 provides the total lease revenues from Mission Bay Park and the distributions to the General Fund, the MBPIF, and the RPIF from FY 2005 to FY 2009. The MBPIF and RPIF received the maximum amount (\$2.5 million) from the excess lease revenues in FY 2008 and FY 2009.

Table 1

Fiscal Year	Total Lease Revenues	Distributions		
		General Fund	MBPIF	RPIF
2005	\$23,622,000	\$23,622,000	\$ -	\$ -
2006	\$26,978,000	\$26,978,000	\$ -	\$ -
2007	\$27,858,000	\$25,658,000	\$1,100,000	\$1,100,000
2008	\$27,902,000	\$22,902,000	\$2,500,000	\$2,500,000
2009	\$28,049,000	\$23,049,000	\$2,500,000	\$2,500,000

In July 2008, then-Councilmembers Kevin Faulconer and Donna Frye presented to the City Council a proposal for a ballot measure amending the City Charter (adding Section 55.2) to modify the distribution of the Mission Bay Park lease revenues exceeding the set revenue threshold and lifting the distribution cap, potentially allowing the amounts directed to the MBPIF and RPIF to exceed \$2.5 million annually. The proposal was to allow the funds directed to the MBPIF and RPIF to grow as the Mission Bay Park lease revenues grew on an annual basis.

In November 2008, San Diego voters approved Proposition C (adding Charter Section 55.2) which:

² Funds distributed to the RPIF from the excess Mission Bay Park lease revenues were to be equitably distributed among the identified regional parks.

- Established the Mission Bay Park lease revenue threshold to be distributed to the General Fund at \$23.0 million annually from FY 2010 to FY 2014, and reduced the threshold to \$20.0 million annually from FY 2015 to FY 2039. Any lease revenues in excess of the established threshold would be distributed to the RPIF and MBPIF
- Distributed excess lease revenues so that the RPIF would receive the greater of \$2.5 million or 25% of the annual excess lease revenues and the MBPIF would receive 75% of the annual excess lease revenues or the remainder of those revenues if less than 75% is available after distribution to the RPIF
- Established the San Diego Regional Parks Improvement Fund Oversight Committee and the Mission Bay Park Improvement Fund Oversight Committee, that are tasked with recommending priorities for expenditures from the respective funds
- Defined and prioritized capital improvement categories to be funded from the MBPIF
- Established a start date of July 1, 2009, with an effective period of 30 years (expiration date of June 30, 2039), and a requirement for a ballot measure to extend Section 55.2 for an additional thirty years prior to the expiration date in FY 2039

Table 2 provides the total lease revenues from Mission Bay Park and the distributions to the General Fund, MBPIF, and RPIF from FY 2010 to FY 2016. The reduced General Fund distribution contributes to the increased distribution to the MBPIF.

Table 2

Fiscal Year	Total Lease Revenues	Distributions		
		General Fund	MBPIF	RPIF
2010	\$23,984,000	\$23,000,000	\$ -	\$ 984,000
2011	\$24,696,000	\$23,000,000	\$ -	\$1,696,000
2012	\$27,949,000	\$23,000,000	\$2,449,000	\$2,500,000
2013	\$30,857,000	\$23,000,000	\$5,357,000	\$2,500,000
2014	\$29,760,000	\$23,000,000	\$4,260,000	\$2,500,000
2015	\$29,526,000	\$20,000,000	\$7,026,000	\$2,500,000
2016	\$28,657,723	\$20,000,000	\$6,157,723	\$2,500,000

As shown in Table 2, the RPIF began receiving \$2.5 million in FY 2012 in accordance with Charter Section 55.2. The MBPIF, however, has yet to receive 75% of lease revenue in excess of \$20 million. In order for the MBPIF to hit the 75% allocation amount, lease revenue in excess of the \$20 million threshold would need to equal or exceed \$10 million, or alternatively stated, total Mission Bay Park lease revenue would need to equal or exceed \$30 million.

Proposed Ballot Measure

On July 11, 2016, the Mayor's Office will request the City Council consider a potential November 2016 ballot measure to modify Section 55.2 of the City Charter. The proposed amendments include: 1) an adjustment to the current distribution of lease revenues exceeding the set annual threshold of \$20.0 million; 2) an adjustment to language within Section 55.2 as it relates to engaging capital projects within the MBPIF; 3) inclusion of language to prioritize the City's compliance with State law as it relates to the City's obligations as a tidelands trustee; and 4) an extension of Charter Section 55.2 for an additional 30 years beyond the current expiration date of June 30, 2039. These notable adjustments are briefly discussed in the following section.

