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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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**IBA Report Number:** 09-57

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# Mission Bay and Regional Park Improvement Fund Projects

## OVERVIEW

On May 29, the IBA released Report No. 09-45 on the Fiscal Year 2010 Final Budget Report and Recommendations, which was presented at the Special Meeting of the Budget Review Committee on June 3. In the report, the IBA identified approximately \$11 million in Mission Bay lease revenues that had been or will be allocated to the Mission Bay and Regional Park Improvement Funds prior to the July 1, 2009 effective date of Proposition C, but which had not yet been expended. At the Budget Review Committee meeting, Council member Frye requested that the IBA provide information on the projects for which this funding was allocated, and reasons why it had not been expended.

## FISCAL/POLICY DISCUSSION

In November 2008, San Diego voters approved Proposition C, amending the City Charter to require that a greater share of lease revenues generated in Mission Bay are allocated for capital improvements in Mission Bay Park and various regional parks. Prior to Proposition C, annual lease revenue in excess of \$20 million was split evenly between the Mission Bay Park Improvement Fund and the Regional Park Improvement Fund, with an annual cap of \$2.5 million for each. All other Mission Bay lease revenues were allocated to the General Fund.

Proposition C amended the formula by which lease revenues are allocated to the Mission Bay and Regional Park Improvement Funds. Under Proposition C, from FY 2010 to FY 2014, annual lease revenue in excess of \$23 million will be allocated 25% to the Regional

Park Improvement Fund and 75% to the Mission Bay Park Improvement Fund. Beginning in FY 2015, lease revenue in excess of \$20 million will be allocated accordingly. It is estimated that through FY 2015, Proposition C will provide nearly \$34 million more for Mission Bay and regional park improvements than under prior law.

Proposition C funding allocated to the Mission Bay Park Improvement Fund will first be used for certain priority projects as specified in the Charter amendment. Once these priority projects are completed, additional projects will be identified for funding based on the Mission Bay Park Master Plan, as recommended by the Mission Bay Improvement Fund Oversight Committee and approved by the City Council. Funding allocated to the Regional Park Improvement Fund shall be used for projects as recommended by the San Diego Regional Parks Improvement Fund Oversight Committee, in accordance with the master plan for each of the regional parks, and approved by City Council.

Prior to Proposition C, funding that was allocated to the Mission Bay and Regional Park Improvement Funds was designated for capital improvements in Mission Bay Park, and for capital improvements, planning deferred maintenance and land acquisition for regional parks. Specific projects were approved by the City Council in the annual budget. Since FY 2007, approximately \$13.8 million has been budgeted for various Mission Bay and regional park improvement projects. However, to-date, much of that funding has not been spent. The table below shows a revenue and expenditure summary for both funds from FY 2007 to FY 2009.

<b>MISSION BAY PARK IMPROVEMENTS (10502)</b>					
	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2009</b>	<b>FY 2010</b>
	<b>Actual</b>	<b>Actual</b>	<b>YTD<sup>1</sup></b>	<b>Estimated<sup>2</sup></b>	<b>Budget<sup>3</sup></b>
LEASE REVENUES	1,940,200	1,951,519	-	2,466,802	2,500,000
INTEREST EARNINGS	18,168	106,034	95,729	-	-
Less: EXPENDITURES	(10,636)	(694,565)	(228,080)	-	-
<b>BALANCE</b>	<b>1,947,731</b>	<b>1,362,988</b>	<b>(132,351)</b>	<b>2,466,802</b>	<b>2,500,000</b>
<i>Cumulative Balance</i>	<i>1,964,255</i>	<i>3,327,243</i>	<i>3,194,892</i>	<i>5,661,694</i>	<i>8,161,694</i>
<b>REGIONAL PARK IMPROVEMENTS (10518)</b>					
	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2009</b>	<b>FY 2010</b>
	<b>Actual</b>	<b>Actual</b>	<b>YTD<sup>1</sup></b>	<b>Estimated<sup>2</sup></b>	<b>Budget<sup>3</sup></b>
LEASE REVENUES	1,940,200	1,951,519	-	2,466,802	2,536,208
INTEREST EARNINGS	11,349	128,205	88,787	-	-
Less: EXPENDITURES	(195,246)	(923,640)	(257,203)	(666,437)	-
<b>BALANCE</b>	<b>1,756,302</b>	<b>1,156,084</b>	<b>(168,416)</b>	<b>1,800,365</b>	<b>2,536,208</b>
<i>Cumulative Balance</i>	<i>1,766,497</i>	<i>2,922,581</i>	<i>2,754,165</i>	<i>4,554,530</i>	<i>7,090,738</i>
<b>TOTAL CUMULATIVE BALANCE</b>	<b>3,730,752</b>	<b>6,249,823</b>	<b>5,949,056</b>	<b>10,216,223</b>	<b>15,252,431</b>

