



THE CITY OF SAN DIEGO

Report to the City Council

DATE ISSUED: October 21, 2016 REPORT NO. 16-087
ATTENTION: Council President and City Council
SUBJECT: Public Facilities Financing Authority of City of San Diego Lease Revenue Bonds, Series 2017 (Balboa Park Parking Related Public Improvements)
REFERENCE: Report No. 16-089: Balboa Park Plaza de Panama Project, dated October 21, 2016

REQUESTED ACTION:

1. Authorize the issuance of the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2017 (Balboa Park Parking Related Public Improvements) (the "Bonds") in a principal amount not to exceed \$50 million and the execution of related financing documents, including the forms of the Site Lease, Facilities Lease, Indenture, Bond Purchase Agreement and Continuing Disclosure Certificate in order to provide funds to support the construction of a parking garage in Balboa Park (the "Parking Garage"), and related capital improvements (together, the "Project");
2. Authorize the issuance of the Bonds, in accordance with Section 147(f) of the Internal Revenue Code, for the purpose of financing the Project, which may benefit certain 501(c)(3) organizations;
3. Authorize the Chief Financial Officer to establish one or more special interest-bearing accounts for the proceeds of the Bonds;
4. Authorize the Chief Financial Officer to establish one or more funds to deposit parking related revenues, pay Parking Garage and other related operating and maintenance expenses, pay annual debt service, and maintain a safety fund and capital reserves at target levels;
5. Authorize the City Attorney, or his designee, to amend the Agreement for Services between the City of San Diego and Stradling, Yocca, Carlson & Rauth as Bond and Disclosure counsel for the Bonds to extend the term of the Agreement and increase the fees to be paid by \$32,500 above the amounts approved in Resolution R-307558 for a total not-to-exceed amount of \$95,000; and
6. Authorize an amendment to the Agreement for Services between the City of San Diego and Fieldman, Rolapp & Associates, as Financial Advisor, to extend the term through December 31, 2018.

STAFF RECOMMENDATION:

Approve the requested actions.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

I. Background

On September 19, 2016, City Council established the Balboa Park Plaza de Panama as a Capital Improvement Project (Balboa Park Community Area District 3) thereby reinitiating the Balboa Park Plaza de Panama Project. Listed among the improvements in the Balboa Park Plaza de Panama Project, is the 797 space Parking Garage with a 2.2 acre rooftop park, a bypass bridge, and road to divert vehicular traffic away from the pedestrian core of the park.

Subject to City Council approval of the Plaza de Panama Cooperation Agreement between the Plaza de Panama Committee and the City, the City's financial contribution towards the Balboa Park Plaza de Panama Project will be \$49 million. Of this identified City contribution amount, a significant portion is proposed to be generated through the implementation of a tax-exempt bond financing leveraging paid parking revenues generated from the Parking Garage. Based on net-parking revenue projections and the financing plan discussed below, it is estimated that approximately \$39 million in project proceeds could be generated from the proposed bond issuance. The expected remaining balance of approximately \$10 million would be funded from City funds available for major capital projects, of which \$1 million was previously authorized by the City Council on September 19, 2016 (Resolution R-310691) for the purpose of reviewing and finalizing project design.

II. Discussion

Parking Revenue and Expense Projections

To ascertain projected parking revenues, the City engaged Parking Concepts, Inc. ("PCI"), the primary parking consultant selected to develop the 2012 projections, to prepare Parking Garage fee model projections (Attachment 1). PCI has significant experience leasing, operating, and managing parking facilities across California, and providing consultant services on parking facility revenue, expenses, operations, and maintenance for various private and public entities.

Based on the proposed fee model and updated projections for the 797 space Parking Garage, which are discussed in detail below and summarized in Table 1, PCI estimates potential gross parking revenues, including general visitor parking, monthly parking passes, and valet parking, to total approximately \$4.0 million beginning in year 1, with fees assumed to increase 6.66% every third year (or 20% over the 10 year proforma period). In addition, PCI projects gross annual operating expenses for the Parking Garage to be approximately \$683,000 in year 1, with expenses generally assumed to increase 2% annually, resulting in approximately \$3.3 million in annual net operating revenue from the Parking Garage in year 1 available to make annual bond payments. Over the 10 year proforma period, net operating revenue is projected to range between \$3.3 million and \$4.0 million.

General Visitor Parking

The general visitor parking rate structure is proposed as follows:

<u>Parking Duration</u>	<u>Weekdays</u>	<u>Weekends/Holidays/Peak Days</u>
Up to One Hour	\$2.00	\$3.00
Between One and Two Hours	\$4.00	\$6.00
Over Two Hours (Daily Maximum)	\$8.00	\$12.00

The proposed rates are tiered to offer lower parking rates to visitors who plan to spend less than two hours at the park. On weekdays, this amounts to \$2.00 and \$4.00 for patrons parking for one hour and two hours, respectively, and \$8.00 for those visitors parking for any amount of time longer than two hours in a given day. On weekends and City holidays, the hourly rate during the first two hours is \$3.00, which amounts to \$3.00 for one hour and \$6.00 for two hours, with a daily maximum of \$12.00. In addition, if any weekdays are deemed to be "Peak" days due to expected elevated park attendance during pre-planned events including private events in the park, there is a potential to charge weekend/holiday pricing up to \$12.00. The projections provided in the report however only assumed revenue from the weekends and holidays.