Modification to Distribution Formula

The proposed ballot measure would adjust the current distribution formula to provide additional resources for Balboa Park and other regional parks. The proposed ballot measure would increase the distribution percentages to the RPIF from 25% to 35% of the excess lease revenues or \$3.5 million, whichever is greater, and require a corresponding reduction in the distribution percentage to the MBPIF from 75% to 65% on an annual basis.

Flexibility for Initiating Capital Projects within the MBPIF

Charter Section 55.2 provides a priority list of capital project categories to be addressed with funds from the MBPIF. The Section establishes seven capital priority categories, ranging from restoration (dredging) of Mission Bay's navigable waters (Priority 1) to deferred maintenance on existing assets within Mission Bay Park (Priority 7). Staff considers the current capital prioritization language to be restrictive as projects within a higher priority capital category need to be authorized, funded, and completed prior to prioritizing and funding a capital project within a lower priority capital category. Should a significant delay be identified for a higher priority project and a determination be made that proceeding with a lower priority project would not impede or delay the completion of a higher priority project, the City Council could make findings to proceed and fund a lower priority capital project.

The proposed ballot measure modifies the current language to assist in expediting use of funds within the MBPIF for capital projects. The proposed modifications would require a City Council approved funding plan be in place prior to proceeding with capital projects. The funding plan would specify how to best proceed with multiple projects across multiple priority categories concurrently, without jeopardizing the completion of the higher priority projects. The proposed language is aimed at providing flexibility to proceed with multiple projects, while complying with the priorities set in Charter Section 55.2. Additionally, the proposed ballot language includes the consolidation of multiple lower priority capital categories into one larger capital improvement category in order to assist the City in addressing various capital projects and deferred maintenance.

As stated in Report to City Council No. 16-066 (Staff Report), as of May 10, 2016, there was a cash balance of approximately \$19.0 million in the MBPIF, with approximately \$12.6 million not currently budgeted in projects and available to spend. Charter Section 55.2 does not establish a capital priority list for the usage of funds within the RPIF. Per the Park and Recreation Department, all funds in the RPIF are currently budgeted for projects.

Compliance with State Law Tidelands Obligations

In a report to the Mayor and City Council dated June 24, 2016, the Office of the City Attorney identified "potentially incompatible obligations" associated with requirements of Charter Section 55.2 and those imposed on the City as a tidelands trustee. State law requires the City to use all revenues received from tidelands trust properties (hotels, sports clubs, etc.) for the support and operation of the tidelands. In reviewing the proposed amendment to Charter section 55.2, the City Attorney notes the proposed amendment has the potential to direct tidelands revenues away from trust purposes to regional parks and this could potentially leave the City with insufficient funds to

meet its tidelands expenditure obligations. In order to deal with this possibility, the City Attorney recommends that the proposed amendment include language allowing the City to alternatively allocate lease revenues, if necessary, for tidelands purposes in accordance with State law. Staff included language in section (b) of the proposed amendment to Charter section 55.2 to incorporate the City Attorney's recommendation.

The IBA reviewed the City's annual revenue and expense statements for Mission Bay and Coastal Tidelands from FY 2013 through FY 2015. Although tideland revenues exceeded expenditures by approximately \$3.5 million over the three-year period, the City was able to fulfill its tideland expenditure obligations by using an accrued credit balance for past tideland expenditures in excess of revenues received. It should be noted that the City currently has an expenditure credit balance of more than \$230 million which will continue to be used when/if needed.

In summary, the language recommended by the City Attorney to allow for alternative distribution of tideland revenue has been included in the proposed amendment to Charter Section 55.2. Based on expected tideland expenditures over the next few years and a tidelands expenditure credit balance of more than \$230 million, it is unlikely that the City will need to use the language in section (b) in the foreseeable future.

