



THE CITY OF SAN DIEGO

Report to the City Council

DATE ISSUED: June 27, 2016 REPORT NO.
16-066

ATTENTION: Honorable Members of the Infrastructure Committee

SUBJECT: Consideration of a potential ballot measure to extend Charter Section 55.2 to preserve and prioritize capital investment in Mission Bay Park and Regional Parks for additional 30 years, provide clarifying language to expedite priority project completion and implement cash management best practices, as well as modify the disbursement formula to provide additional resources for Balboa Park and other Regional Parks.

REFERENCE:

REQUESTED ACTION:

Consider a potential ballot measure to extend Charter Section 55.2 to preserve and prioritize capital investment in Mission Bay Park and Regional Parks for additional 30 years, provide clarifying language to expedite priority project completion and implement cash management best practices, as well as modify the disbursement formula to provide additional resources for Balboa Park and other Regional Parks.

STAFF RECOMMENDATION:

Approve staff recommendations and forward to City Council for consideration.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

San Diego voters approved Proposition C (Prop C) on November 4, 2008 with 66.94% of vote. Prop C amended the City Charter by adding Section 55.2. This section designates the use of a portion of the lease revenue from Mission Bay Park for capital improvements in Mission Bay Park and for other Regional Parks. The measure states that Mission Bay Lease Revenues above a threshold amount will be restricted for capital improvements in parks outlined in the charter section. Prop C created the Regional Parks Improvement Fund and the Mission Bay Parks Improvement Fund and respective oversight committees to govern the disbursement of these funds and provide effective oversight. The formula for fund distribution is:

“Twenty-five percent (25%) of the Mission Bay Park Lease Revenues in excess of the threshold amount, or two million five hundred thousand dollars (\$2,500,000) whichever is greater, shall be allocated to the San Diego Regional Parks Improvement Fund that solely benefits the San Diego Regional Parks and seventy-five percent (75%) of the Mission Bay Park Lease Revenues over the threshold amount, or the remainder of those revenues if less than 75% is available after the allocation to the San Diego Regional Parks Improvement”

Beginning fiscal year 2010 and ending fiscal year 2014, the threshold amount was \$23 million. As of Fiscal Year 2015, \$20 million is the threshold amount and it will remain \$20 million for the duration of the measure which currently expires in 2039.

Lease revenues over the past three years have been averaging around \$30 million annually. For example, given the change to the threshold (from \$23 million to \$20 million) in Fiscal Year 2015, an allocation of \$20 million has been transferred to the City's General Fund, and the remaining approximately \$10 million has been transferred to the Regional Park Improvement Fund and the Mission Bay Park Improvement Fund. Of the \$10 million, 25% or \$2.5 million is transferred to the Regional Park Improvement Fund. The remaining 75% or \$7.5 million is transferred to the Mission Bay Park Improvement Fund.

Extension of Prop C to Expire in 2069

The proposed ballot language seeks to extend Proposition C to ensure continued capital investment in Mission Bay Park and other Regional Parks. An extension will also allow for the lease revenues to be leveraged for capital projects. Currently, Proposition C will expire in 2039. Extending the measure will provide sufficient repayment capacity from lease revenue to bond for a 30 year period. Without an extension, capital investments would be required to be cash financed on a pay go basis or, size a bond issue at less than the customary term of 30 years.

Prop C includes specific language that states, "This Section shall take effect and be in force on July 1, 2009, and will expire on June 30, 2039. Before the expiration of this Section, the City Council shall place on the ballot no later than the last regularly scheduled election prior to June 30, 2039 a measure to amend the Charter to extend the effect of this Section for an additional 30 years."

The proposed action to extend the initiative is consistent with the intent of the voters. By moving forward with the extension at this time, it will respond to the requirement to place an extension before voters to consider an extension of the measure and provide sufficient time to develop a comprehensive financing plan to fund capital needs for Mission Bay Park and other Regional Parks.

Clarifying Language to Expedite Priority Project Completion, Implement Cash Management Best Practices

Section 55.2(c)(1)(A-G) lists the capital improvement projects in the priority order in which they are to be completed in the Mission Bay Improvements Fund. Projects include efforts "to restore wetlands, wildlife habitat, and other environmental assets within the Improvement Zone; to preserve the beneficial uses of the Improvement Zone including, but not limited to, water quality, boating, swimming, fishing, and picnicking by maintaining navigable waters and eliminating navigational hazards; to restore embankments and other erosion control features; and to improve the conditions of the Improvement Zone for the benefit and enjoyment of residents and visitors, consistent with the Mission Bay Park Master Plan."

Section 55.2(c)(2) requires a project on the priority list to be "authorized, funded, and completed in the order provided budgeted and approved by the City Council" and a funding plan adopted for it before work may begin on a subsequent priority project provided construction of a lesser priority does not unreasonably delay, prolong, or preclude completion of a greater priority.