Based on the assumed rate structure above, PCI projects revenue from general visitor parking to be approximately \$3.8 million annually beginning year 1. This projection incorporates the following key factors and assumptions: (1) current parking space inventory/supply in Balboa Park; (2) parking lot occupancy/demand surveys conducted in August/September 2016 by Park and Recreation staff; and (3) three paid tickets per space per day. Based on the factors above, PCI assumes projected general visitor occupancy to range between 36-50% on weekdays and 49-61% on weekends and holidays.

Monthly Parking

A monthly parking rate is proposed at a rate \$125 per month with 30 spaces reserved for staff and board members of the various 501(c)3 institutions within Balboa Park who would want the certainty of a parking spot in the Parking Garage. This rate reflects a modest discount compared to the proposed daily parking rates assuming 20 days of use at the \$8 maximum daily rate during weekdays, which would total \$160 per month. Based on the \$125 proposed monthly rate for 30 spaces, PCI projects parking revenue related to monthly parking to be \$45,000 annually beginning year 1.

Valet Parking

The monthly valet parking rate proposed to be charged to a valet parking operator is \$150/month per space, with 80 spaces set aside full-time for this purpose. In addition, 50 additional part-time spaces would be available on weekends at a rate of \$6.00/weekend day per space. The new valet parking operator is expected to be identified through the City's procurement process, potentially together with the solicitation for the general Parking Garage Operator.

Currently, LAZ Parking (formerly Sunset Parking) operates a valet concession in the Plaza de Panama. Under current operations, LAZ Parking uses nearby parking lots, including the Organ Pavilion, Federal and Inspiration Point parking lots, to park valet cars in free, unreserved parking spaces that would otherwise be used by general visitors. By incorporating and moving valet parking into the Parking Garage, those spaces that were previously occupied by valet cars would be freed up for general self-parking use outside of the Parking Garage. In addition, the valet parking operator will gain reserved valet parking spaces, thereby increasing valet efficiency for the valet parking operator and valet users and

provide a guaranteed income stream for the Parking Garage operations. Based on the \$150 proposed monthly valet rate, and the additional \$6.00/day per space (up to 50 spaces) weekend rate, PCI projects valet parking revenue to be \$175,200 annually beginning year 1.

Projected Expenses

PCI projections for Parking Garage operating expenses are based on industry standards and cost indications provided by parking garage operators. The Parking Garage is proposed to operate on an automated basis, with seven full time equivalent (FTE) customer service staff members (including one manager and one supervisor) available to assist parking patrons in using the pay machines. Furthermore, PCI has assumed one FTE and one part-time equivalent (PTE) for parking enforcement.

In addition to payroll related expenses, other major expense categories include Repair and Maintenance, Administrative Expenses, and Other Operating Expenses. Included within the Other Operating Expenses category is the funding of a Capital Reserve Fund to cover the cost of capital improvements that the Parking Garage may need over its lifetime in order to maintain sound operational status. Based on input from PCI, who reviewed industry standards, the Capital Reserve Fund, which will be held by the City, will receive deposits annually at a rate of \$55 per parking space, or approximately \$44,000 per year, from Parking Garage revenue. The cumulative total, including assumed 2% annual growth, over the first 10 years is approximately \$480,000. Combined, total Parking Garage operating expenses are projected by PCI to be at least \$682,530 beginning in year 1, as discussed above.

Table 1 - Parking Revenue and Expense Projections (Year 1)			
Revenue Source	Parking Spaces ⁽¹⁾	Proposed Rate	Annual Projection⁽²⁾
General Visitor (Weekday)	681	\$2.00/hour for First 2 Hours \$8.00 Daily Max for 2+ Hours	\$2.0 million
General Visitor (Weekend/Holiday/Peak)	631	\$3.00/hour for First 2 Hours \$12.00 Daily Max for 2+ Hours	\$1.8 million
Monthly Parking	30	\$125/month	\$45,000
Valet Parking	80 +50 weekends	\$150/month \$6/weekend day per space	\$175,000
Parking Revenue Subtotal:			\$4.0 million
Expenses:			(\$683,000)
Net Parking Revenue:			\$3.3 million

(1) 797 spaces total; 6 spaces in the Parking garage will be designated for as-needed City staff parking (at no charge).
 (2) Rounded.

Source: Parking Concepts Inc. (see Attachment 1)

III. Bond Legal Structure

The Bonds would be issued as lease revenue bonds under the Joint Powers Authority legal framework utilizing the Public Facilities Financing Authority (the "Authority") with the City General Fund providing the legal backstop for repayment. The Authority issues the lease revenue bonds with the bond repayment supported by the net annual fee revenue to be generated by the Parking Garage.

The legal structure for the Bonds involves lease agreements between the City and the Authority under which the City leases the site of the Parking Garage to the Authority and, in turn, the Authority leases the site and Parking Garage (once completed and available for use and occupancy) and rooftop park (subject to valuation) back to City in exchange for lease payments sufficient to cover the debt service over the life of the Bonds. Upon the completion of the construction, the Parking Garage and related improvements would be capital assets of the General Fund.