Extension of 30 Years Beyond Scheduled Expiration Date

Charter Section 55.2, as approved in November 2008, sets an effective term for the requirements within the Charter Section from July 2, 2009 to June 30, 2039. Additionally, Charter Section 55.2 requires the City Council to place another measure on the ballot (no later than the last regularly scheduled election prior to June 30, 2039) asking voters to consider an extension of the provisions of Charter Section 55.2 for another 30 years through 2069.

The Mayor's proposal would ask voters to consider a 30-year extension through 2069 much sooner than the June 2039 deadline stipulated in Charter Section 55.2. The staff report indicates that an extension would provide sufficient time to develop a comprehensive financing plan to fund capital needs for Mission Bay Park and other Regional Parks. Additionally, the staff report indicates an extension could allow lease revenues to be leveraged to fund park projects using 30-year bonds.

It is important to note that one of the Mayor's proposed amendments to Charter Section 55.2 would again require the City Council to place yet another measure on the ballot (no later than the last regularly scheduled election prior to June 30, 2069) asking voters to consider yet another 30-year extension of the provisions of Charter Section 55.2.

Items to Consider

Completion of Condition Assessments

In FY 2014, the City initiated facility condition assessments for all the City-owned facilities and park assessments for all parks with the Park System, in order to assist in the prioritization of capital needs. Upon the completion of the condition assessments for City-owned facilities in FY 2016, condition assessments for City-leased facilities were initiated.

The City anticipates these condition assessments to be completed by the end of Calendar Year 2016, while the Park and Recreation Department anticipates the park assessments will require several additional years to complete. The Department anticipates the park assessment for Balboa Park to be completed by the end of Calendar Year 2016, with the Mission Bay Park assessment beginning upon the completion of the Balboa Park assessment. The park condition assessments for the other Regional Parks are anticipated to be undertaken in future years.

As the facilities and park condition assessments are not yet fully completed, the City has not yet developed a comprehensive capital priority list for the Regional Parks. For Mission Bay Park, several studies are planned to be initiated or are underway to evaluate necessary capital projects. These studies, such as the DeAnza Special Study, are not anticipated to be completed until FY 2019 or later.

Considerations Associated with Potential Bond Financing for Park Projects

In addition to continued investment in Mission Bay Park and other Regional Parks, leveraging lease revenues using long-term debt is one of the two primary reasons provided for the Mayor's proposed extension of Charter section 55.2. The staff report indicates that "an extension will also allow for the lease revenues to be leveraged for capital projects." To the extent that there is a desire or plan to issue 30-year bonds in the near term to facilitate projects in these parks, the IBA agrees that a reasonable extension beyond 2039 is necessary.

If the Mayor's proposal were to be approved, the \$3.5 million annual distribution to regional parks could be entirely leveraged to provide \$44.0 million of bond proceeds for regional park projects. The annual distribution to Mission Bay could be similarly leveraged to support bonds. While an extension beyond 2039 allows for the possibility of issuing long-term bonds for park projects, we raise the following issues for Council consideration:

- Additional General Fund revenue can also be used to support bonds for Mission Bay Park and Regional Park projects (e.g., deferred capital bonds)
- While bond financing makes funds immediately available for park projects, it also involves greater costs (\$3.5 million over 30 years equals \$105 million versus \$44 million today). Depending on park project prioritization and associated costs, it may be more cost effective to cash fund smaller projects over time
- Depending upon the useful life of the financed asset, it may be possible to issue bonds for shorter terms (e.g., 20 years) and in varied amounts to more precisely match immediate project needs (although multiple bond issues will increase bond transaction costs)
- The City currently lacks a comprehensive financing plan for projects in the Regional Parks. While it is possible to issue \$44 million of bonds, the Council currently does not have information on which projects would be financed in which regional parks
- It will take additional time for staff to assign priority rankings to park projects and determine which projects are sufficiently ready to receive bond financing

As is always the case with bond financing, staff capacity to manage financed projects is an important consideration given the need to also address other priority capital projects.

