



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: November 25, 2022

IBA Report Number: 22-31

Response to Request for Analysis of Revenue Opportunities

OVERVIEW

On July 12, 2022 our Office received a memorandum from Council President Elo-Rivera requesting an analysis of revenue opportunities that can be derived from non-residents and the City's unique positioning as a global destination (Attachment 1). The request included looking into potential benefits and impacts of new revenue streams in areas including parking, mooring fees or boat launch fees, revenue from City lessees in major tourist destinations (e.g. museums in Balboa Park and Mission Bay hotels), signage and digital advertising, and sponsorship programs. In response, this report provides an analysis of potential new revenue streams identified by the Council's President's Office, as well as some potential revenue options in other areas.

Many issues covered in this report are nuanced and complex. As such, further analyses would be required should policy-makers be interested in pursuing certain options. This report is intended to provide an initial overview and discussion of surrounding issues for these potential revenue opportunities.

Our analysis determined that some revenue options are better suited as income streams from non-residents than other options, and our report therefore includes three main sections: (1) Revenue Options Trending Toward Non-residents, (2) Revenue Options Applicable to the General Public, and (3) Revenue Options – Other, which are summarized in the table on the next page. Subsequent discussion of each potential revenue option includes general background information, implementation issues, and revenue considerations.

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Revenue Option	Implementation / Revenue Considerations	Annual Revenue Estimates
Revenue Options Trending Toward Non-residents		
Balboa Park, Mission Bay, and Beach Parking Lots	<ul style="list-style-type: none"> - California Coastal Commission's approval - Potential legal restrictions - Residency verification and implementation cost - Impact on adjacent communities and businesses 	\$5,700,000
Mission Bay Non-resident, Long-term Mooring Fees	<ul style="list-style-type: none"> - California Coastal Commission's approval - Potential legal restrictions - Residency verification and implementation cost 	\$43,000
Mission Bay 72-Hour Mooring Fee	<ul style="list-style-type: none"> - California Coastal Commission's approval - Potential legal restrictions - Implementation cost 	TBD
Non-resident Fees for Mission Bay Boat Launches	<ul style="list-style-type: none"> - California Coastal Commission's approval - Potential legal restrictions - Residency verification and implementation cost 	TBD
Transient Occupancy Tax	<ul style="list-style-type: none"> - Voter approval - Measure C (March 2020) validation status - Impact on the City's overall attractiveness and competitiveness 	\$14,900,000
Rental Car Business Tax	<ul style="list-style-type: none"> - Voter approval - Legal permissibility 	TBD
Revenue Options Applicable to the General Public		
Parking Tax	<ul style="list-style-type: none"> - Voter approval - Implementation cost 	\$30,000,000
Parking Citations	<ul style="list-style-type: none"> - City Council action 	\$2,700,000
Increasing Parking Meter Rates	<ul style="list-style-type: none"> - Community outreach - Impact on adjacent communities and businesses 	\$9,000,000
Extending Parking Meter Hours	<ul style="list-style-type: none"> - Community outreach - Additional operation and enforcement costs - Impact on adjacent communities and businesses 	\$1,272,000
Installing Additional Parking Meters	<ul style="list-style-type: none"> - Community outreach - Parking study - Additional operation and enforcement costs - Impact on adjacent communities and businesses 	TBD
Revenue Options – Other		
Major City-owned Tourist Destinations - Revenue from Leases	<ul style="list-style-type: none"> - Impact on museums and adjacent businesses - Revision to Council Policy - Long-term lease agreement constraints 	TBD
Digital Advertising/Signage	<ul style="list-style-type: none"> - Sign Regulations restrictions 	TBD
Corporate Sponsorships	<ul style="list-style-type: none"> - Mutual beneficial exchange - Additional staffing and resource needs 	TBD
Note: All revenue estimates above are preliminary and rough, and rely on various assumptions that are detailed in the body of this report.		

REVENUE OPTIONS TRENDING TOWARD NON-RESIDENTS

In this section, we examine three revenue options including: Balboa Park and Mission Bay non-resident parking fees, Mission Bay non-resident mooring fees, and non-resident fees for Mission Bay boat launches. This report discusses implementation issues and revenue considerations for each option. Several implementation issues cross over all three revenue options with respect to the Mission Bay area, and these issues are discussed at the outset.

Mission Bay Implementation Issues

There are a number of issues specific to revenues derived from activities at Mission Bay due to various State and local regulations and requirements.

Impact on Other Policy Goals and Equitable Access

First, implementing changes to parking fees, mooring fees, and boat launch fees in Mission Bay Park areas will likely require California Coastal Commission approval, as they may impact other policy goals of ensuring equitable public access to Mission Bay.

Compliance with State Law

Secondly, State Public Resources Code §5162 states that: “[a]ny beach or seashore recreation area owned, leased, operated, controlled, maintained or managed by a city or county which is open to the use of residents of such city or county shall be open to all members of the public upon the same terms, fees, charges and conditions as are applicable to the residents of such city or county.” This requirement may preclude the City’s ability to charge residents and non-residents different fees for access or activities in areas adjacent to the beaches. The City Attorney’s Office would need to provide further analysis with respect to State Public Resources Code §5162 before the City could move forward with charging non-residents differently than residents in beach recreation areas.

Further, California Government Code §54092 states: “Any city, county, or other local agency that allows any property owned, operated, or controlled by it to be used as a means of access to any public beach shall allow free access over that property to all persons regardless of ancestry, residence” Additional analysis by the City Attorney’s Office would be needed if policy-makers are interested in charging non-residents differently.

Potential Revenue Restrictions

About two-thirds of Mission Bay Park (including both water and land areas) is tideland trust property. In 1945, the tidelands trust property in Mission Bay was ceded to the City of San Diego with several restrictions on commercial development and private ownership to protect the public’s constitutional right of access pursuant to Section 4 of Article X of the California Constitution. Therefore, revenue generated from tideland trust property is restricted in its use. As a trustee, the City must comply with the State law requirement that revenues generated on tidelands must “be expended only for those uses and purposes consistent with the public trust for commerce, navigation, and fisheries, and the applicable statutory grant.” We note that allocating parking fee, mooring fee, or boat launch fee revenues to the General Fund for other purposes may be incompatible with this State law requirement.

Additionally, the Mission Bay related fees discussed in this section will be subject to the Mission Bay Park Lease Revenue allocation formula set forth in City Charter §55.2¹ *if* they are considered “other revenues collected for the use of city owned property within Mission Bay Park”. Additional legal analysis would be necessary should the City pursue these options.² Mission Bay Park Lease Revenues are defined as:

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 definition expressly excludes the following items, including mooring fees:

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.

Balboa Park, Mission Bay, and Beach Parking Lots

The following sections provide considerations regarding implementing parking fees at lots in Mission Bay and Balboa Park for non-residents. These considerations could also apply to City lots in other beach and bay areas such as La Jolla Shores and Ocean Beach.

Balboa Park and Mission Bay Park are two of the most visited attractions in the City of San Diego by both residents and non-residents. The Parks & Recreation Department operates 5,149 regular parking lot spaces and 749 pull-through parking spaces in the Mission Bay Park and beach areas.³ Currently, these parking lot spaces are provided to the public free of charge. Similarly, the City’s Balboa Park lot spaces, which total 6,854, are free to the public.⁴

Policy Considerations

If the City is able to and interested in pursuing different resident and non-resident charges or fees, the City may also want to consider current policies in similar areas. The City’s current parking policies center around parking management, including the goal of balancing demand by creating effective utilization of the parking spaces. One means of balancing demand is by

¹ City Charter §55.2 governs the allocation and use of Mission Bay Lease Revenues. The allocation of these revenues is as follows: a threshold amount (currently \$20.0 million) of Mission Bay Lease Revenues are to be placed into the General Fund for any municipal purpose, without restriction. The remainder of lease revenues greater than the threshold amount will be allocated to the San Diego Regional Parks Improvement Fund and the Mission Bay Park Improvement Fund each year as prescribed in Charter §55.2.