IV. Summary of Key Terms

- **Issuer:** Public Facilities Financing Authority of the City of San Diego
- **Structure:** General Fund-backed Lease Revenue Bonds; issued using a standalone Indenture, Site Lease, and Facilities Lease (see "Financing & Legal Documents" below)
- **Financing Ordinance Not-to-Exceed Bond Authorization:** \$50 million. Under certain favorable bond market conditions, and assuming the net parking revenue projections discussed above, this not-to-exceed authorization allows for a bond offering that could provide a greater amount of project proceeds above the currently projected amount. As shown in the Estimated Sources and Uses of Funds table below, approximately \$44.5 million in bond issue proceeds is estimated based on an assumed interest rate of 4.25% generating approximately \$39 million in project proceeds. If for any reason the City is unable to use the proceeds for the Project, the financing ordinance also incorporates flexibility to use the proceeds for alternate General Fund capital improvement purposes.
- **Final Maturity:** 30 year term
- **Repayment Source:** While the General Fund will be pledged to the Bonds, annual debt service is expected to be paid from annual parking revenues net of operating expenses of the Parking Garage (\$3.3 million projected beginning year 1 of the Parking Garage opening). Annual debt service/lease payments for the Bonds after the capitalized interest period (see below) will commence beginning Fiscal Year 2021 and will be budgeted in a newly established fund within the Park and Recreation Department budget. In addition to paying debt service on the Bonds, this fund will also be programmed to collect parking revenues, pay Parking Garage operating expenses, and maintain Internal Safety and Capital Reserve Funds. In the event that annual parking garage revenue is insufficient to pay debt service in any given year, funds will be drawn from the Internal Safety Fund (discussed below).
- **Tax Status:** The Bonds will be issued as a tax-exempt issuance. Consistent with the IRS regulations for tax-exempt bonds, the weighted average life of the bonds will not exceed 120% of the useful life of the project funded by the bonds.

In addition, the current assumption envisions up to 30 garage spaces to be dedicated for the museums and other Balboa Park tenants in the form of monthly permits. Since these 501(c)(3) institutions may derive benefits from the Parking Garage over the life of the bond issuance, the City Council would conduct a publicly noticed Tax Equity and Fiscal Responsibility Act (TEFRA) hearing authorizing the issuance of the Bonds in order for the Bonds to be tax-exempt, pursuant to Section 147(f) of the Internal Revenue Code. In consulting with tax counsel, Stradling, Yocca, Carlson & Rauth, a TEFRA hearing would create flexibility for uses that may shift over the 30 years. This allows for maximum user benefits while optimizing the occupancy levels. This TEFRA hearing will be publicly noticed in an official newspaper 14 days prior to the hearing (see Attachment 2).

In order to insulate the General Fund, certain protection features are recommended, which are elaborated below:

- *Capitalized Interest Fund:* Since the parking revenues to support the debt service will not be available until after the completion and opening of the Parking Garage, a capitalized interest fund to pay interest on the Bonds during Parking Garage construction will be funded with proceeds of the bond issue, offsetting the need for the City to fund or front debt service during the construction of the Parking Garage. This is a standard feature for bond issues that provide funding for a capital facility that generates income and in which lease payments are derived from use of the financed facility. The amount of capitalized interest to be funded from bond proceeds is based on the anticipated Parking Garage construction timeframe/ opening date. Based on the current expected construction timeline, the capitalized interest period is estimated to be 2.5 years, which covers the construction period, plus an additional six months to mitigate the risk of any construction delays (actual period to be determined at the time of pricing).
- *Debt Service Coverage:* Under the proformas and revenue findings generated by PCI, net parking revenues are projected to be approximately 120% of the annual debt service under this structure. This coverage, which would be at least 20% above the required annual debt service payment, will cushion against possible revenue shortfalls by such amount and reduce the possibility that the City must cover a revenue shortfall through the General Fund.
- *Internal Safety Fund:* Upon the Parking Garage's opening, a City-held Internal Safety Fund is recommended to be maintained from excess net parking revenues to serve as a buffer against any revenue volatility over the 30-year term of the Bonds. This is designed to mainly mitigate the potential need for the General Fund to front any shortfall in revenue for annual debt service.

The Internal Safety Fund is anticipated to be initially funded by net parking revenues that are in excess of debt service collected following the completion of construction of the Parking Garage. The funding amount is targeted to be sufficient to cover up to one year of debt service, which is estimated to be approximately \$2.7 million, and is projected to be funded in approximately four years following the Parking Garage opening date. Upon fulfilling the Internal Safety Fund target, annual coverage revenue net of Parking Garage Operating expenses will be General Fund revenue that can be appropriated for any general purpose through the annual budget process.

Should a draw on the Internal Safety Fund be required for the City to meet debt service shortfalls in a given year, reducing the funding level below the established amount described above, excess net parking revenues in subsequent year(s) would be used to replenish the Internal Safety Fund to the original level. Since the Internal Safety Fund will be City-held and would not be pledged to the Bonds, no adverse repercussions (i.e., investor concerns, higher costs of borrowing for future issuances or impact on credit ratings) are anticipated if the City were to draw funds from the Internal Safety Fund in any given year.