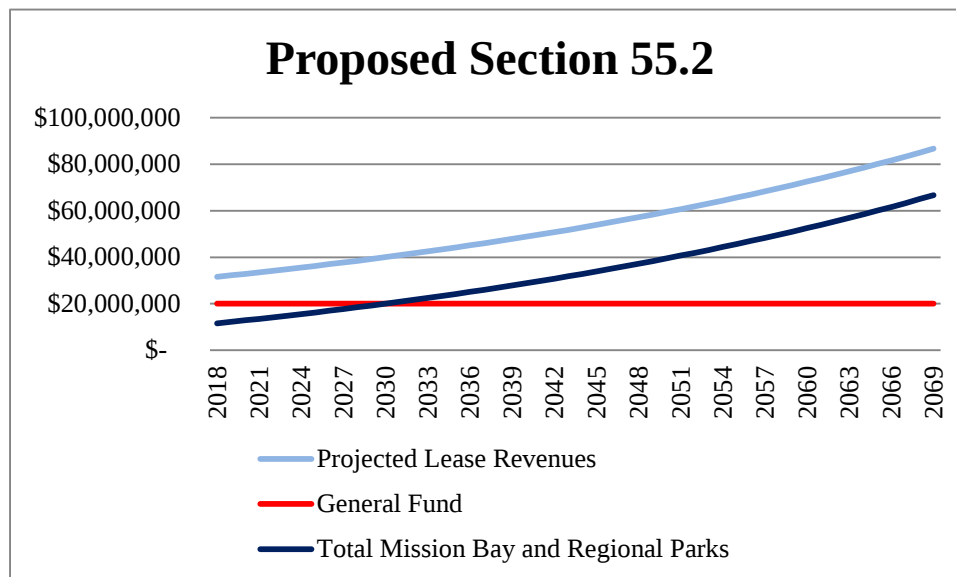
Ballot Measure Scenarios

The Mayor's proposed measure for the November 2016 ballot maintains the allocation of lease revenues in excess of \$20.0 million to Mission Bay and Regional Parks, but increases the allocation to San Diego's Regional Parks to 35% of excess lease revenues or \$3.5 million (whichever is greater), as well as extends the life of Section 55.2 through FY 2069. This proposed 30-year extension significantly increases the amount of funding allocated to Mission Bay and the Regional Parks, from a projected cumulative total of \$421.9 million (\$316.4 million for Mission Bay, \$105.5 million for Regional Parks) over the remaining 22 years of current Section 55.2, to a projected cumulative total of \$1.80 billion (\$1.17 billion for Mission Bay, \$630.7 million for Regional Parks) over the 52 years of the proposed extension, as displayed in the following table.³

Table 3: Projected Cumulative Allocations per Current Section 55.2 and Proposed Amendments, (FY 2018 through section expiration)

<i>\$ in millions</i>	Current Section 55.2	Mayor's Proposal	Difference
Charter Section Expiration (fiscal year)	2039	2069	30 years
Total General Fund	\$440.0	\$1,040.0	\$600.0
Total Parks Allocation	\$421.9	\$1,801.9	\$1,380.0
Total Mission Bay	\$316.4	\$1,171.2	\$854.8
Total Regional Parks	\$105.5	\$630.7	\$525.2

The Mayor's proposed measure allocates revenues collected from Mission Bay leases for the next 52 years without any change to the annual \$20.0 million allocation to the General Fund, as displayed in the following chart.



³ Projections assume annual 2% growth in lease revenues over the FY 2017 budgeted amount. This assumption is consistent with the projections in the FY 2017-2021 Five-Year Financial Outlook.

Our Office notes that the needs of the General Fund, as well as of Mission Bay and the Regional Parks, may be different in 52 years than they are today. In the following sections we offer some options for Council's consideration that address the length of the proposed measure as well as different scenarios for increasing the General Fund portion of the Mission Bay lease revenues, if desired.

IBA Recommendations and Alternate Scenarios

Length of Extension

At the June 30, 2016 Infrastructure Committee meeting, our Office offered comments on the length of time associated with the proposed ballot measure and noted that if the intent is to use Mission Bay lease revenues as a funding source in order to bond for capital projects within Mission Bay and the Regional Parks, then the Charter section would only need to be extended 30 years from the date of the bond issuance as City bonds are generally issued with 30-year terms.

An alternative to the proposed 52-year extension would be an increase of 35 years from the current fiscal year through FY 2052 (30 years for the term of the bond and an additional five years to determine Mission Bay and Regional Parks priorities, and to assess which priority projects are sufficiently ready to move forward using bond proceeds). The Committee expressed interest in the IBA's suggested timeframe for the measure—while 35 years is still a considerable length of time to specify allocations for a particular revenue stream, it is only an increase of 13 years from the current Charter section's FY 2039 expiration date, and it allows a future City Council to re-evaluate the needs of Mission Bay and the City's Regional Parks against other City priorities 17 years sooner than the Mayor's proposal.