²The City Attorney’s Office would also need to analyze whether charging parking lot fees in Mission Bay would be subject to Charter §55.1 which states: “...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”.

³ Excludes disabled and restricted permit-only parking spaces.

⁴ Excludes disabled, motorcycle, bus, staff-only, time limited, and loading spaces.

incentivizing parking turnover⁵ – to increase availability of parking spaces for the wider public. The City utilizes parking studies to help facilitate this balancing (parking studies are discussed later in the Parking Meters section of this report).

Implementation Issues

In order to charge a non-resident parking fee while continuing to offer free parking to residents in Balboa Park, Mission Bay, and other beach areas, the City would need to have a mechanism in place to verify driver residency. This could be achieved by creating a permit program similar to the Office of the City Treasurer’s Residential Permit Parking Program.

The Residential Permit Parking Program is intended for residential areas that are severely impacted by all-day commuter parking and is currently utilized for several residential parking permit areas in Hillcrest, San Diego State University, Logan Heights, Mesa College, and El Cortez neighborhood. Residents pay a \$9.00 annual fee for the permit, which allows them to park in the designated residential permit parking district during enforcement hours when non-permitted vehicles may not park.

To provide free parking for residents while charging non-residents to park in Balboa Park, Mission Bay, and other beach area parking lots, the City could implement a similar verification and permitting program. Residents who intend to park for free in these lots would need to apply for a permit using the City’s online permit system. In-house staffing and administrative costs would be incurred to verify residency and manage the permitting. The annual fee for the permit could help recover these costs. Residents without the permit would be required to pay the same parking fee as non-residents.

An alternative for the residency verification portion of the permitting process that may involve less City overhead may be to use a third-party online verification service instead of City staff – an approach used by the City’s golf courses. The City’s golf courses offer discounted rates for City residents whose addresses are within the Council-defined districts of the City of San Diego. Contractual services from ID.me are used to provide online residency verification services 24 hours a day. With ID.me, residents are asked to either enter their phone number or upload a photo of a qualified ID document. The contract with ID.me costs the City \$1 per verification. The City charges \$25 for the annual City resident Golf ID card, a requirement for obtaining resident discounts, which helps offset the ID.me service cost and administrative cost incurred by the City to manage the discount program. Outsourcing verification process for Mission Bay, Balboa Park, and other beach area parking could help the City avoid hiring additional in-house staffing to support residency verification.

For non-residents and residents without a resident parking permit, a paid parking receipt could be issued via pay stations and then placed in the vehicle’s dashboard. Parking enforcement would be required to ensure compliance, and additional staffing requirements and costs for the pay stations would need to be evaluated.

⁵ Turnover means the ratio of the number of vehicles parked to the number of parking spaces available in a given period of time. In other words, it is the number of cars using each available parking space over a given period of time.

An alternative approach to a parking permit program for residents could be to have parking attendants at each City parking lot, but staffing and potential capital improvements would likely be more costly.

We note that imposing a parking fees at City operated parking lots in Mission Bay, Balboa Park, and other beach areas may impact adjacent communities and businesses. Charging such parking fees may dissuade some members of the public from accessing Balboa Park and some segments of the coast,⁶ as well as cause drivers to park in residential areas nearby. We also note that applying for a resident permit could be an administrative burden to residents, especially those who infrequently visit beaches or Balboa Park.

Revenue Considerations

The City Attorney's Office advises that parking fees collected at City parking lots in Mission Bay, Balboa Park, and other beach areas could potentially be subject to Proposition 26's "reasonable cost of providing service" limitation, meaning the City cannot charge above the full cost recovery level. If this is the case, the City would need to conduct a cost of service study to determine direct and indirect costs. If Proposition 26 does apply to potential parking fees, the City would at most be able to recover direct and indirect costs, including infrastructure related costs the City is currently incurring.

If the Proposition 26 limitation does *not* apply, the City could charge beyond full cost recovery for the program. Estimated revenues from parking fees discussed below assume that Proposition 26 limitations do not apply. Additional analysis regarding the applicability of Proposition 26 would be needed to proceed further, along with analysis of the potential costs of a parking fee program.

Assuming the City charges a flat rate non-resident parking fee of \$5 at City operated parking lots in Balboa Park and Mission Bay, with a 50% utilization rate for the 12,752 standard parking lot spaces, and assuming that 50% of parkers are non-residents,⁷ we roughly estimate that \$5.7 million in revenue could be generated annually by charging non-residents on non-holidays. This figure is provided as an example, using a relatively low daily rate of \$5. If the rate were higher, or turnover was higher (the City could potentially attempt to encourage turnover by charging hourly rates), revenue could be significantly higher. Additional revenue could also be generated if both non-residents and residents were charged. These revenues would be partially offset by implementation and enforcement costs discussed above. Not all revenue may be available to the General Fund as discussed previously, under "Mission Bay Implementation Issues."

Mission Bay Non-resident, Long-term Mooring Fees

There are 188 permanent anchors located within Mission Bay (San Juan Cove, Santa Barbara Cove, and Mariners Basin) where boaters can secure their boats. To utilize one of these in-water

⁶ If (non-resident) parking fees were to be charged in lots close to Balboa Park attractions, there is currently a tram service from Inspiration Point to Balboa Park that would allow distant parkers to avoid those parking fees. A similar approach may be possible at some Mission Bay lots.

⁷ These are assumptions only, given this data is currently not being collected.

anchor points, an annual permit is required; the current annual mooring fee is \$808. In addition, a \$488 fee is charged for new installations and relocation requests.

Utilization of available mooring anchors has decreased slightly over the last few years, as shown in the table below.

Mooring Permits Issued/Renewed by Permit Year¹	
2018-19	109
2019-20	116
2020-21	102
2021-22	97

¹Municipal Code §63.25.25 states that vessel owners shall pay the initial permit fee upon issuance of a permit, and thereafter shall pay the annual renewal fee on the first business day of March each year; for this reason, the Parks and Recreation Department tracks permit issuances and renewals based on a Permit Year that starts on March 1 and ends on February 28/29.

As of November 3, 2022, 90 of the 188 available mooring permits were utilized, of which 62% of current permit holders listed City of San Diego addresses.

Implementation Issues

The Parks and Recreation Department has indicated that implementation of a revised boat mooring rate structure that includes resident and non-resident rates could be achieved by incorporating some form of residency verification (as discussed in the “Balboa Park and Mission Bay Parking” section above). The residency verification would be completed as part of the annual permit application process.

Revenue Considerations

According to the City Attorney’s Office, the City’s annual mooring fee falls under Proposition 26’s “Exception for Fees for Use of Government Property” which excludes mooring fees from the “reasonable cost of providing service” limitation. Under this exception, the City may use its discretion in setting a reasonable price. However, discretion in setting a reasonable price does not take into consideration the potential inability of the City to charge non-residents differently than residents in beach recreation areas – based on potential State Public Resources Code §5162 restrictions discussed previously, under “Mission Bay Implementation Issues”.

Aside from the City’s mooring locations in Mission Bay, the only other long-term (30 day or more) mooring options in San Diego are located in San Diego Bay and rented through the privately-operated San Diego Mooring Company. Depending on the specific location within San Diego Bay, monthly rates range between \$128 to \$157 (\$1,536 to \$1,884 annually).⁸

⁸ <http://www.sandiegomooring.com/rates.htm>

Based on the historical information provided in the table above, on average 106 permits were issued or renewed over the last four Permit Years. Given the annual fee of \$808, approximately \$86,000 in revenue is generated annually.