1. Interest earnings and expenditures for FY 2009 through 6/16/09.

2. FY 2009 Estimated reflects additional revenues to be received, and encumbrances to be expended.

3. FY 2010 lease revenues included in budget, but not yet allocated to specific projects.

As shown in the table above, sizeable cumulative fund balances are anticipated by the end of FY 2009. However, it should be noted that the process by which funds are allocated for specific projects results in a natural lag time. For instance, while approximately \$4.9 million in lease revenue was budgeted in FY 2009 for Mission Bay and regional park improvements, this funding will not be allocated until the end of the fiscal year, at which point it will be available for specific projects. Despite this natural lag time, significant unexpended balances remain in both the Mission Bay and Regional Park Improvement Funds. Included as an attachment to this report is a list of specific projects for which funding has been budgeted over the last few years, and the authorized remaining balances for each project.

In preliminary discussions with City staff, there are indications that insufficient staffing may be an issue. In IBA Report No. 08-75 (July 2008) on the Proposition C ballot measure, we indicated that the dedication of significant additional funding for new park improvements would likely require the addition of staffing to various City departments, and commented that additional staffing may already be needed in order to complete existing projects in a timely manner. In the IBA Review of the Fiscal Year 2010 Proposed Budget (Report No. 09-37), we recommended that the Council consider adding a dedicated management position to provide coordination and oversight, and to handle liaison activities among various City departments and to the respective citizen oversight committees.

In addition to staffing issues, the Park Planning Division, which manages the Mission Bay and Regional Park Improvement Funds, was transferred from the Park and Recreation Department to the City Planning and Community Investment (CPCI) Department in FY 2008. This reorganization may have resulted in some transitional delays, including a lack of clarity with regard to who is responsible for the identification, management and execution of park improvements. In addition, it is unclear whether park projects have been given the same priority as other capital improvements. The audit of the CIP program requested by Council members Frye and Gloria may provide further clarity on this issue.

The park projects funded by these sources include some that are defined and executed by Park Planning and Park and Recreation, while others transition to Engineering and Capital Projects (E&CP) for construction, after a plan is defined. Projects that result in planning tools or documents would be typical of those that do not move over to E&CP. Many projects are in various stages of completion; some may include a contribution of funds to projects of other entities, where the City is dependent on their schedules; some include an ongoing mitigation component and funding will be needed and utilized over a multi-year period, and should not be expected to fully expended in the short-term. A few projects are completed, such as the Lifeguard Headquarters, and remaining funding reflects project savings which can be reallocated to other projects.

However, some lease funding allocated in prior years remains unprogrammed (as annual allocations), with no specificity or definition about project details. Without project details, work cannot be initiated and completed, and funds will remain unexpended. Funding from prior years could be alternatively programmed to priority needs and/or to the FY 2009 projects list to accelerate their progress, which would expend funds in a more timely manner, and reduce the growing balances. This is a recommendation that the IBA intends to more fully explore with impacted City departments.

## CONCLUSION

Since FY 2007, significant lease revenue funding has been allocated for Mission Bay and regional park improvements. However, much of this funding has been unexpended, resulting in sizeable balances within the Mission Bay and Regional Park Improvement Funds. While some of the delay in project execution is due to the timing of lease revenue receipts, other factors such as staffing needs, organization and CIP prioritization may also play a role. Moving forward, we recommend that this issue come back to NR&C for further discussion. This would provide the IBA additional time to further research the causes behind the delay in project execution, and to work with City staff to develop appropriate recommendations for improvement. In addition, we welcome Committee input and suggestions for incorporation into our research.

**[SIGNED]**

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Tom Haynes  
Fiscal & Policy Analyst

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Elaine DuVal  
Fiscal & Policy Analyst

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APPROVED: Andrea Tevlin  
Independent Budget Analyst

Attachment