IBA Recommendation: Reduce the length of the proposed extension of Charter Section 55.2 from 30 to 13 years, so that the final year of the extension is FY 2052 rather than FY 2069.

General Fund Growth

At the Infrastructure Committee, the IBA also commented on the proposed maintenance of a flat \$20.0 million allocation to the General Fund over the entirety of any extension of Section 55.2. Our Office recommended that Council consider potential alternatives in order to preserve some measure of General Fund flexibility and purchasing power to address changing needs and rising costs in the coming decades.

The \$20.0 million allocation to the General Fund began in 2015—prior to that time the General Fund had received an average of \$23.0 million per year since FY 2004, before the amendment to the Charter took effect in FY 2010. This report considers two scenarios for adjusting the amount allocated to the General Fund: either by increasing the General Fund allocation by the California Consumer Price Index (CCPI) each year (beginning in one of the following fiscal years: 2018, 2025, or 2040), or by allocating a proportion of Mission Bay lease revenues to the General Fund. In the latter case, our Office proposes that \$20.0 million or 50% of Mission Bay lease revenues be allocated to the General Fund, whichever is greater.

Option 1: CCPI Increase of General Fund Allocation

Rather than maintain the General Fund allocation of Mission Bay lease revenues at \$20.0 million over the proposed extension of Charter Section 55.2, one alternative option would be to tie annual growth in the General Fund allocation to the CCPI, an option our Office first proposed in 2008 (IBA Report 08-75) in our review of the original ballot measure. Depending on the fiscal year that CCPI is first applied, the cumulative (FY 2018-FY 2052) Mission Bay lease revenue transfer to the General Fund is projected to range from \$1.19 billion (if CCPI is applied beginning in FY 2018) to \$756.9 million (if CCPI is applied beginning in FY 2040), as displayed in the table below.⁴ The projected cumulative total for Mission Bay and Regional Parks ranges from a high of \$821.4 million if CCPI is applied beginning in FY 2040 (\$533.9 million to Mission Bay and \$287.5 million to Regional Parks) to a low of \$384.4 million if CCPI is applied beginning in FY 2018 (\$249.5 million to Mission Bay and \$134.9 million to Regional Parks).

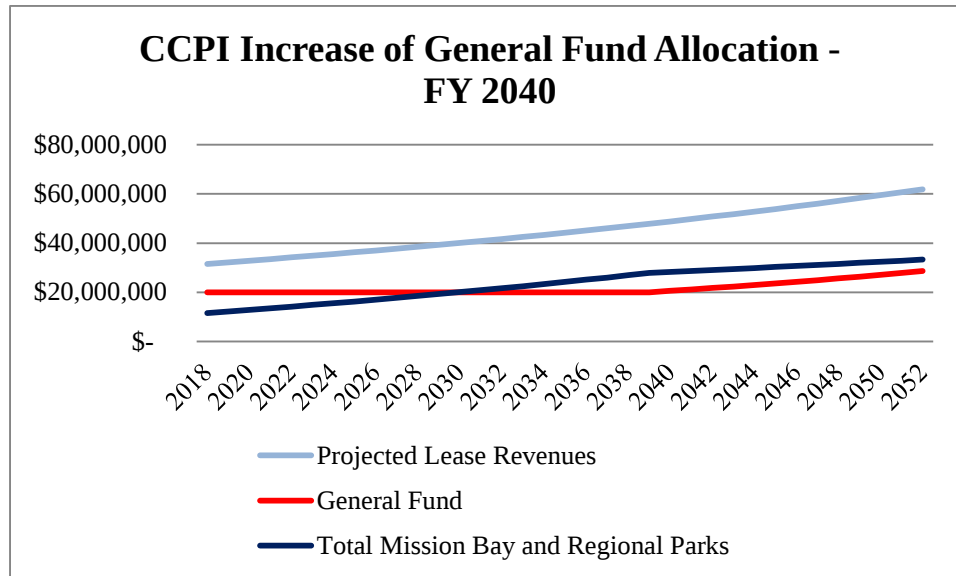
Table 4: Projected Cumulative Allocations when CCPI Applied and Proposed Charter Amendments (FY 2018-FY 2052)