As shown in the table below, if the City were to charge an annual rate of \$1,884 to non-residents, at most \$129,000 in total revenue is estimated, which is approximately \$43,000 more compared to the current rate structure. This additional revenue could be partially offset by additional residency verification costs that would be part of the annual permit application process. This report does not factor in an estimate for installation/relocation fee revenue, for which \$488 is currently charged, given that this activity is difficult to predict and is likely inconsequential relative to overall City revenues.

Estimated Annual Revenue Assuming Comparable Market Rate Charged to Non-Residents			
	Resident	Non-Resident	Total
Number of Permits	66	40	106
Annual Fee	\$808	\$1,884	-
Total Revenue	\$53,328	\$75,360	\$128,688

Mission Bay 72-Hour Boat Mooring Fee

In addition to the long-term mooring option discussed above, short-term anchoring is currently permitted for up to 72 hours (within a seven-day period) free of charge in Mariners Basin, which is located near San Diego Lifeguard Headquarters. While this activity does not currently require a permit or reservation, San Diego Lifeguards perform nightly patrols to track and enforce the 72-hour limit. According to the Lifeguards, the 72-hour mooring/anchoring area is predominately utilized by transients; and they estimate that approximately 80% are non-City residents.

Implementation Issues

Implementing a fee for short-term mooring could be achieved through issuance of short-term mooring permits. Based on discussion with San Diego Lifeguard Services, short-term permits for mooring in Mariners Basin could be issued from the San Diego Lifeguard Headquarters which is located on Hospitality Point across the Mission Bay entrance channel directly adjacent to Mariners Basin. An automated pay station that allows the user to enter their vessel’s registration number and the amount of time that they plan to anchor (up to 72 hours) could be utilized to limit the need for additional staffing. We note that this approach would not allow for the differentiation between City residents and non-residents utilizing the short-term mooring service; however, given that the 72-hour mooring area is predominately utilized by non-residents (as observed by San Diego lifeguards), the impact to City residents is likely limited.

Assuming that a suitable automated pay station solution was found to be viable, implementation costs would largely be limited to one-time costs associated with the pay station and any necessary signage in Mariners Basin informing boaters of the permit requirement.

Revenue Considerations

Similar to long-term mooring fees discussed above, a short-term mooring fee falls under Proposition 26’s “Exception for Fees for Use of Government Property” which allows the City to

use its discretion in setting a reasonable price. The San Diego Mooring Company charges a transient fee of \$7.50 per day for up to 30 days at its mooring locations in San Diego Bay. It would be reasonable for the City to charge an equivalent rate.

Data concerning usage of the 72-hour mooring area is not currently being maintained. More information concerning the frequency of such activity would be necessary to develop revenue estimates.

Non-resident Fees for Mission Bay Boat Launches

Currently, both City residents and non-residents can launch their boats free of charge at any of the City's five boat launch facilities located within Mission Bay, including Santa Clara Point, De Anza, South Shores, Dana Landing, and Ski Beach. Each launch site is situated with large parking lots that accommodate between 120-200 parking spaces for vehicles with attached trailers, with the exception of Santa Clara Point which has a small parking lot that accommodates only 14 parking spaces.

Implementation Issues

Boat launch fees are typically charged through a staffed concession or permit facility/booth located near the boat ramp where boats are launched. For example, to launch a private boat at one of the City's Reservoir Lakes (operated by the Public Utilities Department) that allow boating, \$11 boat launch permits are issued by a concessioner. A similar example within Mission Bay is the privately-operated Campland on the Bay marina which charges \$35 to launch a boat. While utilizing a similar "on-site staff" approach could provide a means for residency verification and ensure the highest level of non-resident patron payment compliance, it would likely be costly and time-consuming.

An alternate approach that our Office discussed with the Parks and Recreation Department involves the issuance of City of San Diego Resident Boat Trailer Permits. This permit could be issued annually for a nominal cost-recovery fee similar to the Residential Permit Parking Program. After launching their boat at one of the City's boat launch sites, a City resident with a valid Resident Boat Trailer Permit would be allowed to park their boat trailer in the adjacent parking lot free of charge. Non-residents and residents without permits could be required to pay for parking their empty boat trailer after launching their boat. Parking permits could be issued via automated pay stations with receipts verifying payment placed in the vehicle's dashboard. Additional staff for boat trailer parking enforcement would be required to ensure compliance.

Revenue Considerations

Data concerning usage of the City's boat launch facilities in Mission Bay is not currently being maintained. More information concerning the frequency of such activity would be necessary to develop revenue estimates.

Increases to Transient Occupancy Tax Rates

The most significant source of existing City revenue predominantly generated from non-residents is Tourism Occupancy Tax (TOT). The City's TOT is levied at 10.5% (or 10.5¢ per \$1.00) of daily room prices in hotels as well as motels and short-term vacation rentals used by visitors staying in San Diego for fewer than 30 consecutive days.

In addition to TOT, a 2% Tourism Marketing District (TMD) Assessment is based on gross room revenue for lodging businesses with 70 or more overnight rooms. The revenue generated from the TMD assessment is used to fund programs and services that market and promote San Diego as a tourism destination and is not available for use by the General Fund.

Per the San Diego Municipal Code, Sections 35.0128 – 35.0133, 5.5% of the 10.5% TOT levy is deposited in the General Fund, 4.0% in the Special Promotions Fund for use in promoting the City, and 1% can be used at the City Council’s discretion. This 1% discretionary portion has historically been allocated to the General Fund. Additionally, a portion of the 4% Special Promotional Programs allocation is transferred to the General Fund as revenue for reimbursement to certain departments for tourism-related expenses. The FY 2023 Adopted Budget for total TOT revenue is \$256.7 million, of which \$216.7 million is allocated to the General Fund as shown in the following table.

FY 2023 General Fund Revenue from 10.5% TOT (\$ in millions)	
General Fund Allocation (5.5%)	\$135.2
Council Discretionary (1.0%)	\$23.8
Departmental Special Promotional Program Revenue	\$57.7
Total General Fund Revenue from TOT	\$216.7

Implementation Issues

An increase in the TOT rate would require a majority vote of the electorate if the revenue were to be used for a general purpose and a 2/3rds vote if the revenue were used for a special purpose.

In accordance with Council Policy 100-03, future increases to TOT are limited to a rate not greater than the average rate of the 15 major cities delineated in the policy (excluding the highest and lowest rate from the average). The 15 major cities are: Atlanta, Boston, Chicago, Denver, Honolulu, Houston, Las Vegas, Los Angeles, Miami Beach, New Orleans, New York, San Francisco, Santa Fe, Seattle, and Washington D.C. Currently this average rate is approximately 14.36% (excluding special district assessments, similar to the TMD, which are levied by seven of the 15 cities and range from 0.38 to 5.89 percent).

While the Council Policy may be changed by a Council Resolution to increase the maximum rate limitation, further consideration and analysis would be necessary with respect to any potential impacts to the City’s overall attractivity and competitiveness as a convention and tourism destination.

Revenue Considerations

Measure C (March 2020), which proposed a tiered increase to the City’s TOT ranging from 1.25 to 3.25 percent for the specific purpose of expanding the Convention Center, improving streets and related infrastructure, and funding programs to reduce homelessness, has not yet been legally validated. If ultimately validated, the City’s TOT rate would be, at most, 13.75%, which is 0.61% less than maximum rate per Council Policy 100-03 (currently 14.36% as mentioned previously). For illustrative purposes, a 0.61% increase to the City’s TOT rate would generate \$14.9 million based on FY 2023 Adopted Budget TOT assumptions, including approximately

\$9.2 million for the General Fund (based on the 5.5% General Fund allocation and 1% Council discretionary amount).

Rental Car Business Tax

In addition to hotel room bookings, rental cars are another service that is more commonly utilized by visitors than City residents. Many government agencies (states, county, cities, etc.) throughout the country impose various taxes and fees on vehicles rented within their jurisdictions. The tax or fee is typically collected from the renter and remitted to the City by the rental car company.