- *Capital Reserve Fund:* A City-held Capital Reserve Fund will also be established once the Parking Garage becomes operational to cover the cost of capital improvements that the Parking Garage may need over its lifetime in order to maintain sound operational status. This is also designed to protect the General Fund from potential Parking Garage capital expenses and maintain the capital asset's strong condition on an ongoing basis.

Based on input from PCI, who reviewed industry standards, the Capital Reserve Fund will receive deposits annually at a rate of \$55 per parking space, or approximately \$44,000 per year, from Parking Garage revenue. The cumulative total, including assumed 2% annual growth, over the first 10 years is approximately \$480,000 and is factored into PCI operating expense projections, as discussed above.

V. City Council Approval Process

The financing legal documents, including the Site Lease, Facility Lease, Indenture, Bond Purchase Agreement, and Continuing Disclosure Certificate, are approved via Ordinance. Staff will be docketing the Preliminary Official Statement (POS) for the Bonds separately to be authorized via Resolution in 2017, closer to the distribution of the POS to investors and pricing of the Bonds.

The financing documents that would be approved through the requested actions include:

1. Site Lease – The Site Lease is the agreement between the City and the Authority under which the City leases the site of the Parking Garage to the Authority.
2. Facilities Lease – The Facilities Lease is the agreement between the City and the Authority under which the City leases the site and the Parking Garage (once constructed) and rooftop park (subject to valuation) back from the Authority. The lease payments made by the City are equal to the principal and interest payments on the Bonds issued by the Authority. The Facilities Lease contains certain covenants of the City, including the necessary action to include all lease payments due under the lease in the City's operating budget each year.
3. Indenture – The Indenture is an agreement between the Authority and the trustee for the Bonds. The Indenture provides for the issuance of the Bonds, and includes information regarding the amount of the Bonds, the maturities and interest rates on the Bonds, the use of Bond proceeds, and the nature of the security for the Bonds (i.e., that the bonds are limited obligations of the Authority payable from lease payments). The Indenture also sets forth terms, including the specific rights, responsibilities, and obligations of each party with respect to the issuance of the Bonds. Under the

Indenture, the Authority assigns its rights to receive lease payments under the Facilities Lease to the trustee to make debt service payments to bondholders.

4. Bond Purchase Agreement (BPA) – The BPA is an agreement among the City, the Authority, and the Underwriters for the transaction pursuant to which the Authority agrees to sell, and the Underwriters agree to buy, the bonds. It specifies the purchase price of the bonds, and certain terms of the bonds, such as interest rates and maturities. The agreement also specifies documents that the parties must receive prior to bond closing, including the Bond Counsel opinion regarding the validity and tax exempt nature of the bonds as well as certain opinions and certificates of the City Attorney and other City and Authority officials. Such opinions and certificates would confirm, among other things, that all steps necessary to authorize the execution of the financing documents and the issuance of the bonds have been properly taken.
5. Continuing Disclosure Certificate – The Continuing Disclosure Certificate details the City’s ongoing obligation to file annual reports and material events with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system for the benefit of the bondholders.

VI. Financing Time Line

The City Council authorizations are expected to occur as follows:

November 14, 2016	Introduction of the Financing Ordinance authorizing the issuance of the bonds and approval of the financing documents; Conduct TEFRA hearing
December 6, 2016	Approval of the Financing Ordinance authorizing the issuance of the bonds and approval of the financing documents (2 nd reading)
August/ September 2017 (Subject to construction schedule)	Approval of the Preliminary Official Statement; Pricing of the Bonds and execution of the Bond Purchase Agreement; Bond Closing and delivery of construction proceeds deposited with Trustee
Late 2019	Anticipated Parking Garage opening date

VII. Financing Team

The City’s Financing Team for the Bonds consists of the same members as the 2012 Financing Team. Internal members include: the Chief Financial Officer and staff of the Debt Management Department; the Park and Recreation Department; the Comptroller’s Office; Office of the City Treasurer; and the Financial Management Department. The Financing Team also includes staff of the Real Estate Assets Department, the City Attorney’s Office, the Risk Management Department, and Public Works Department. External members of the team include: Parking Concepts, Inc. as parking revenue consultant; Fieldman, Rolapp, & Associates as financial advisor; Stradling, Yocca, Carlson & Rauth as bond and disclosure counsel; Loop Capital Markets as the senior managing underwriter; Kutak Rock LLP as underwriter’s counsel; Wilmington Trust as trustee; and Chicago Title Company as title insurance provider.

The City Council authorized the City Attorney to retain Stradling, Yocca, Carlson & Rauth on July 9, 2012 (R-307558). If the proposed bond counsel contract amendment is approved, the term of the Agreement will be extended through December 31, 2018 and Stradling, Yocca, Carlson & Rauth will receive an amount not to exceed \$95,000, inclusive of out of pocket expenses. This is an increase of \$32,500 above the original 2012 contracted amount.

The requested contract amendment for Fieldman, Rolapp, & Associates as financial advisor would extend the term of service through December 31, 2018. In addition, compensation for Wilmington Trust as the trustee includes an initial fee of \$4,000 and ongoing annual fees of \$2,000.

