

EXECUTIVE SUMMARY

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: July 15, 2011

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Item Number: 330

Proposed MOU with the Plaza de Panama Committee

The City Council is being asked to approve a resolution authorizing the execution of a Memorandum of Understanding (MOU) between the City and the Plaza de Panama Committee (Committee) regarding improvements in Balboa Park that currently include removing existing parking and traffic from the Plaza de Panama, constructing a bypass bridge to reroute traffic, constructing a parking garage with a rooftop park behind the Organ Pavilion, and other pedestrian and circulation improvements (Project).

In response to direction from the Rules Committee on June 8, 2011, the IBA has reviewed the proposed Project for its potential fiscal impact to the General Fund. As the proposed Project is currently envisioned, the relevant fiscal considerations relate to annual debt service on the tax-exempt bonds, General Fund staff resources advanced to further the project, and other ongoing General Fund expenses associated with the completed project.

The contemplated tax-exempt bonds would be backed by the City's General Fund. If there is insufficient net parking revenue to pay annual debt service on the bonds, the General Fund must cover the shortfall. Given this financing requirement, it will be imperative that the City conservatively estimate net parking revenue from the parking structure before determining the amount of bonds that can be issued.

Given the importance of projected net parking revenues to the amount of tax-exempt bonds that can be issued, the IBA has reviewed and provided information to be considered in evaluating the reasonability of parking revenue projections. The IBA recommends that projected parking revenues and all parking structure costs (including possible costs for a security service) be carefully reevaluated before bonds are sized in order to minimize fiscal exposure for the General Fund.

With respect to General Fund staff resources advanced to further the project, the IBA has been informed that management intends to recover all of the eligible Project development related costs from bond proceeds. Other General Fund staff resources incurred in support of the proposed Project would continue to be absorbed within existing departmental budgets.

The proposed Project would add approximately 6.3 acres of pedestrian friendly park space. The IBA recommends that ongoing General Fund operation and maintenance costs for this park space be considered once final plans have been developed and before a final decision is made on the Project.