Implementation Issues

In California, taxes and fees imposed on the rental of vehicles has been found to be impermissible based on previous Attorney General opinions relating to a proposed Transient Transportation Tax (TTT) within the City of San Diego in 1990, and similarly in the City of Ontario as related to the imposition of a flat fee on customers renting a vehicle. The State Board of Equalization had ruled that the TTT was similar to a sales tax and could conflict with California's Bradley-Burns Act; and the State Attorney General affirmed this ruling.

However, a 2003 City Attorney report stated that it may be permissible to amend the Municipal Code to create an additional business tax to be imposed on rental car agencies.⁹ Given the amount of time that has passed, an updated City Attorney opinion regarding the imposition of a business tax would be necessary before the City could pursue this option. If permissible as new business tax, it would likely require a majority vote of the electorate if the revenue were to be used for a general purpose and a 2/3rds vote if the revenue were used for a special purpose.

Revenue Considerations

Levying a Rental Car Business Tax on rental car agencies operating in the City of San Diego, if permissible and approved by voters, could be a significant revenue generating option which could offset the cost of street maintenance and improvements without impacting City residents. With that said, more information would be needed regarding the structure of the tax (e.g. percent of sales, flat fee, etc.) and rental car activity in order to develop revenue estimates.

⁹ <https://docs.sandiego.gov/cityattorneyreports/RC-2003-29.pdf>

REVENUE OPTIONS APPLICABLE TO THE GENERAL PUBLIC

In this section, we provide three parking related revenue options for consideration including: levying a parking tax; increasing parking citation fines; and raising parking meter revenues through increasing parking meter rates, extending parking meter hours, and/or installing additional parking meters.

For these revenue options, we provide relevant policy background, present benchmarking data, discuss implementation issues, assess the feasibility of different charges for non-residents, and provide revenue considerations. ***Overall, we believe it is challenging to make a distinction based on residency for these parking-related revenues.*** Further, the legal permissibility of different charges for non-residents would need to be assessed by the Office of the City Attorney should policy-makers decide to pursue such an approach.

Parking Tax

A parking tax is a tax imposed on the occupancy of parking spaces in parking facilities. It is generally levied as a percentage based on the total charges required to be paid by the occupant of the parking space. Where valet service is provided for parking, the payment of parking tax is typically also required on the valet or service labor charge.

The City of San Diego currently does not impose a parking tax. However, three other large California jurisdictions do levy parking taxes, with certain exemptions applying to residential premises and/or metered parking operated by the jurisdiction. First, the City and County of San Francisco imposes a 25% parking tax on non-residential, off-street parking. Revenues are divided between general fund and public transit. The City of Los Angeles imposes a 10% parking tax on non-residential, off-street parking, with revenues flowing into the general fund. Lastly, the City of Oakland imposes a 18.5% parking tax on off-street parking, with 10.0% flowing to the general fund and 8.5% flowing to a separate fund for public safety activities. The table below shows examples of parking tax rates levied by selected cities in the US, ranging from 10% to 25%.

City	Population	Parking Tax Rate
New York, New York ¹⁰	8,467,513	18.38%
Los Angeles, California	3,849,297	10.00%
Chicago, Illinois	2,696,555	20% - 22%
Philadelphia, Pennsylvania	1,576,251	22.50%
San Francisco, California	815,201	25.00%
Seattle, Washington	733,919	14.50%
Oakland, California	433,823	18.50%

¹⁰ The services of parking, garaging, and storing of motor vehicles within New York City are subject to the 4% state tax, the 6% New York City local tax, and the 3/8% Metropolitan Commuter Transportation District (MCTD) tax, for a combined rate of 10 3/8%. There is an additional 8% parking tax in Manhattan, for a combined state and local rate of 18.38%, that applies unless the purchaser is a certified exempt resident.

While a parking tax is paid by the occupant of a parking space, it is the parking facility operator's responsibility to collect the tax and remit it to cities periodically. The implementation of a parking tax requires parking facility operators (hotels, parking garages, etc.) to maintain reliable books and records. To ensure operators fulfill their responsibilities to collect and remit parking taxes, San Francisco requires that operators use revenue control equipment to issue parking tickets or receipts to the occupants and to record the transactions. The City of Los Angeles requires all operators to post a bond to ensure payment of delinquent parking tax.

Implementation Issues

Imposing a parking tax would require a majority vote of the electorate if the revenue were to be used for a general purpose and a 2/3rds vote if the revenue were used for a special purpose.

Additionally, the Office of the City Treasurer would need additional staffing or would need to contract with a third-party to administer this new tax given the Office has not managed off-street parking lots in this capacity before. Further, the Office of the City Treasurer may need to audit the operators on a regular basis to ensure compliance.

Feasibility of Charging Non-residents Differently

Charging residents and non-residents differently for a parking tax would be difficult and costly. This approach would likely require a commercial parking lot to verify residency manually, as using ID.me for residency verification would be impractical (for a discussion on ID.me see previous section on Balboa Park and Mission Bay Parking). With manual verification, protocols for alternate proof of residency, such as a utility bill, would need to be established. In either case the verification process could lead to additional congestion.

Revenue Considerations

Based on the average of FY 2021 and FY 2022 budgeted parking tax revenues in San Francisco, Los Angeles, and Oakland, the average per capita parking tax revenue for each 1% levy is \$2.17. Utilizing this per capita data, we estimate that if the City of San Diego were to impose a 10% parking tax, \$30.0 million in revenue could potentially be generated annually. As commuter parking activities have significantly dropped since the outbreak of the COVID-19 pandemic, budgeted parking revenues in other cities are generally lower than pre-pandemic level. As commuter parking resumes, actual parking tax revenue generated could be higher. We note that this revenue would be partially offset by additional staffing or contractual expenses as discussed.

Parking Citations

Citations are primarily issued by the Police and Stormwater Departments and revenues are collected by the Office of the City Treasurer. While the ultimate goals of parking citations are to improve road safety and maximize the on-street parking resources available to a larger public, parking citations are also a revenue source for the City. In FY 2022, the Office of the City Treasurer processed about 549,000 parking citations; and the City budgeted \$24.3 million in FY 2023 for parking citation revenue, representing about 1% of total General Fund revenues.

According to the City Treasurer, the City of San Diego has not adjusted parking citation amounts since 2003. The table on the next page shows common types of parking citations in the City of

San Diego compared to other jurisdictions in California. Note that a \$12.50 surcharge is paid to the State and is included in each of the fine amounts below.

	San Diego	Los Angeles	San Francisco	Sacramento	San Jose	Oakland
Expired Meters	\$42.50	\$63	\$98 in Downtown Core; \$89 Outside Downtown Core	\$62.50	\$40	\$58
Street Sweeping	\$52.50	\$73	\$87	\$52.50	\$60	\$66
Red Zone	\$77.50	\$93	\$108	\$52.50	\$60	\$83
Residential Parking	\$52.50	\$68	\$99	\$52.50	\$70	\$83

Implementation Issues

Increasing parking citation fines would require action of the City Council to update the Parking Citation Fee Schedule.

Feasibility of Charging Non-residents Differently

Charging residents and non-residents differently for parking citations would be difficult and would require significant additional work for the City to administer. For example, the City could allow residents to receive a refund or partial refund after receipt of citations. However, this approach would entail additional workload for the Office of the City Treasurer to process the information sent by residents willing to take the time to gather the necessary documentation. The Office of the City Treasurer believes such a program would likely produce a net loss to the City.

Revenue Considerations

On October 19th, 2022, the Budget and Government Efficiency Committee was presented with a proposal by the Stormwater Department to increase the parking citation amount for street sweeping by 30%, from \$52.50 to \$68.50, to provide cost recovery for the street sweeping and parking enforcement fund centers. The proposed increase would raise the City’s share by \$16 per citation (the State Surcharge remains at \$12.50). Staff estimated that the increase, along with the addition of two parking enforcement officers and planned implementation of parking restrictions to four additional street sweeping routes, would generate \$3.8 million in additional citation revenue.