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

- Goal #1: Provide high quality public service
- Objective #1: Promote a customer-focused culture that prizes accessible, consistent, and predictable delivery of services

- Goal #2: Work in partnership with all of our communities to achieve safe and livable neighborhoods
- Objective #3: Invest in infrastructure

FISCAL CONSIDERATIONS:

I. Estimated Sources and Uses of Proceeds (preliminary and subject to change)

Based upon the assumed interest rate (TIC) of approximately 4.25%, the issue size of the Bonds is estimated to be approximately \$44.5 million. This amount would provide sufficient funds to contribute \$39 million towards the construction fund for the Project, establish the required Capitalized Interest Fund and pay costs of issuance. It should be noted that current interest rate levels are lower than the 4.25% assumed rate. If interest rates are lower than the assumed level at the time of issuance, the City would be able to generate additional bond proceeds and correspondingly lower the capital outlay cash contribution to the project.

The table below provides a breakdown of the estimated sources and uses of funds.

Estimated Sources and Uses of Bond Proceeds

Estimated Sources

Bond Issue Proceeds	<u>\$44.5 million</u>
Total Sources of Funds	\$44.5 million

Estimated Uses

Deposit to Construction Fund	\$39.0 million
Deposit to Capitalized Interest Fund	\$ 4.9 million
Costs of Issuance ⁽¹⁾	<u>\$ 0.6 million</u>
Total Uses of Funds	\$44.5 million

⁽¹⁾ Costs of Issuance include underwriters' discount, bond and disclosure counsel fees, financial advisory fees, title insurance costs, appraisal fees, rating agency fees, trustee fees, and Preliminary Official Statement and Official Statement electronic printing/posting costs.

II. Projected Debt Service and Impact on Current Debt Ratios

Annual debt service for a 30-year bond issue amounts to approximately \$2.7 million beginning in Fiscal Year 2021. This is approximately \$600,000, or approximately 20%, less than projected net parking revenues (approximately \$3.3 million in year 1).

The City's Debt Policy (Section 4.2), requires an analysis to be conducted to determine the impact of additional General Fund-backed bond obligations. Given that the proposed bond issuance has been structured to be self-supported by net parking revenues generated by the Parking Garage, the resulting impact is neutral to the City's General Fund lease burden ratio (debt service as a percentage of General Fund revenue). Based on currently outstanding lease revenue bond levels, the lease burden ratio is currently at 3.64% and is projected to steadily decline as outstanding principal is paid down in its ordinary course.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (if applicable):

This agreement is subject to the City's Equal Opportunity Outreach Program (San Diego Ordinance No.18173, Section 22.2701 through 22.2708) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

On July 9, 2012, the City Council adopted Resolution R-307554, Certifying EIR – Balboa Park Plaza de Panama; Resolution R-307555, approving the amendments to the Balboa Park Master Plan and the Central Precise Plan; Resolution R-307556, granting Site Development Permit No. 837848; Resolution R-307557, declaring an intention to issue debt solely for the purpose of establishing compliance with Section 1.1.50-2 of the Treasury Regulations; and Resolution R-307558, accepting a contribution from the Plaza de Panama Committee.

On September 18, 2012, the City Council adopted Resolution R-307692, authorizing the budgeting and allocation in the amount of the Spreckels Organ Pavilion Public Parking Garage (Balboa Park) Lease Revenue Bonds, Series 2012C. On October 2, 2012, the City Council adopted Ordinance O-20205, approving the Site Lease, Facilities Lease, and Bond Purchase Agreement, and authorizing the Indenture by the Public Facilities Financing Authority and the issuance of the Authority's Lease Revenue Bonds.

On September 19, 2016, the City Council adopted Resolution R-310691, establishing Balboa Park Plaza de Panama as a CIP Project (Balboa Park Community Area District 3); thereby reinitiating the Project.

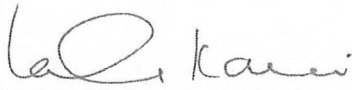
COMMUNITY PARTICIPATION AND OUTREACH EFFORTS:

Refer to Report No. 16-089, "Balboa Park Plaza de Panama Project" for a listing of various community participation and public outreach efforts related to the Project.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Business entities related to the requested actions are: Parking Concepts, Inc. (Parking Revenue Consultant); Fieldman, Rolapp, & Associates (Financial Advisor); Stradling, Yocca,

Carlson & Rauth (Bond and Disclosure Counsel); Loop Capital Markets (Senior Managing Underwriter); and Wilmington Trust N.A. (Trustee).



Lakshmi Kommi
Debt Management Director



Mary Lewis
Chief Financial Officer

Attachments:

1. Projected Revenues, Expenses and Net Operating Income, Balboa Park Parking Garage, Parking Concepts, Inc., dated October 2016
2. Tax Equity and Fiscal Responsibility Act (TEFRA) Notice

We have prepared revenue projections based on the following scenarios:

Updates to the 2012 baseline fee model, amending the weekday fee structure to an incremental rate of \$2.00 per hour for the first two hours, with a weekday daily maximum of \$8.00, weekend and holiday incremental rates of \$3.00 per hour for the first two hours, with weekend and holiday maximums of \$12.00.

