



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: April 24, 2007 REPORT NO. 07-073

ATTENTION: Rules, Open Government and Intergovernmental Relations
Committee
Agenda of April 25, 2007

SUBJECT: Environmental Growth Fund

REFERENCE: Office of the Independent Budget Analyst Report 06-26

REQUESTED ACTION: Informational Report Only

SUMMARY:

In 1972 the City Council established the Environmental Growth Fund (EGF) through a City Charter amendment for the exclusive purpose of preserving and enhancing the environment of the City as determined by the City Council. The City deposits 25% from a 3% franchise fee on San Diego Gas and Electric (SDG&E) revenues for the transmission and distribution of gas, electricity, and steam within the City to the Environmental Growth Fund. In accordance with City Charter Section 103.1a (Attachment 1), one-third of the Environmental Growth Fund shall be used for the purpose of preserving and enhancing the environment and shall be allocated to operations and maintenance costs. Two-thirds of the Environmental Growth Fund shall be used exclusively to pay principal and interest on bonds of any nature issued for the acquisition of open space lands. If there are no outstanding bonds or if two thirds of the monies paid into the Environmental Growth Fund exceed the amount necessary to service any outstanding bonds issued for the above purposes in any fiscal year, then those monies shall be used exclusively for the purpose of preserving and enhancing the environment of the City in whatever manner is deemed appropriate by the City Council. San Diego Municipal Code Section 63.30 (Attachment 2) provides further direction regarding the use of EGF.

In Fiscal Year 2004, the City Council authorized the partial refunding of the San Diego Open Space Facilities District No. 1 General Obligations Bonds. As a result of this action, debt payments funded by a transfer from the two-thirds EGF to the Open Space

Facilities District fund dropped from approximately \$7.2 million in FY 2004 to \$715,000 in FY 2006. The remaining debt service payments are scheduled as follows: \$437,025 in FY 2008 and \$434,600 in FY 2009 (final payment).

Since Fiscal Year 2006, reduced payments for debt service has allowed programming of the two-thirds for park maintenance and capital projects. The following tables reflect major program expenditures included in the FY 2005-2007 Adopted and FY 2008 Proposed Budgets for EGF. Attachment 3 lists the capital projects that were funded in the EGF Two-Thirds in the FY 2007 Adopted Budget.

In FY 2007, the total General Fund budget for recreation and maintenance in the Park and Recreation Department (excluding Mt Hope Cemetery) is \$82.5 million of which \$53.6 million is estimated for park maintenance. Of the total park maintenance budget, \$8.8 million is funded by EGF. An additional \$1.7 million of park maintenance is directly funded by EGF. The Mayor's Five-Year Financial Outlook recommends continuation of the reimbursements to the General Fund from EGF for existing park maintenance

EGF 1/3rd	FY 2005 Budget	FY 2006 Budget	FY 2007 Budget	FY 2008 Proposed Budget
Open Space Capital Projects	\$200,030	\$290,000	\$200,000	\$0
Park System Master Plan	\$0	\$0	\$0	\$0
SD River Master Plan	\$100,000	\$100,000	\$0	\$0
Assessment Reserve	\$12,032	\$13,492	\$15,264	\$17,242
MAD Reimbursements	\$120,323	\$134,923	\$152,640	\$172,415
Regional Park Maintenance/Open Space Maintenance	\$2,111,779	\$2,006,964	\$2,400,415	\$2,594,970
Reimbursement of Eligible Open Space Maint.	\$0	\$0	\$0	\$350,000
Reimbursement of Eligible Park Maint.	\$1,500,000	\$1,500,000	\$1,000,000	\$1,548,441
Transfer to Los Penasquitos	\$25,000	\$55,000	\$55,000	\$55,000
Turf and Field Rehabilitation Reimbursement	\$330,000	\$330,000	\$330,000	\$330,000
	\$4,399,164	\$4,430,379	\$4,153,319	\$5,068,068

EGF 2/3rds	FY 2005 Budget	FY 2006 Budget	FY 2007 Budget	FY 2008 Proposed Budget
Park and Recreation Capital Improvements	\$0	\$0	\$2,500,000	\$0
District No. 1 for Bond Interest and Redemption	\$7,311,468	\$715,000	\$715,000	\$437,025
Park Maintenance Reimbursement	\$0	\$6,600,000	\$7,100,000	\$8,896,882
Transfer to OHS	\$0	\$2,191	\$0	\$0
	\$7,311,468	\$7,317,191	\$10,315,000	\$9,333,907

functions in FY 2009 through FY 2013. Franchise fee revenue that funds the EGF is expected to grow 7.5% each year. Currently there is no proposed plan for the \$434,600 which will become available in FY 2010 after the debt service has been retired.

FISCAL CONSIDERATIONS: The Mayor's Five-Year Financial Outlook recommends continuation of General Fund reimbursements from EGF. Reductions in these General Fund reimbursements may impact park programs and/or services.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: N/A

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS: This is an informational report. Key stakeholders will be included if action is taken in the future.

Respectfully submitted,



Rick Reynolds
Assistant Chief Operating Officer



Jay M. Goldstone
Chief Financial Officer

- Attachments:
1. City Charter Section 103.1a: Environmental Growth Fund
 2. San Diego Municipal Code Section 63.30: Utilization of the Environmental Growth Fund
 3. List of Capital Projects Funded from EGF 2/3rds Fund Balance in FY 2007 Adopted Budget
 4. Unaudited Actual Expenditures Compared to Budget, Fiscal Years 2005-2006