In the interest of proceeding with the identified projects as expeditiously as possible, the Park and Recreation Department has begun work on creating an initial ten-year implementation plan that pursues multiple projects simultaneously while conforming to the sequencing requirements of the Charter.

However, many of the projects contained on the priority list are such that long lead times will be required before construction can begin. Considerations regarding precise scopes of work, extensive environmental analysis, and multiple outside regulatory agency approvals contribute to an already-complex permitting process required for these types of capital projects. Resource agency staff is aware of the overall Program prescribed by Charter Section 55.2 and is asking for a more comprehensive environmental review of how each of the priority projects relates to each other in an effort to understand the cumulative impacts of the entire Program. This effort will require pursuing a Program Environmental Impact Report (EIR) and consider the priority list as a series of interrelated projects. This effort is particularly relevant for the first four priorities prescribed in Charter Section 55.2 since they will require extensive environmental analysis.

It is also important to note that several of the projects within the first four priorities are located in areas that are currently the subject of Master Plan revisions, specifically Fiesta Island and DeAnza Cove and therefore, cannot be initiated until the adoption of those plans and the conclusion of the corresponding environmental documents.

Due to the rate of lease revenue received from Mission Bay Park, the Mission Bay Improvement Fund realizes substantial revenue that is estimated at approximately \$6.6 million for Fiscal Year 2016. The Mayor’s Five-Year Financial Outlook (Fiscal Year 2017 to 2021) anticipates this revenue to increase during future years in the projection period.

Fiscal Year	Funding	Fiscal Year	Funding
2010	\$0	2018	\$7.7 million
2011	\$0	2019	\$8.2 million
2012	\$2.4 million received	2020	\$8.6 million
2013	\$5.4 million received	2021	\$8.5 million
2014	\$4.3 million received	2022	\$8.5 million
2015	\$7.0 million received	2023	\$8.5 million
2016	\$6.6 million	2024	\$8.5 million
2017	\$7.2 million	2025	\$8.5 million

To ensure these funds are maximally deployed to several projects concurrently in keeping with best cash management practices recently adopted and approved by the City Council, the proposed extension of Prop C provides clarifying language that staff believes will help with the timely and efficient execution of the priority projects. The numbers reflected here are annual revenues and do not reflect carry forward from previous fiscal years.

As of May 10, 2016, there was a cash balance of \$18,961,118, with \$12,647,859 not currently budgeted in projects and available to spend. The addition of clarifying language would allow for more projects to be initiated concurrently, reduce the rate of high cash accruals in the Mission Bay Improvement Fund, and expedite the completion of much needed deferred

capital maintenance projects such as playground and restroom repairs that members of the public frequently request.

Status of Charter Section 55.2 Priority Projects

a. **Priority 1: Dredging**

The top priority project listed in Charter Section 55.2(c)(1) is the restoration of navigable waters by dredging those areas deemed to be hazardous. The project is considered fully funded with \$7,849,147 allocated. It is currently budgeted as Project AGF00004, Sublet B10163. The scope of work for dredging includes key navigational routes within Mission Bay, including Sail Bay.

Staff began work on this project in 2012 with a consultant study and a series of planning meetings. The project will directly impact 30 acres of eelgrass habitat, which must be mitigated at a 1.2:1 ratio. Overall, the project represents the largest eelgrass habitat impact ever proposed for a dredging project on the West Coast and will take considerable time to implement.

Even without a Program EIR, staff anticipates that the dredging project requires environmental permits in accordance with the California Environmental Quality Act (CEQA). The Program EIR would replace a project-level EIR for the dredging project. Once the Program EIR that covers the dredging project is complete, Public Works staff would advertise and award a construction contract. Staff anticipates that dredging and eelgrass mitigation would commence in 2018.

b. **Priority 2: Wetland Expansion and Water Quality Improvements**

The proposed ten-year funding plan proposes to move forward on initial studies and design of the Tecolote Creek wetland, the Fiesta Island causeway tidal culverts, and the wetland near the Former Visitor's Information Center because these projects would not be impacted by ongoing planning efforts associated with Fiesta Island and DeAnza. The most costly of the Priority 2 projects – the Rose Creek Wetlands project – is directly linked to the DeAnza Special Study, and design could not begin until the study is completed in Fiscal Year 2019. It is estimated to cost \$15.5 million.

c. **Priority 3: Restoration of Shoreline Treatments**

Staff proposes to initiate a comprehensive study to fully analyze those areas within the Improvement Zone that require shoreline stabilization and/or restoration. As such, the ten-year plan proposes a \$250,000 allocation in CIP Fiscal Year 2017 for consultant evaluation and project scoping. Construction would be scheduled and funded for CIP Fiscal Year 2020, assuming the study would require some level of permitting and design beyond that provided in the Program EIR. Such a study should also include project-specific cost estimates and phasing proposals. It is estimated to cost approximately \$3 million.