Similar increases could be considered for other types of parking violations. For instance, the table on the next page lists the top five parking citations (other than street sweeping) from which the most revenues were generated from FY 2017 through FY 2022. On average, fines from these five violations generated a total of \$13.5 million in revenue. If the fines for all five violations are increased by 20%, the estimated additional revenue to the General Fund would be \$2.7 million.¹¹

¹¹ This is an estimation only. It does not factor in potential behavior changes as a result of increased fine amounts, which may lead to fewer violation counts.

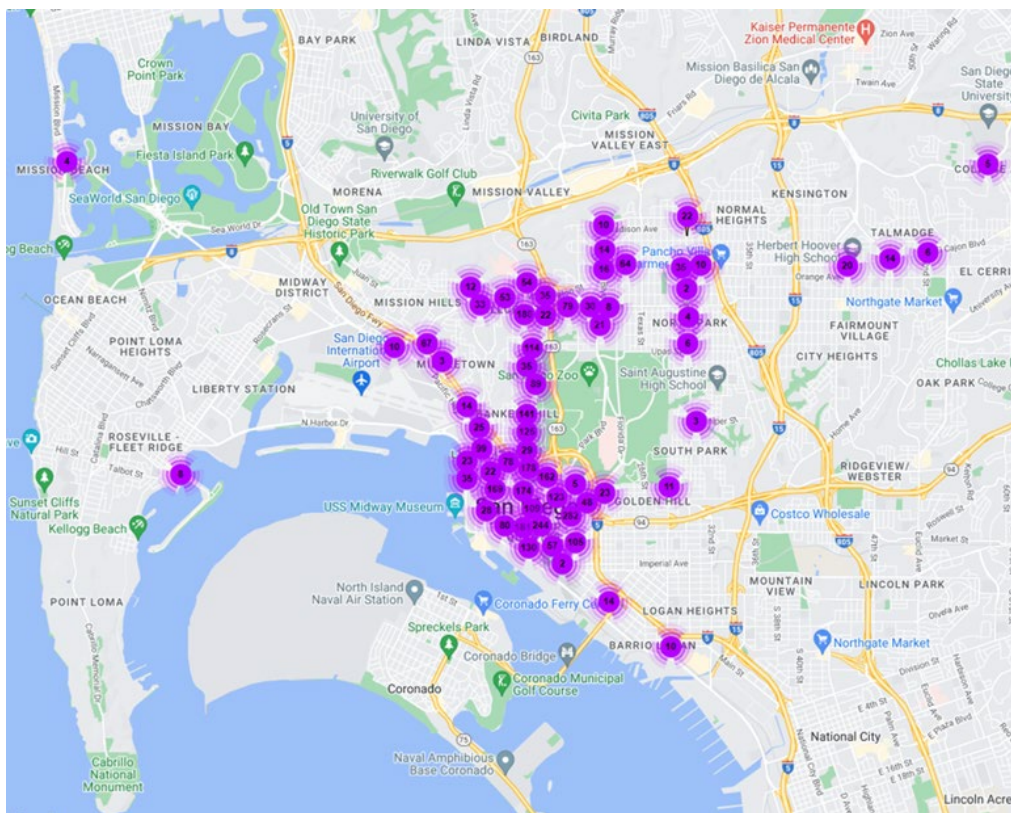
	FY17-FY22 Average Revenue	Fine per Citation	Fine per Citation w/ 20% Increase	Estimated Annual Revenue w/ 20% Increase	Estimated Additional Revenue
Violation of signs (SDMC)	\$4,077,833	\$52.50	\$63	\$4,893,400	\$815,567
Current registration not displayed	\$3,404,401	\$37.50	\$45	\$4,085,282	\$680,880
Red zone	\$2,062,083	\$77.50	\$93	\$2,474,500	\$412,417
Expired meter	\$2,463,379	\$42.50	\$51	\$2,956,055	\$492,676
Disabled parking	\$1,532,761	\$452.50	\$543	\$1,839,314	\$306,552
Total	\$13,540,457			\$16,248,549	\$2,708,091

Parking Meters

This section provides background information on the City’s parking meters, benchmarking, and a discussion on several revenue-enhancement opportunities including increasing parking meter rates, extending parking meter hours, and installing additional parking meters.

General Background on Parking Meters

The City of San Diego currently operates 3,811 parking meters, including single- and multi-space meters, for a total of 5,300 metered parking spaces. A total of 3,523, or 92% parking meters are in Downtown and Uptown. The map below shows current meter locations.



The City has a target utilization rate of 85% for all parking meters within the City.¹² Utilization rate is defined as the amount of time that vehicles occupy a parking meter space during the allowed hours of operation of the parking meter.

Parking meters are installed or removed by the Office of the City Treasurer based on a set of criteria established by the City Council, including: occupancy, duration, and average turnover of existing curb parking; traffic volume and patterns; enforcement problems; desires of adjacent property owners; input from Community Parking Districts (CPDs) and other community organizations; and other considerations. Parking studies may also be conducted upon the adjacent property owner’s initiative, through a favorably signed petition by at least 51% of the property frontage is required. Studies can also be initiated by the City or a City Council-recognized community organization. The results of parking studies inform the City’s decisions to add or remove metered parking.

Under the authority of California Vehicle Code, the City Council has established a range of hourly parking meter rates. This range is from \$0.25 to \$2.50, as codified San Diego Municipal Code §86.0123. The City currently charges an hourly rate of \$1.25 at most parking meters in the City, and this is also the highest rate the City currently charges. Parking meters are generally enforced from 8 a.m. to 6 p.m. every day, except for Sundays and holidays. Parking rates, length of stay limits; and hours of operations are variable. If the meters are within a Community Parking District (CPD), adjustments are made after considering recommendations by the affected CPD and upon review and consultation with City staff. In accordance with the San Diego Municipal Code, the City Manager (Mayor) may increase parking rates up to the maximum set by Council (\$2.50) or extend the time period of enforcement to between 7:00 a.m. and 11:00 p.m., based on parking utilization data and community input.

Benchmarking

Some other large California jurisdictions use a broader range of parking meter rates and adjust the rates periodically based on parking demand. Special event rates may apply. The table below summarizes parking meter rates in four other California jurisdictions.

City	Parking Meter Rate	Notes
Los Angeles	\$0.50 - \$6.00	Demand-responsive pricing, rates can change during the day in response to demand in some areas.
San Francisco	\$0.50 - \$8.00	Demand-responsive pricing, rates can change in response to demand on a per-block basis. Separate special event rates apply.
San Jose	\$2.00 for most parking meters	The event rate for metered parking in the SAP Arena area and in the vicinity of the Convention Center varies between \$0 and \$25 depending upon the event.
Sacramento	\$1.75 - \$3.75 based on tired pricing	Special event rates range from \$1.75 to \$18.75 for events exceeding 15,000 expected attendees.

¹² Excluding parking meters along North Embarcadero, Tuna Harbor, Ruocco Park, Embarcadero Marina Park North, Embarcadero Marina Park South, the Crescent area, Spanish Landing, and Shelter Island, which are operated by the Port of San Diego.

Implementation Issues

Increasing parking meter rates, extending parking meter hours, and/or installing additional parking meters could all likely bring in additional Parking Meter Operations Fund and CPD revenue for the City, which could potentially fund infrastructure improvements that would otherwise need to be supported by the General Fund. However, all three measures can have impacts on nearby communities and businesses. If the City wishes to explore potential increases here, it should partner with Community Parking Districts (CPDs) and other Council recognized community groups. The City of San Diego currently has three active CPDs with parking meters: Downtown, Uptown, and Mid-City.¹³ Staff is currently working with the Pacific Beach Community Parking District to apply for a coastal development permit from the California Coastal Commission to install parking meters in Pacific Beach.