Assumptions: ■ Rate structure:

	<u>Weekdays</u>	<u>Weekends & Holidays</u>
Up to one hour	\$2.00	\$3.00
Between one and two hours	\$4.00	\$6.00
Over two hours – daily maximum	\$8.00	\$12.00

■ Weekends are Saturdays and Sundays.

■ City Holidays are:

<ul style="list-style-type: none"> ■ New Year's Day ■ Martin Luther King, Jr. Day ■ Presidents' Day ■ César Chávez Day ■ Memorial Day 	<ul style="list-style-type: none"> ■ Independence Day ■ Labor Day ■ Veterans Day ■ Thanksgiving Day ■ Christmas Day
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■ Duration usage statistics:

Less than one hour	3% of parkers
Between one and two hours	7%
Over two hours	90%

■ Number of turns based on average stay of three hours (2004 Jones and Jones Study)

■ Parking rate increases assumed every third year (Years 3, 6 and 9).

■ Payroll and payroll related increases for first three years based upon City and State mandated minimum wage levels.

■ Demand analysis and assumptions were similar to Jones and Jones report (11/04) and validated by KMA Study (6/12).

■ KMA evaluated demand based on 1/4- and 3/8-mile distance assumptions and found differences to be less than 1%, statistically insignificant.

■ 3rd Party Management Contract for parking operations.

REVENUE

Parking Concepts, Inc.
 Balboa Park Feasibility Study
 Projected Revenue Stream - 797 S tall Garage

Created October 2016

Source	Comments	Projected Rate	Projected Occupancy	Number of Turns	Projected # of Tickets/Day	Projected Revenue Monthly	Projected Revenue Year 1 Annual
Visitor Revenue							
Weekdays (Monday - Friday)	9:00am - 5:00pm	\$8.00	50%	2	797	\$125,175	\$1,502,105
Weekdays (Monday - Friday)	5:00pm - 10:00pm	\$8.00	36%	1	286	\$44,919	\$539,024
Weekends (Saturday & Sunday)	9:00am - 5:00pm	\$12.00	61%	2	970	\$95,079	\$1,140,952
Weekends (Saturday & Sunday)	5:00pm - 10:00pm	\$12.00	49%	1	389	\$38,130	\$457,557
City Holidays	9:00am - 5:00pm	\$12.00	61%	2	970	\$9,106	\$109,268
City Holidays	5:00pm - 10:00pm	\$12.00	49%	1	389	\$3,652	\$43,820
Total Visitor Revenue						\$316,060	\$3,792,725
Monthly Parking Revenue							
Regular Users	6:00am - 2:00am Daily	\$125	2%	NA	30	\$3,750	\$45,000
Total Monthly Parking Revenue						\$3,750	\$45,000
Valet Parking Revenue							
Designated Valet Spaces	Lowest Level	\$150/month	10%	NA	80	\$12,000	\$144,000
Weekend Valet Revenue	50 cars per weekend night	\$6.00	6%	NA	50	\$2,600	\$31,200
Total Valet Parking Revenue						\$14,600	\$175,200
Total Projected Garage Revenue						\$334,410	\$4,012,925

Note: Six designated spaces in the facility assumed for as-needed City staff parking (at no charge).

REVENUE AND EXPENSES

Balboa Park Feasibility Study
 Projected Parking Structure Financial Pro Forma - Created October 2016
 797- Stall Garage
 Parking Concepts, Inc.