<i>\$ in millions</i>	CCPI begins FY 2018	CCPI begins FY 2025	CCPI begins FY 2040	Mayor's Proposal
Total General Fund	\$1,194.0	\$995.6	\$756.9	\$700.0
Total Parks Allocation	\$384.4	\$582.8	\$821.4	\$878.4
Total Mission Bay	\$249.5	\$378.8	\$533.9	\$570.9
Total Regional Parks	\$134.9	\$204.0	\$287.5	\$307.4

As displayed in the preceding table, when CCPI is applied to the General Fund allocation beginning in FY 2018 or FY 2025, the General Fund receives more of the Mission Bay lease revenues by 2052 than the combined allocations to Mission Bay and Regional Parks. When CCPI is applied to the General Fund allocation beginning in FY 2040, however, the total combined parks allocation is greater than the General Fund allocation by approximately \$64.5 million. CCPI is projected at a higher annual growth rate than lease revenue growth, and the gap between the General Fund and the total parks allocation narrows over time once CCPI is applied beginning in FY 2040, as illustrated in the following chart.⁵

⁴ Projections assume annual 2% growth in lease revenues over the FY 2017 budgeted amount, consistent with the projections in the FY 2017-2021 Five-Year Financial Outlook. CCPI is also assumed at 2.8%, the average of the changes in CCPI from 1985-2015. **Note that cumulative totals for each application of CCPI as well as Proposed Section 55.2 are for the period 2018-2052.** The proposal for changing Section 55.2 from the Mayor's Office extends until 2069, but we reduced the timeframe for this table for comparison purposes.

⁵ As an example, this chart illustrates the addition of CCPI to the General Fund allocation in FY 2040. When CCPI is applied in FY 2018 or FY 2025, the gap between the larger General Fund allocation and the lesser parks allocations, widens over time.



Similar to the scenario when CCPI is applied to the General Fund allocation in FY 2040, the measure proposed by the Mayor’s Office allocates a greater projected cumulative total to Mission Bay and Regional Parks than to the General Fund. The Mayor’s proposal allocates a considerably higher projected cumulative total to parks through FY 2052, however: \$178.4 million.

Option 2: Proportional Increase of General Fund Allocation

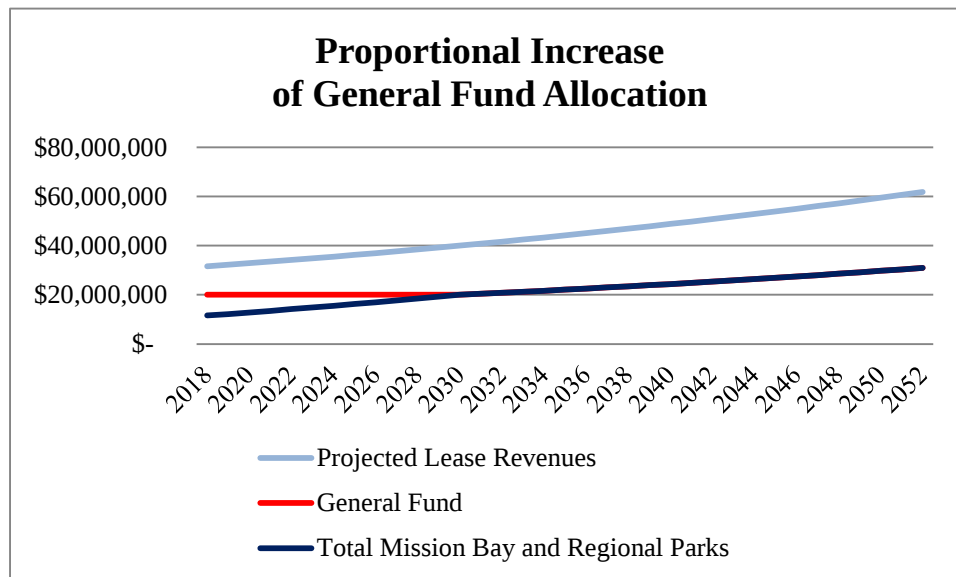
A second option for increasing the General Fund allocation of Mission Bay lease revenues is to increase the General Fund allocation proportionally, in a manner similar to the allocations already made each year to Mission Bay and the City’s Regional Parks, so that the General Fund receives an annual \$20.0 million allocation or 50% of all Mission Bay lease revenues, whichever is greater. Our Office notes that the General Fund allocation is projected to remain at \$20.0 million per year until approximately 2030, when 50% of the projected total lease revenues would first exceed the \$20.0 million threshold. This option results in projected cumulative (FY 2018-FY 2052) transfers of \$817.5 million from Mission Bay lease revenues to the General Fund, as displayed in the table below.⁶ The projected cumulative total for Mission Bay and Regional parks is \$760.9 million (\$494.6 million to Mission Bay and \$266.3 million to Regional Parks).