Through CPDs, communities can take initiative to devise and implement parking management solutions to meet their specific needs and resolve undesirable parking impact. Based on Council Policy 100-18 (Community Parking District), a total of 45% of the total parking meter revenue generated within each CPD (less the administrative and parking meter operation costs incurred by the City) are allocated to that CPD annually.¹⁴ Revenue allocated to CPDs are used for improvements that increase the availability, supply, and effective use of parking. The remaining 55% flows to the Parking Meter Operations Fund.

As with other revenue options, increases to metered parking in coastal areas will likely require California Coastal Commission's approval; and tidelands restrictions may also apply to any revenue received in tidelands areas.

Feasibility of Charging Non-residents Differently

In general, charging non-resident rates for parking meters is hampered by the inability to identify the residency of drivers on a City-wide scale. If there are certain metered areas where the City makes a policy decision to allow residents to park for free, the City could issue resident parking passes using a process similar to the Office of the City Treasurer's Residential Permit Parking Program (discussed earlier in this report). However, if passes are issued in areas where current parking meters exist, parking meter revenue would likely decrease.

It is also worth noting that the City's current parking policies center around parking management, including the goal of balancing demand by creating effective utilization of the metered spaces. One means of balancing demand is through time-limited parking that incentives turnover¹⁵ – to increase availability of parking spaces for the wider public. The City's policies

¹³ Two CPDs – La Jolla and Old Town – currently do not having parking meters in their communities.

¹⁴ Revenues from parking meters in Barrio Logan, Point Loma on Shelter Island and Ave de Portugal, and Mission Beach flow to the Parking Meter Operations Fund as there are no CPDs in these areas.

¹⁵ Council Policy 200-04 (Installation or Removal Of Time Limit Parking Zones and Parking Meter Zones) states: “[t]ime limited parking should be used as a parking management tool in those areas where on-street parking is authorized, where the absence of time limits results in a rate of turnover of parked vehicles or occupancy that is insufficient for the community's needs.”

also address community specific parking needs.¹⁶ If the City were to pursue charging non-residents differently than residents, the City’s current parking policies may need to be adjusted.

Revenue Enhancement Opportunities

Increasing Parking Meter Rates

For FY 2023, the City’s parking meter revenue is budgeted at \$9 million in the Parking Meter Operations Fund. Doubling the per hour meter rate across the City (which would increase many meters from \$1.25 to \$2.50, the maximum allowable rate under the Municipal Code) could potentially double the City’s parking meter revenues.¹⁷

The City could also consider pursuing higher rates only in highly trafficked areas up to the \$2.50 maximum set in the Municipal Code (the City Council can also increase this maximum). Increasing parking meter rates around key commercial areas such as the Gaslamp District could relieve congestion, reduce demand in overused areas, and encourage drivers to park in alternative underused areas. For instance, the City could consider setting a higher parking meter rate in the most congested areas where parking demand is the highest, with scaled down rates as meters move away from the congestion center. This method could provide congestion relief while also increasing revenues. In general, parking meter rates should be high enough to help recover costs of parking meter operations, but not so high as to dissuade patrons from visiting businesses or encourage drivers to overwhelm parking availability in nearby neighborhoods.

Some jurisdictions apply demand-based pricing through which meter rates are adjusted up and down periodically to match parking demand. While the main goals of these initiatives are to increase parking availabilities and reduce traffic congestion and air pollution, the pricing strategy also has the potential to contribute to increased parking revenues.

The City could consider adopting the concept of demand-based pricing by analyzing historical data (perhaps on a quarterly basis) and increasing parking meter rates for high demand times and areas. According to the Office of the City Treasurer, setting new rates on parking meters is a relatively easy process and can be completed relatively quickly. Of note, increasing meter rates should not result in a corresponding increase in parking meter operations costs and parking meter enforcement costs (in contrast, extending parking meter hours, discussed below, would increase operation and enforcement costs).

Extending Parking Meter Hours

The City’s parking meters are generally operated from 8 a.m. to 6 p.m. (except Sundays and holidays). San Diego Municipal Code §86.0128 allows meter hours to extend from 7 a.m. to 11 p.m. In several commercial areas in the City (such as Gaslamp and Little Italy), many businesses

¹⁶ Council Policy 100-18 (Community Parking District) states: “[t]he 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...”

¹⁷ This is an estimate only. It does not factor in potential behavior changes as a result of increased charges, which may lead to reduced parking occupancy. A potential corresponding impact may be that alternative modes of transportation such as walking, biking, and transit are encouraged.

are open well past 6 p.m. and are open on Sundays, with parking stress occurring beyond the current meter operating hours. Extending parking meter hours into the evenings and on Sundays in these areas could not only generate additional revenue, but also increase parking availability by creating turnover and discouraging long-term parkers from occupying parking spaces during peak evening and Sunday hours. Additionally, with increased parking availability, drivers could spend less time circling on the road searching for parking spaces. Less circling could reduce traffic congestion and greenhouse gas emissions, supporting the City’s climate action goals.

However, extending meter hours may dissuade patrons from visiting businesses or encourage drivers to overwhelm parking availability in nearby neighborhoods. It will also result in additional costs for enforcement, CPD and community outreach activities, and the modification of parking meter signage. Increased enforcement hours may need to be addressed in meet and confer sessions with the affected recognized employee organizations. While increases in budget would need Council approval, the Mayor currently has the authority to extend meter hours within the limits of the Municipal Code.

The City could consider implementing a pilot program of expanded meter hours, starting with areas where local businesses continue to operate in the evenings and on Sundays, and where community support is strong. According to the Sustainability and Mobility Department, the Downtown Community Parking District is currently considering the expansion of parking meter operations into Sunday.

Assuming a pilot program were implemented to expand meter operation hours from 6 p.m. to 11 p.m. on weekdays and Saturdays and from 10 a.m. to 8 p.m. on Sundays at 1,000 metered spaces in Downtown, the following table shows estimated revenue at various utilization rates, which would be partially offset with increased parking operation and enforcement costs.

Utilization Rate	Hourly Rate	Annual Additional Revenue
30%	\$1.25	\$763,125
50%	\$1.25	\$1,271,875
70%	\$1.25	\$1,780,625
85%	\$1.25	\$2,162,188
Note: assuming parking meter hours will be extended into evening on 303 non-Sunday non-holiday days and on 52 Sundays.		

Installing Additional Parking Meters

Installing additional parking meters would require Council approval of new Parking Meter Zones and possibly new CPDs, unless these already exist. As discussed earlier, results of parking studies inform the City’s decisions to add or remove parking meters. To support the addition of parking meters, the study results need to show that street parking demand exceeds capacity. Enforcement and other budgetary issues also need to be considered.

The FY 2023 Adopted Budget included a Senior Planner position in the Sustainability and Mobility Department to coordinate with CPDs and identify opportunities to install additional parking meters in the City. The Department is currently in the process of filling this position.

REVENUE OPTIONS – OTHER

In this section, we discuss three other revenue options including: revenue from leases at major City-owned tourist destinations, digital advertising/signage, and corporate sponsorships.

Major City-owned Tourist Destinations - Revenue from Leases

Many tourist destinations in the City of San Diego are on City properties and operated by non-City entities through long-term lease agreements. These include various museums in Balboa Park and hotels in Mission Bay. For hotels in Mission Bay, the City collects rent revenues based on lessees' operating revenues. Rent revenues are based on fixed percentages stipulated in the leases.

