

EXECUTIVE SUMMARY

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: December 2, 2011

IBA Report Number: 11-69

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Item Number: 334

Resolution of Intention to Form a Convention Center Facilities District

The current actions request City Council approval of a Resolution of Intention to Establish a Convention Center Facilities District and resolution declaring the need to incur bonded indebtedness. These actions are procedural steps required by the Municipal Code in the process of establishing a Convention Center Facilities Financing District.

The Resolution of Intention establishes that the boundaries of the CCFD will be coterminous with boundaries of the City, defines the facility to be constructed as the contiguous expansion of the San Diego Convention Center, and sets a public hearing on the establishment of the CCFD for January 24, 2012 at 2:00 p.m. In addition, the Resolution of Intention establishes the Rate and Method of Apportionment, which defines the parcels that will be subject to the special tax, how the special tax will be applied, and the tax rate(s) that will be levied. The resolution declaring the need to incur bonded indebtedness establishes a limit of \$575 million on any bonded indebtedness that may be issued the CCFD to finance the Expansion Project.

When the City Council introduced the Procedural Ordinance on October 10, the IBA recommended that a more complete financing plan be provided when the Resolution of Intention was brought forward for Council approval. On November 23, 2011, the Chief Operating Officer and Chief Financial Officer issued a memo that provided a conceptual overview of the anticipated financing approach for the Expansion Project. The memo outlined four revenue sources being considered: CCFD special tax revenues, San Diego Unified Port District contribution, Redevelopment Agency funds, and “incremental” City TOT revenues.

Staff has indicated that the financing plan continues to be a work in progress, and that a number of different options are being explored to determine the financing structure that best fits the Expansion Project’s needs and projected cash flow. While we recognize that the current actions are largely procedural, we would have preferred that a comprehensive financial plan be available at this point in the process, since a number of important parameters such as the special tax rates and overall debt limit will be established by these actions.

Overall, the IBA’s primary concern is in being able to determine whether the Expansion Project is financially feasible, and understanding the full extent of the City’s expected financial obligation. While the November 23 memo provides additional information on the conceptual financing approach that is being contemplated, we do not believe that sufficient information has been provided to make a determination on either of these issues at this point in time. Nevertheless, it is important to note that the current actions do not commit the City to any particular course of action.