	Month	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10-Year Total Cumulative
Scenario: Weekday, \$2.00/hour for the first two hours, \$8.00 maximum; Weekend and holiday: \$3.00/hour for the first two hours, \$12.00 maximum												
Revenue	\$316,060	\$3,792,720	\$3,792,720	\$4,045,694	\$4,045,694	\$4,315,542	\$4,315,542	\$4,315,542	\$4,603,389	\$4,603,389	\$4,603,389	\$41,875,928
Transient Visitor Parking	\$3,750	\$45,000	\$45,000	\$48,002	\$48,002	\$51,203	\$51,203	\$51,203	\$54,618	\$54,618	\$54,618	\$496,851
Monthly Revenue	\$14,600	\$175,200	\$175,200	\$186,886	\$186,886	\$199,351	\$199,351	\$199,351	\$212,648	\$212,648	\$212,648	\$1,934,401
Vallet Parking Revenue	\$334,410	\$4,012,920	\$4,012,920	\$4,280,582	\$4,280,582	\$4,566,097	\$4,566,097	\$4,566,097	\$4,870,655	\$4,870,655	\$4,870,655	\$44,307,185
Total Revenue												
Expenses												
Payroll Related												
Manager Salary (1 FTE)	\$4,167	\$50,000	\$51,000	\$52,020	\$53,060	\$54,122	\$55,204	\$56,308	\$57,434	\$58,583	\$59,755	\$547,486
Supervisor Wages (1 FTE)	\$2,773	\$33,280	\$33,946	\$34,625	\$35,317	\$36,023	\$36,744	\$37,479	\$38,228	\$38,993	\$39,773	\$364,407
Customer Service Wages (5 FTE)	\$10,400	\$124,800	\$135,158	\$145,566	\$155,901	\$165,019	\$174,919	\$184,614	\$194,112	\$203,511	\$212,810	\$1,564,534
Parking Enforcement Wages (1FTE, 1PTE)	\$2,669	\$32,032	\$34,691	\$37,362	\$40,014	\$42,681	\$45,352	\$48,027	\$50,706	\$53,389	\$56,073	\$401,563
Vacation/Sickpay Accrual	\$1,040	\$12,486	\$13,249	\$14,018	\$14,783	\$15,579	\$16,380	\$17,188	\$18,002	\$18,822	\$19,648	\$149,655
Payroll Taxes	\$2,783	\$33,393	\$35,435	\$37,491	\$39,538	\$41,584	\$43,631	\$45,678	\$47,725	\$49,772	\$51,819	\$400,255
Workers' Compensation	\$2,227	\$26,725	\$28,359	\$30,004	\$31,642	\$33,275	\$34,921	\$36,579	\$38,251	\$39,936	\$41,634	\$320,325
Group Insurance (8 FTE)	\$2,800	\$33,600	\$35,280	\$37,044	\$38,896	\$40,841	\$42,883	\$45,027	\$47,279	\$49,643	\$52,125	\$422,617
Subtotal Payroll	\$28,860	\$346,316	\$367,118	\$388,128	\$409,152	\$430,202	\$451,286	\$472,405	\$493,559	\$514,747	\$535,969	\$4,170,843
Garage Repairs & Maintenance @ + 2%/year												
Steam Cleaning	\$664	\$7,970	\$8,129	\$8,292	\$8,458	\$8,627	\$8,800	\$8,976	\$9,155	\$9,338	\$9,525	\$87,269
Contract Sweeping	\$956	\$9,564	\$9,755	\$9,950	\$10,149	\$10,352	\$10,559	\$10,771	\$10,986	\$11,206	\$11,430	\$104,723
Trash Removal	\$500	\$6,000	\$6,120	\$6,242	\$6,367	\$6,495	\$6,624	\$6,757	\$6,892	\$7,030	\$7,171	\$65,698
Pest Control	\$500	\$6,000	\$6,120	\$6,242	\$6,367	\$6,495	\$6,624	\$6,757	\$6,892	\$7,030	\$7,171	\$65,698
Lights	\$250	\$3,000	\$3,060	\$3,121	\$3,184	\$3,247	\$3,312	\$3,378	\$3,446	\$3,515	\$3,585	\$32,849
Fire Alarm Monitoring	\$150	\$1,800	\$1,836	\$1,873	\$1,910	\$1,948	\$1,987	\$2,027	\$2,068	\$2,109	\$2,151	\$19,709
Elevator Maintenance	\$1,200	\$14,400	\$14,688	\$14,982	\$15,281	\$15,587	\$15,899	\$16,217	\$16,541	\$16,872	\$17,209	\$157,676
Graffiti Removal	\$250	\$3,000	\$3,060	\$3,121	\$3,184	\$3,247	\$3,312	\$3,378	\$3,446	\$3,515	\$3,585	\$32,849
Landscaping	\$250	\$3,000	\$3,060	\$3,121	\$3,184	\$3,247	\$3,312	\$3,378	\$3,446	\$3,515	\$3,585	\$32,849
Parking Equipment Repair & Maintenance	\$250	\$3,000	\$20,400	\$20,808	\$21,224	\$21,649	\$22,082	\$22,523	\$22,974	\$23,433	\$23,902	\$201,994
Painting	\$250	\$3,000	\$3,060	\$3,121	\$3,184	\$3,247	\$3,312	\$3,378	\$3,446	\$3,515	\$3,585	\$32,849
Subtotal Repairs & Maintenance Expenses	\$5,061	\$60,734	\$79,289	\$80,874	\$82,492	\$84,142	\$85,825	\$87,541	\$89,292	\$91,078	\$92,899	\$834,166
Administrative Expenses @ + 2%/year												
Business Licenses	\$42	\$500	\$510	\$520	\$531	\$541	\$552	\$563	\$574	\$586	\$598	\$5,475
General Liability Insurance	\$956	\$11,477	\$11,706	\$11,940	\$12,179	\$12,423	\$12,671	\$12,925	\$13,183	\$13,447	\$13,716	\$125,668
Property Insurance	\$3,985	\$47,820	\$48,776	\$49,752	\$50,747	\$51,762	\$52,797	\$53,853	\$54,930	\$56,029	\$57,149	\$523,616
Damage Claims	\$500	\$6,000	\$6,120	\$6,242	\$6,367	\$6,495	\$6,624	\$6,757	\$6,892	\$7,030	\$7,171	\$65,698
Uniforms	\$455	\$5,456	\$5,565	\$5,676	\$5,790	\$5,906	\$6,024	\$6,144	\$6,267	\$6,392	\$6,520	\$59,739
Telephone/Radios	\$250	\$3,000	\$3,060	\$3,121	\$3,184	\$3,247	\$3,312	\$3,378	\$3,446	\$3,515	\$3,585	\$32,849
Tickets, Keycards, & Validations	\$250	\$3,000	\$3,060	\$3,121	\$3,184	\$3,247	\$3,312	\$3,378	\$3,446	\$3,515	\$3,585	\$32,849
First Aid Supplies	\$100	\$1,200	\$1,224	\$1,248	\$1,273	\$1,299	\$1,325	\$1,351	\$1,378	\$1,406	\$1,434	\$13,140
Stationary & Office Supplies	\$200	\$2,400	\$2,448	\$2,497	\$2,547	\$2,598	\$2,650	\$2,703	\$2,757	\$2,812	\$2,868	\$26,279
Supplies - Water	\$100	\$1,200	\$1,224	\$1,248	\$1,273	\$1,299	\$1,325	\$1,351	\$1,378	\$1,406	\$1,434	\$13,140
Signage	\$200	\$2,400	\$2,448	\$2,497	\$2,547	\$2,598	\$2,650	\$2,703	\$2,757	\$2,812	\$2,868	\$26,279
Barricades & Cones	\$500	\$6,000	\$6,120	\$6,242	\$6,367	\$6,495	\$6,624	\$6,757	\$6,892	\$7,030	\$7,171	\$65,698
Credit Card Fees	\$4,166	\$49,992	\$50,992	\$52,012	\$53,052	\$54,113	\$55,195	\$56,299	\$57,425	\$58,574	\$59,745	\$547,398
Professional Fees	\$2,000	\$24,000	\$24,480	\$24,970	\$25,469	\$25,978	\$26,498	\$27,028	\$27,568	\$28,120	\$28,682	\$262,793
Subtotal Administrative Expenses	\$13,704	\$164,445	\$167,733	\$171,088	\$174,510	\$178,000	\$181,560	\$185,191	\$188,895	\$192,673	\$196,527	\$1,800,622
Other Operating Expenses @ + 2%/year												
Utilities	\$3,500	\$42,840	\$43,697	\$44,571	\$45,462	\$46,371	\$47,299	\$48,245	\$49,210	\$50,194	\$51,194	\$459,888
Garage Capital Reserve Fund	\$3,653	\$43,835	\$44,712	\$45,606	\$46,518	\$47,448	\$48,397	\$49,365	\$50,353	\$51,360	\$52,387	\$479,981
Miscellaneous Expenses	\$500	\$6,000	\$6,120	\$6,242	\$6,367	\$6,495	\$6,624	\$6,757	\$6,892	\$7,030	\$7,171	\$65,698
Parking Operator Management Fee	\$1,600	\$19,200	\$19,584	\$19,976	\$20,375	\$20,783	\$21,198	\$21,622	\$22,055	\$22,496	\$22,946	\$210,235
Subtotal Other Operating Expenses	\$9,253	\$111,035	\$113,256	\$115,521	\$117,831	\$120,188	\$122,592	\$125,043	\$127,544	\$130,095	\$132,697	\$1,215,802
Total Expenses	\$56,877	\$682,530	\$727,396	\$755,611	\$783,985	\$800,832	\$818,074	\$835,722	\$853,787	\$872,281	\$891,216	\$8,021,433
Net Income/(Operating Deficit)	\$277,533	\$3,330,390	\$3,285,524	\$3,579,970	\$3,496,597	\$3,470,750	\$3,748,023	\$3,730,375	\$3,712,310	\$3,998,374	\$3,079,439	\$36,285,752



