

MONTHLY SNAPSHOT OF REPORTS AND ACTIVITIES FOR JULY 2011

Reports Highlighted for the Month of July 2011:

Highlights of Major Reports Issued in the Month of July:

[Report No. 11-44](#) “Proposed MOU with the Plaza de Panama Committee”

On July 19, 2011, the City Council was 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 included removing existing parking and traffic from the Plaza de Panama, constructing a bypass bridge to re-route traffic, constructing a parking garage with a rooftop park behind the Organ Pavilion, and other pedestrian and circulation improvements (Project).

This report provided the IBA’s review of the proposed Project for its potential fiscal impact to the General Fund. As the proposed Project was envisioned, the relevant fiscal considerations included 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 was insufficient net parking revenue to pay annual debt service on the bonds, the General Fund could cover the shortfall. Given the importance of projected net parking revenues to the amount of tax-exempt bonds that could be issued, the IBA recommended 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.

The proposed Project would add approximately 6.3 acres of pedestrian friendly park space. The IBA recommended 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.

The City Council voted 7-1 to approve the MOU with the Plaza de Panama Committee regarding the Proposed Park Plaza de Panama Project.

[Report No. 11-45](#) “Mid-Year Budget Adjustments”

On July 18, 2011 the Council was asked to consider an ordinance amending the San Diego Municipal Code that required the Mayor to provide mid-year budget recommendations to the Council in the event there is a projected budget surplus or deficit and required Council notification prior to the elimination of significant programs or services.

“Proposed MOU with the Plaza de Panama Committee”

[Report No. 11-44](#) (7/15/11)

[Executive Summary](#) (7/15/11)

“Mid-Year Budget Adjustments”

[Report No. 11-45](#) (7/15/11)

[Executive Summary](#) (7/15/11)

[Attachment 1](#) (7/15/11)

“Fiscal Impact of State Budget Action Regarding Redevelopment Agencies”

[Report No. 11-46](#) (7/15/11)

[Executive Summary](#) (7/15/11)



Continued from Page 1

Since implementation of the new Strong Mayor-Strong Council form of government in January 2006, the Mayor and City Council have worked cooperatively to address issues of budget authority between the two branches that were not clearly defined by the Strong Mayor City Charter amendment. A number of important budget policies, processes and principles have since been adopted which have helped to clarify roles and responsibilities in the annual budget monitoring and budget development processes.

However, a significant issue of concern that was not addressed in the Charter- that of City Council's authority to adjust the budget during the year due to changing circumstances- was not effectively addressed in other documents to date. The IBA recommended City Council adoption of the proposed ordinance which addressed the issue of mid-year budget amendments by the Mayor and the City Council.

On July 18, 2011, the City Council voted unanimously to amend the Municipal Code relating to Mid-Year Adjustments of the Adopted Budget.

Report No. 11-46 "Fiscal Impact of State Budget Action Regarding Redevelopment Agencies"

On June 15, 2011, the State Legislature adopted two budget "trailer" bills concerning redevelopment, ABX1 26 and ABX1 27 (AB 26 and AB 27). AB 26 eliminates redevelopment agencies as of October 1, 2011, and essentially restricts redevelopment agencies from taking actions or incurring new debt or obligations prior to dissolution. AB 27 allows redevelopment agencies to remain in existence and be exempt from AB 26 if certain "voluntary" payments are made to the State in FY 2012 and in each fiscal year thereafter.

On July 18, 2011, the City Council was requested to introduce an ordinance that would commit the City to the provisions of AB 27, including the "voluntary" payments to the State, and exempt the Redevelopment Agency from dissolution under AB 26. It was estimated that the Agency's "voluntary" payment to the State would be approximately \$69.8 million in FY 2012 and \$16.4 million in FY 2013. This IBA report provided information regarding the estimated fiscal impacts associated with the potential dissolution of the Redevelopment Agency under AB 26. It was intended to compliment the information provided in Agency staff report RA-11-26 regarding the fiscal impacts associated with the voluntary redevelopment program under AB 27.

Overall, it was estimated that the City would receive between \$14 million and \$18 million per year in additional property tax revenues if the Redevelopment Agency were to be dissolved under AB 26. However, a number of existing agreements between the Agency and the City would likely be invalidated, including the Loan Repayment Agreement for Long-Term Agency Debt, the Third Amendment to the Ballpark Cooperation Agreement, and the Cooperation Agreement for Reimbursement of Costs Associated with the Expansion of the Convention Center (Phase II). As a result, the City would lose the benefit of annual payments currently made by the Agency for debt service costs on the PETCO Park or Convention Center Phase II bonds, or repayment of Agency long-term debt.

By adjusting for the loss of these annual payments, the net fiscal impact to the City's General Fund would be between -\$0.2 and \$3.5 million per year. It is important to note that these estimates did not factor in Agency carryover funds or proceeds from the sale of Agency assets, which could result in potentially significant one-time allocations of property tax revenue.

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[Continued from Page 3](#)

However, on an annual basis, the net fiscal impact resulting from the dissolution of the Redevelopment Agency was estimated to be relatively minor.

On July 18, 2011 the City Council voted unanimously to make remittances to the San Diego County Auditor-Controller as required by Assembly Bill AB 27 from funds and assets transferred by the Redevelopment Agency.

Other Reports Issued in the Month of July 2011:

[Report No. 11-43](#) (7/8/11)

[Executive Summary](#) (7/8/11)

Recommended Changes to Housing Impact Fees

[Report No. 11-47](#) (7/29/11)

[Executive Summary](#) (7/29/11)

Verizon Wireless Contract Extension

[Report No. 11-48](#) (7/29/11)

[Executive Summary](#) (7/29/11)

Tourism Marketing District Procedural Ordinance

[Report No. 11-50](#) (7/29/11)

[Executive Summary](#) (7/29/11)

Assignment and Assumption Agreement Related to the Proposed Phase III Expansion of the San Diego Convention Center

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