

Funding Options for Balboa Park Improvements

Balboa Park Community Meeting

February 22, 2018



Independent Budget Analyst





Office of the Independent Budget Analyst (IBA)

IBA provides clear, objective, unbiased analysis and advice to the City Council and the public regarding all legislative items bearing financial and policy impacts to the City of San Diego

- Provides support to the City Council and its Committees
- Annually reviews and analyzes the Mayor's Proposed Budget and Five-Year Financial Forecast
- Reviews and comments on financial reports and policy matters important to the City Council and the community

Typical Funding Sources

Three basic options for funding infrastructure

1. Save

- Pay-as-you-go

2. Borrow

- Bond Financing

3. Beg

- Secure state/federal grants or donations

Save

Pay-as-you-go

- Accumulate and/or utilize existing reserves
- Usually best suited when ample reserves exist or for more manageable project funding needs
- Funds projects on the backs of current beneficiaries; future users get a free ride

General Fund Revenue

City's primary means for funding core City services

- Revenues come from Property tax, sales tax, transient occupancy tax (TOT), etc.
- Funds City's Park & Recreation budget, including Balboa Park
- But also other critical services like police, fire, libraries, etc.

General Fund Revenue

How Could Revenues be Increased?

- New taxes or tax increases could be proposed but would require approval by voters
 - “Special purpose” tax = super-majority approval (67+%)
 - “General purpose” tax = simple majority approval (50+%)

Infrastructure Fund

Among the Most Flexible Funding Source City has to Fund Infrastructure

- Proposition H approved by voters in 2016
- Allocates a portion of annual revenue growth for use specifically related to infrastructure improvements
- \$17-21 million projected annually
- Currently, Storm Water and Street replacement prioritized by Mayor

Regional Park Improvement Funds

Dedicated Funding Source for Regional Parks

- Portion of revenue from City leases in Mission Bay
- City Charter says funds must be used in City's regional parks, which includes Balboa Park, Sunset Cliffs, Mission Trails, etc.
- Ballot measure passed in 2016 increased the proportion to be directed to Regional Parks
- \$4-5 million projected annually

Borrow

Bond Financing

- Lease Revenue and General Obligation (GO) bonds are most commonly used to finance public infrastructure
- City relies on Lease Revenue Bonds; last issued in 2015
- Doesn't solve revenue problem but makes annual cost more manageable
- Equitably spreads costs over multiple generations

Lease Revenue Bonds

Currently City's Primary Means for Financing Infrastructure

- No voter approval; approved by City Council
- Does not generate new revenues
- Repayment by City General Fund revenues
- Competes with other City priorities



Lease Revenue Bonds

Projects Funded by Bonds City is Currently Repaying

Project Use	\$ Outstanding
General Fund Infrastructure	\$300 million
Convention Center Expansion	\$106 million
Petco Park	\$98 million
Jack Murphy Stadium	\$37 million
Fire & Life Safety Projects	\$16 million
Balboa Park/Mission Bay Park	\$8 million
Old Town Light Rail Extension	\$6 million
TOTAL:	\$571 million

City's Financing Plans

Near-term Financing Plans Anticipate \$270 million in General Fund Borrowing

- Balboa Park infrastructure needs could be incorporated but would compete with other needs
- Currently, Streets, Storm Water, existing facilities and new fire stations are prioritized by Mayor
- City Council has also advocated for Parks, cycling safety improvements, and streetlight installations

General Obligation (GO) Bonds

GO Bonds Offer a Possible Alternative to the Continued Use of Lease Revenue Bonds

- Requires 2/3rds voter approval
- Generates new revenue source to repay debt
- Annual tax levied on property owners
- Almost 30 years since City's last GO Bond was issued
- Citizen involvement is key for successful development of GO Bond program

Major Challenges

Limited Resources and Competing Priorities

- Limited discretionary funding available
- Needs significantly exceed available funding
- Policy decisions are made that fund certain asset types over others, given limited resources

City Infrastructure

The City Owns and Maintains a Variety of Infrastructure Assets

- Park & recreation facilities
- Streets and sidewalks
- Libraries
- Police, fire, and lifeguard facilities
- Storm drainage and flood control facilities
- Water and sewer facilities and pipelines
- Street lights and traffic signals
- Three golf courses and two airports

Citywide Infrastructure Needs

City Recently Released its Five-year Infrastructure Planning Outlook

- Identified \$4.4 billion in citywide needs and \$2.8 billion of available funding - \$1.6 billion gap
- For City parks, \$200 million need identified and only \$45 million of available funding - \$155 million gap

Balboa Park Needs

A Condition Assessment was Recently Completed in 2017

- 118 facilities assessed to determine total maintenance and capital backlog
 - “Capital” refers to more significant improvements such as roofing, foundation, walls, etc.
- To bring these facilities up to “good” condition necessary reinvestment estimated to be between **\$80-120 million**

Other Considerations

- If financed, projects must be capital
 - Cannot fund operations or maintenance
- Projects must be long-term
 - Expected life \geq borrowing term
- All needs likely will not be met; prioritization and project readiness is critical



Helpful Resources

FY 2019-23 Five-Year Infrastructure
Planning Outlook (Outlook)

IBA's Review of Outlook

Balboa Park Condition Assessment

IBA's Citizen's Guide to Infrastructure

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