The City does not collect rent revenues from museums in Balboa Park, except for the Mingei International Museum of Folk Art and the Timken Art Gallery, which pay annual administrative rents to the City as a result of recent lease amendments. In 2021, the lease with the Mingei Museum was amended to allow the Museum to operate a restaurant and a coffee shop, with the Museum responsible for paying an amount equal to 10% of gross revenues from operations of the restaurant and coffee shop. Additionally, the Museum is required to pay to the City an administrative rent of \$3,853 per year, adjusted annually based on the Consumer Price Index. Mingei is the only Balboa Park *museum* where the City currently collects a percentage-based revenue. In contrast, the Museum of Art does not pay any rent to the City derived from Panama 66's gross revenues, nor annual administrative rent. The Timken Art Gallery pays an annual administrative rent of approximately \$4,100 to the City.

The City also receives revenue from Prado Restaurant, which is a sublessee of the City's lease agreement with Forever Balboa Park (Lessee) for the building commonly known as House of Hospitality. Based on the lease agreement, the City receives an annual rent of \$3,853, adjusted annually based on the Consumer Price Index, from the Lessee and 10% of the gross revenue from all sublease revenue earned by the Lessee, including revenues from Prado's restaurant operations.

Implementation Issues and Revenue Considerations

Similar revenue structures could be explored at other museums in Balboa Park, especially at museums that provide restaurant services or special events venues. While the intent of Council Policy 700-04 (Balboa Park Uses and Occupancy) is to preserve the culture, recreational, and educational benefits provided to the public, restaurant services and special events are generally used by a smaller portion of the public. For the City to receive revenue from these activities, existing leases would need to be renegotiated and amended. However, we note that the decision to renegotiate an existing lease requires mutual agreement by both the lessee and the City, unless the lease is up for renewal. The Council could consider amending the Council Policy to require lessees to share revenue with the City for revenue producing activities that do not provide cultural benefits to the communities at large, such as food and alcohol sales. By doing so, the Department of Real Estate and Airport Management may be better equipped to negotiate with lessees when opportunities arise.

Separately, imposing extra fees on non-residents or increasing admission ticket fees are operational decisions made by the nonprofit organizations (i.e. the lessees). From a policy

perspective, the City does not participate in operational decision-making unless stipulated by the lease agreement. While the City could consider exploring provisions in future leases requiring discounted admission tickets for City residents, these provisions may ultimately be undesirable for a variety of reasons, and any such provisions would not be expected to generate additional revenue for the City. Changes in fees may also impact revenues of museums and surrounding businesses. A balance should be maintained to prevent any potential additional fees from negatively impacting the communities the City intends to serve.

Digital Advertising/Signage

San Diego Municipal Code §142.1201-142.1293 (“Sign Regulations”) prohibits off-site advertising signs on public and private properties or within the public right-of-way, unless otherwise allowed in the Municipal Code. The intent of the Sign Regulations is to provide a set of standards that are designed to optimize communication and the quality of signs while protecting the safety of the public and the aesthetic character of the City. The Sign Regulations do allow for the posting of public interest messages and identification of the sponsors of the signs, but stipulate that a maximum of 15% of the total area of the sign containing a public interest message shall include the sponsorship descriptions and associated trademarks, logotypes, or symbols.

Implementation Issues and Revenue Considerations

Since the enactment of the Sign Regulations, the City Council has been presented with multiple proposals to generate revenue by advertising on public properties, including advertising on bus benches and shelters, lifeguard towers, parking meters, self-cleaning toilets, bike-sharing stations, etc. When analyzing the legal impact of these proposals, the City Attorney’s Office has repeatedly cautioned that allowing for exceptions to the off-site advertising ban could undermine the legal defensibility of the Sign Regulations.

Because the City has justified its off-site sign restrictions based on safety and aesthetics, an exception to the Sign Regulations should not undermine the City’s stated purpose. A City Attorney memorandum dated June 11, 2013 states: “The courts have emphasized that when sign regulations are based on interests of safety and aesthetics, any exceptions to those regulations must further an interest that is even stronger and more important than the City’s interest in safety and aesthetics, or must not affect those interests.” Among the above-mentioned proposals, only limited exceptions were made, including for advertising on bus benches and shelters and on bikesharing stations, as these programs were in furtherance of the City’s transit-related improvements and aesthetic goals.

Given the legal constraints discussed above, opportunities involving signage should be reviewed on a case-by-case basis. Although an exception to the Sign Regulations could potentially be justified if it advances an important public interest that is at least as important as the City’s interest in safety and aesthetics, such justification must be significant and the associated advertising may be limited in its revenue raising ability. A justified exception to the Sign Regulations would also need to be approved by Council through an amendment to the Sign Regulations, or alternatively, through an uncodified ordinance.

The City’s Corporate Partnerships and Development Program (CPDP) is currently working on a pilot program for wayfinding kiosks in certain downtown communities, which include limited advertising space. Implementation of this program will likely require a Council approved exception to the Sign Regulations. We discuss this program in the Corporate Sponsorship section below.

Corporate Sponsorships

The Economic Development Department is responsible for the CPDP, which develops mutually beneficial business arrangements between the City and corporate partners, wherein the partners provide cash and/or in-kind products or services to the City in return for access to commercial marketing opportunities. City Council Policy 000-40 provides guidelines for developing and managing these municipal marketing partnerships.

The Council Policy requires disclosure of conflicts of interest and puts restrictions on certain industries and products including police-regulated businesses, manufacturers or distributors of tobacco products, alcoholic beverages targeting underage youth, and parties involved in lawsuits or contract negotiations with the City. Based on Council Policy 000-40, marketing partnerships valued at \$250,000 or greater are subject to City Council approval and must go through an open and competitive Request for Sponsorship (RFS) process. Partnerships valued below \$250,000 are subject to Mayor or Mayor’s designee review and approval.

The City of San Diego currently has eight corporate partners. For each partner, the table on the next page includes a description of the revenue and/or in-kind benefits based on the partnership agreement with the City, actual revenue for FY 2022, and actual in-kind value the City received in FY 2022. We note that only General Fund revenues are reflected in the “FY22 Actual Revenue” column.

Partner Name & Designation	Partnership Revenue and In-Kind Benefits	FY22 Actual General Fund Revenue	FY22 Actual In-Kind Value/Cost Savings to City ^{1,2}
AED Brands, LLC "Official AED Supplier of the City of San Diego"	Direct payment; sales commission and stipend	\$0	\$75,000
California Coast Credit Union "Official Financial Services Partner"	Direct payment of \$100,000 for Public Private Partnerships and \$75,000 for specific programs; City employee benefits including cash incentives for opening new account, membership fee waiver, financial planning webinars, loan programs, etc.	\$175,000	\$0
Canteen "Official Beverage and Snack Partner"	Sales Commission; donation of water bottles; annual product tasting	\$35,776	\$0
Deloitte "Official Get It Done Partner"	Get it Done potential referral fees	\$0	\$0
SLWA Insurance Services "Preferred Service Line Warranty Partner"	Direct payment and commission; One-time donation for the City's H2O Program to support low-income residents with increasing cost of water; discounted rates offered to residents during outreach	\$218,779	\$0
Toyota "Official Vehicle of San Diego Lifeguards"	Complimentary leases of 34 vehicles for Lifeguards; each new term renewal entails Toyota providing the City with a new fleet of vehicles	\$0	\$330,000
Turf Star "Official Golf Equipment Partner"	Direct payment (\$60,000) to Parks and Recreation Department Golf Division; On-going equipment, tournament support, and irrigation support (\$577,000) annually; Uniform support	\$0	\$637,000
National University "Preferred Employee Education Program Partner of the City of San Diego"	City employee benefits including tuition discounts, scholarships, educational seminars, donations of Padres tickets and in-kind donations for City sponsored events (Employee Appreciation Month, Earth Day, etc.)	\$0	\$0
Total		\$429,555	\$1,042,000
Note: Information in this table provided by the Economic Development Department			
¹ The "FY22 Actual In-Kind Value/Cost Savings to City" column also includes non-general fund revenue from AED Brands (\$75,000 received in FY 2022 and \$37,500 outstanding) and Turf Star (\$60,000 received).			
² Non-City benefits for FY 2022 include the following: California Coast Credit Union provided \$500,000 in employee benefits; National University provided \$102,323 in employee benefits.			