⁶ Projections assume annual 2% growth in lease revenues over the FY 2017 budgeted amount, consistent with the projections in the FY 2017-2021 Five-Year Financial Outlook. **Note that cumulative totals for the Proportional Increase option, as well as the Mayor’s Proposed Section 55.2, are for the period 2018-2052.** The proposal for changing Section 55.2 from the Mayor’s Office extends until 2069, but we reduced the timeframe for this table for comparison purposes.

Table 5: Projected Cumulative Allocations for Proportional Increase of General Fund and Proposed Charter Amendments (FY 2018-FY 2052)

<i>\$ in millions</i>	Greater of 50% of Revenues or \$20M	Mayor's Proposal	Difference
Total General Fund	\$817.5	\$700.0	\$117.5
Total Parks Allocation	\$760.9	\$878.4	(\$117.5)
Total Mission Bay	\$494.6	\$570.9	(\$76.4)
Total Regional Parks	\$266.3	\$307.4	(\$41.1)

This option for growth in the General Fund allocation is similar to two of the CCPI options presented in the preceding section in that it provides a larger cumulative total for the General Fund. However, this option differs from the CCPI scenarios in that the General Fund and the total parks allocation eventually grow together proportionally, as illustrated in the following chart.



IBA Recommendation: Approve a growth scenario for the General Fund allocation of Mission Bay lease revenues to preserve flexibility and purchasing power for the General Fund over the coming decades. Our Office recommends Option 2 as it allows for General Fund growth in future years, but only when Mission Bay lease revenues exceed \$40.0 million annually. At that time, equal allocations to the General Fund and the total allocation for Mission Bay and the Regional Parks would occur.

CONCLUSION

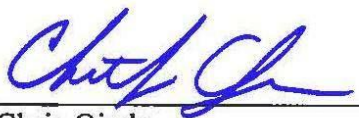
Historically, the City has acknowledged the need to identify a funding source for continued capital improvements within Mission Bay and the Regional Parks. On July 11, 2016, the Mayor's Office will propose a ballot measure to amend City Charter Section 55.2 and extend it to FY 2069.

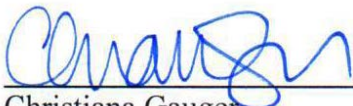
The proposed measure would extend the Charter section for 52 years from today. Our Office notes that the needs for Mission Bay, the Regional Parks, and the General Fund will change over time and are difficult to anticipate for the duration of the proposed extension. We therefore propose two recommendations that would reduce the term of the proposed extension and provide greater General Fund flexibility in future years:

Recommendation 1: Reduce the length of the proposed extension of Charter Section 55.2 from 30 to 13 years, so that the final year of the extension is FY 2052 rather than FY 2069. This change will allow staff five years to develop and execute a financing plan for prioritized park projects using 30-year bonds.

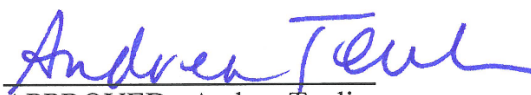
Recommendation 2: Approve a growth scenario for the General Fund allocation of Mission Bay lease revenues to preserve flexibility and purchasing power for the General Fund over the coming decades. Our Office recommends “Option 2” as it allows for General Fund growth in future years at a rate equal to the growth of the total allocation to Mission Bay and the Regional Parks, but only when Mission Bay lease revenues exceed \$40.0 million annually.

Our Office remains available to assist the Council and the City Attorney in developing and finalizing ballot language for the proposed extension and modifications to Charter Section 55.2.


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