

# Proposed Ballot Measure to Extend and Modify City Charter Section 55.2

City Council, Item 157

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Independent Budget Analyst



# Proposed Ballot Measure

## Mayor's Office proposing to extend and modify Charter section that established Mission Bay Park and Regional Parks Improvements Funds

- General Fund annual allocation remains at \$20 million
- Extends Charter Section 55.2 through FY 2069, 52 years from today
- Implements streamlining measures for Mission Bay CIP projects

## Mayor's Proposal (cont'd)

- Modifies Mission Bay Park lease revenues distribution in excess of \$20 million: Regional Parks receives \$3.5 million or 35%, whichever is greater, remainder to Mission Bay Park
- Prioritizes City's obligations as a tidelands trustee

## Mayor's Proposal (cont'd)

- Presented to Infrastructure Committee June 30, 2016
- IBA commented on several aspects of ballot measure, including the proposed length of the measure and consideration of growing the General Fund allocation
- Committee members expressed interest in IBA's suggestions and asked the IBA to provide an analysis of the proposal as well as potential adjustments for its length and the allocation of Mission Bay lease revenues

## IBA Report 16-17 Reviews Proposed Ballot Measure

- Provides history of City use of Mission Bay lease revenue
- Discussion of the Mayor's proposed ballot measure
- Recommends changes to the proposed ballot measure
  - Length of the proposed Charter section extension
  - Options for growth of the General Fund allocation over time

## Items to Consider – Assessments, Project Priorities, Bonding

- Mission Bay and Regional Parks facilities and park assessments are ongoing, a complete list of needs is not available at this time
- Once assessments completed, project prioritization and readiness will need to be determined
- Proposal to extend Charter Section 55.2 is in part driven by the desire to fund park improvements with long-term bonds; this is a long commitment of revenue without fully understanding park needs, what is to be financed, or future competing priorities

## Items to Consider – Assessments, Project Priorities, Bonding (cont'd)

- Other considerations associated with bonding include:
  - Currently no comprehensive financing plan for Regional Parks; prioritizing projects and developing a finance plan takes time
  - Bond financing costs more over time, it may be more cost-effective to cash fund smaller projects
  - Leveraging all revenue with bonds today may limit ability to address future park needs
  - Bonds could be issued in smaller amounts and/or for shorter terms, to better match prioritized needs
  - General Fund-backed bonds can alternatively or additionally be used to address park needs, but involve trade-offs

## Charter Section 55.2 – Allocation of Resources

- Our analysis includes a projection of Mission Bay lease revenues through the proposed extension
- Projections assume a 2% annual growth rate consistent with the last Five-Year Financial Outlook
- Difficulty in projecting lease revenues over multiple decades:
  - Most revenues are remitted based on tenant's gross revenues
  - Long-term leases are generally renegotiated before their term ends
- Our Office believes 2% annual growth is conservative, reasonable, and useful to review proposal and compare scenarios

## Charter Section 55.2 – Allocation of Resources (cont'd)

Projected resources available to the General Fund and Mission Bay and Regional Parks, FY 2018-FY 2039 (Current Charter Section) and FY 2018-FY 2069 (Mayor's Proposal)

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

# IBA Recommendations and Alternate Scenarios

## Length of Extension

- Mayor's Office: extend Section 55.2 for an additional 30 years, ending in FY 2069—52 years from today
- IBA: extend Section 55.2 for an additional 13 years, ending in FY 2052—35 years from today
  - Extension allows for 30-year bond plus time to prepare
  - Allows a future Council to re-evaluate the needs of Mission Bay and the Regional Parks against other City priorities 17 years sooner than the Mayor's proposal

## General Fund Growth

- Mayor's Office: General Fund allocation remains capped at \$20 million annually through FY 2069
- IBA: approve a growth scenario for the General Fund allocation of Mission Bay lease revenues
  - Growing the General Fund over future decades preserves some General Fund flexibility and purchasing power
  - Propose two scenarios for adjusting the General Fund allocation: increase the General Fund by the California Consumer Price Index (CCPI) or by allocating a proportion of total Mission Bay lease revenues

## General Fund Growth (cont'd)

- Option 1: CCPI annual increase of General Fund allocation
  - General Fund allocation may be higher than total parks allocation, depending on what year CCPI is first applied—if applied in FY 2040 total parks allocation is greater
  - CCPI projected annual growth rate (2.8%) is greater than lease revenue projected annual growth (2%)

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

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

## General Fund Growth (cont'd)

- Option 2: Proportional General Fund allocation increase
  - General Fund receives an annual \$20 million allocation or 50% of all Mission Bay lease revenues, whichever is greater
  - General Fund projected to receive \$20 million annually until FY 2030, when lease revenues split evenly between General Fund and parks

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

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

## IBA Recommendations

- **Recommendation 1:** Reduce the length of the proposed extension of Charter Section 55.2 from 30 to 13 years, so that the final year of the extension is FY 2052 rather than FY 2069
- **Recommendation 2:** Approve a growth scenario for the General Fund allocation. Our Office recommends “Option 2” as it allows for General Fund growth in future years, at a rate equal to the growth of the total allocation to Mission Bay and the Regional Parks when Mission Bay lease revenues exceed \$40 million annually