As reflected in the preceding table, the City received General Fund revenues from three of the eight corporate partners. These revenues totaled \$429,555 in FY 2022. In addition to General Fund revenues, the City also received in-kind benefits/cost savings totaling \$1.0 million in FY 2022.

Current CPDP Endeavor – City Wayfinding Partnership

CPDP is currently working on a pilot program for wayfinding kiosks in certain downtown communities, which include limited advertising space. An RFS was issued for a city wayfinding partner to provide public interest information including, but not limited to, wayfinding, storm warnings, emergency updates, information on homeless services, and bus schedules. The selected partner will have marketing rights and in return will share advertising revenue with the City. CPDP is currently in negotiations with the selected partner.

According to the RFS, the City requested that at least 25% of the kiosk screen time would be dedicated to a menu of interactive public services; at least 25% would be dedicated to public interest content; and no more than 49% of the screen time would be dedicated to the display of commercial advertisements. Based on these criteria, the selected partnership proposal will likely contain deviations from the City’s Sign Regulations and therefore will require a Council-approved exception to the Sign Regulations (see discussion on the Sign Regulations in the Digital Advertising/Signage section above). If similar programs were to be implemented in other communities, additional exceptions would likely be required.

Implementation Issues and Revenue Considerations

Overall, a successful corporate sponsorship starts with understanding the City’s own needs, programs, and policies. City departments and CPDP need to study and identify programs that could benefit from outside collaborators based on the City’s strategic goals and program objectives. Additionally, corporate sponsorships are driven by a mutually beneficial exchange: corporate partners seek business advantages by providing financial or in-kind benefits to the City. Careful consideration should be given to determine not only whether a partnership can meet the City’s revenue-generating or cost savings objectives while providing a corresponding benefit to the potential corporate partner, but also whether the potential partner is a good corporate citizen in terms of public reputation, impact on the environment, etc.

The amount and type of revenues or in-kind benefits generated can vary based on the contractual agreement. The fiscal impacts for additional corporate sponsorships are determined during the RFS processes and subsequent negotiations with the selected partners.

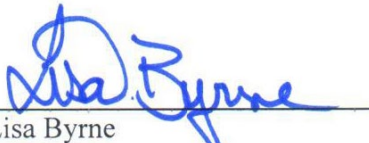
While opportunities exist to develop new partnerships that could generate additional General Fund revenue and in-kind benefits for the City, we note that CPDP is currently staffed by 1.5 FTEs. Developing and negotiating agreements, managing and sustaining relationships, monitoring and measuring performance, and coordinating with City departments are time-consuming activities. It would be operationally challenging to expand the corporate sponsorship program without providing additional resources.

CONCLUSION

This report provides information in response to a request from the Council President's Office to analyze several potential revenue opportunities that could be derived from non-residents and the City's unique positioning as a global destination. The request included looking into potential benefits and impacts of new revenue streams in areas including parking, mooring fees or boat launch fees, revenue from City lessees in major tourist destinations (e.g. museums in Balboa Park and Mission Bay hotels), signage and digital advertising, and sponsorship programs. Beyond that, this report also looks at the potential to generate additional City revenue through a potential parking tax, increased parking citations, increases to TOT, and a potential rental car business tax.

We note that this is not a comprehensive analysis with respect to potential revenues. There are other revenue types that could bring in more significant revenue increases, such as an increase in the Sales Tax rate, or a potential increase to the City's Documentary Transfer Tax. These increases, like many other revenue options, would require a vote of the electorate.

Overall, our analysis determined that some revenue options are better suited as income streams from non-residents than other options. All revenue options come with various implementation considerations, which are initially addressed in this report. We believe that some potential revenue opportunities discussed here, such as non-resident parking fees at major City destinations like beach areas and Balboa Park and/or expanded parking meter rates and operating hours, may merit further investigation and analysis. Our Office remains available to assist the Council in its considerations.



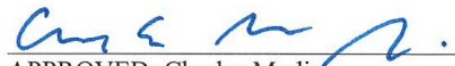
Lisa Byrne
Fiscal & Policy Analyst



Ruixin Chen
Fiscal & Policy Analyst



Baku Patel
Fiscal & Policy Analyst



APPROVED: Charles Modica
Independent Budget Analyst

Attachment 1: Councilmember Request Memorandum




COUNCIL PRESIDENT SEAN ELO-RIVERA
City of San Diego
Ninth District

MEMORANDUM

DATE: July 12, 2022

TO: Charles Modica, Independent Budget Analyst

FROM: Council President Sean Elo-Rivera, Ninth District 

SUBJECT: Analysis Request – City Revenue Opportunities

Background

As one of the nation’s best travel destinations, San Diego attracts visitors from neighboring cities and across the globe to enjoy all that our City has to offer. Our natural resources, climate, and diverse neighborhoods are the foundation for our booming tourism sector, which is a major part of our local economy.

At the same time, the City often struggles to provide our residents with the basic needs and services they expect and deserve. Homelessness and housing instability are among our greatest civic challenges, and streets, streetlights, sidewalks, libraries, and parks are some of the key City services that are chronically underfunded.

This is due in large part to San Diego receiving far too little revenue to support the needs of the eighth largest city in the nation. Data from the State of California’s Office of the Comptroller finds San Diego lags peer cities in revenue per capita. San Francisco, with a population of about 875,000, generated \$12 billion in revenue in 2020. Los Angeles, with a population of almost 4 million, generated over \$17 billion. San Diego, at 1.4 million residents, garnered just \$3.55 billion.

I acknowledge key differences in jurisdictions’ revenue sources—San Francisco is a city-county, for example, and Los Angeles operates its own electric utility—but it’s clear San Diego’s comparative lack of resources impedes our ability to better serve our constituents.

Our vision for San Diego is to remain a world-class destination for travelers, while also being a world-class city for constituents. With that vision in mind, I submit to your office the analysis request detailed below.

Analysis Request

The Council District 9 Office formally requests the Independent Budget Analyst (IBA) conduct a comprehensive analysis of revenue opportunities that can be derived from non-residents and the City's unique positioning as a global destination. To provide the City Council a full understanding of the potential benefits and impacts of new revenue streams, my office requests the following be addressed in your analysis:

- Explore the usage and implementation of fees for non-City of San Diego residents in the following areas:
 - All beach and bay lot parking, including special rates for weekends, high season, holidays, and special events
 - Mission Bay mooring fees or boat launch fees, including special rates for weekends, high season, and holidays
 - Major City-owned tourist destinations and their lessees and vendors, including special rates for weekends, high season, and holidays
 - Charges for non-residents for street parking in heavily trafficked areas (i.e. neighborhoods adjacent to major tourist attractions), including special rates for weekends, high season, and holidays
- Explore the revenue opportunities that could be made available through the following methods:
 - City-owned digital signage networks where advertising space is sold by the City, while continue adhering to the City's strict billboard rules
 - Sponsorship of City programs and vehicles
 - Charges or fees that would be charged to non-residents and are common sources of revenue in other jurisdictions
- Overview of legislative requirements to develop and implement such fees

Additionally, the City's strategic policy goals should be considered in your analysis. For example, how can different revenue opportunities and fees support the Climate Action Plan, the improvement of City-owned assets, or our housing and homelessness objectives?

Our goal is to adequately resource our City to provide for the needs of our residents while being mindful of adding costs to San Diegans. We want to ensure that those who are visiting San Diego, whether from a neighboring city or elsewhere, are paying their fair share to make San Diego a world-class city that provides world-class services to our residents.

For any questions or concerns, please contact Brendan Dentino, Rules Committee Consultant, at dentinob@sandiego.gov.

CC: Jillian Kisse, Deputy Director, Office of the Independent Budget Analyst
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