d. **Priority 4: Expansion of Endangered or Threatened Species Preserves**

The fourth priority addresses “expansion of endangered or threatened species preserves and upland habitats on North Fiesta Island and along the levee of the San Diego River floodway as identified in the Mission Bay Park Master Plan.” The ten-year plan proposes a \$100,000 allocation in CIP Fiscal Year 2017 for consultant evaluation and project scoping, perhaps in coordination with the GDP effort. Construction would be scheduled and funded for CIP Fiscal Year 2020, assuming the study would require some level of permitting and design. Such a study should also

include cost estimates and phasing proposals. It is estimated to cost approximately \$2 million.

Proposal to Combine Priorities 5, 6, 7 to Expedite Completion of Multiple Projects

The final priority projects outlined in Charter Section 55.2 all refer to critical deferred maintenance capital projects within the Improvement Zone that need to be completed including completion of bicycle and pedestrian paths and bridges as identified in the Mission Bay Park Master Plan, installation of sustainable lighting in the Improvement Zone, installation of signage and landscaping at points of entry to MBP and South Shores, and the repair, resurfacing and restriping of parking lots. By combining the three final priorities, it will allow for more efficient phasing of projects, allow for multiple projects to be initiated concurrently and allow for there to be more public input in the selection of public improvements to be selected by the Mission Bay oversight committee.

For example, the sixth priority project is to restore the seawall bulkhead located along Oceanfront Walk. This will be a multi-year effort due to constraints, such as a summer construction moratorium in Mission Beach between Memorial Day and Labor Day that will impact the project timeline. It also would be impractical to replace all sections of the bulkhead at one time. To minimize disruptions to the community and visitors, the bulkhead must be replaced in incremental portions over the span of years. The current language in Charter Section 55.2 would make it challenging to begin another project while the restoration of the bulkhead is constructed in phases.

Additional Resources for Regional Parks such as Balboa Park

The proposal includes a modification to the formula that defines the fund disbursement to allow for additional resources to be made available for Balboa Park and other regional parks. The formula would change, so that 35% or \$3.5 million, whichever is higher would be disbursed to the Regional Park Improvements Funds prior to the disbursement to the Mission Bay Park Improvements Fund. This is compared to the current formula which is 25% or \$2.5 million, whichever is greater, is disbursed to the Regional Park Fund. An estimated \$3.5 million annually (an approximate increase of \$1.0 million from the \$2.5 million received annually) would allow for a \$44 million regional park investment should that revenue stream be leveraged with an issuance of a 30 year bond. Staff has carefully analyzed the remaining priority projects outlined in Charter Section 55.2 and do not anticipate that any of these projects will be delayed or impacted with this formulaic change.

Conclusion

The proposed extension to Charter Section 55.2 will guarantee a long term funding source for Mission Bay, Balboa Park and other Regional Parks, provide the ability to optimally finance long term improvements, and will more efficiently pair project expenditures and with annual cash flows preventing the accrual of large cash balances. Because of the more efficient cash management practices, there is sufficient resources to fund all of the priority projects outlined in Charter Section 55.2 without any delay and add additional resources to the cultural and historic heart of the City, Balboa Park, and other regional parks.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal # 2: Work in partnership with all of our communities to achieve safe and livable neighborhoods

Objective #3: Invest in infrastructure

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

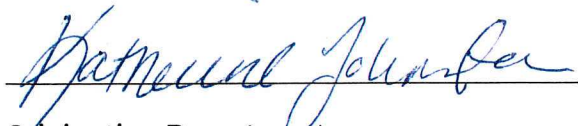
On 6/25/2008, Rules voted 5 to 0 to refer this item to the full City Council for consideration
On 7/28/2008 City Council voted to place on the November ballot

COMMUNITY PARTICIPATION AND OUTREACH EFFORTS:

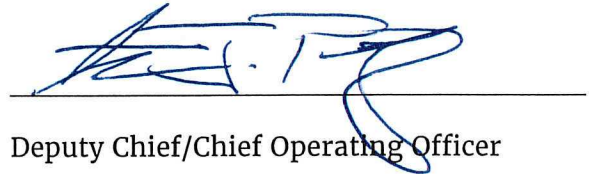
The Mission Bay Park Committee and Parks and Recreation Board serve as the oversight committees for Charter Section 55.2. Both boards will receive a presentation prior to the final City Council hearing and adoption.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The extension of Charter Section 55.2 will ensure the preservation of San Diego's most beloved Regional Parks.



Originating Department



Deputy Chief/Chief Operating Officer

Attachment(s): 1. Proposed Amendments to Charter Section 55.2