NOTICE OF PUBLIC HEARING

CITY OF SAN DIEGO

NOTICE IS HEREBY GIVEN in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), that on _____, 2016, at 2:00 o'clock p.m. Council Chambers, 12th Floor, at 202 "C" Street, City Administration Building, San Diego, California, the Council of the City of San Diego (the "City Council") will conduct a public hearing at which it will hear and consider information concerning the possible issuance by the Public Facilities Financing Authority of the City of San Diego (the "Authority") of Lease Revenue Bonds (the "Bonds") in an aggregate principal amount not to exceed \$50,000,000 to finance a portion of the costs of the acquisition, construction, installation and equipping of a parking facility, including a rooftop park thereon (the "Parking Facility"), together with a bypass bridge, a road to divert vehicular traffic away from the pedestrian core of Balboa Park, and certain capital improvements related to the Parking Facility and, in the event that the Parking Facility is not constructed or proceeds remain after the completion of construction, the costs of other eligible General Fund capital improvements in the City's capital improvement program (such capital improvements, together with the Parking Facility, are collectively referred to as the "Project").

The Parking Facility will be located on a site on a parcel adjacent to 2159 Pan American Plaza, San Diego, CA 92101 owned by the City which is in Balboa Park, a 1200 acre centrally located municipal park owned by the City adjacent to downtown. Portions of the Parking Facility may be used from time to time by one or more nonprofit entities and, as a result, the City may elect to treat a portion of the Bonds as "qualified 501(c)(3) bonds" within the meaning of the Code.

If issued, the Bonds will be secured by lease payments to be made by the City to the Authority pursuant to a Facilities Lease.

This item may begin at any time after the time specified. Any interested person may address the City Council to express support or opposition to this issue. Time allotted to each speaker is determined by the Chair and, in general, is limited to three (3) minutes; moreover, collective testimony by those in support or opposition shall be limited to no more than fifteen (15) minutes total per side.

Those unable to attend the hearing may write a letter to the Mayor and City Council, Attention: City Clerk, City Administration Building, 202 "C" Street, San Diego, CA 92101 3862, Mail Station 2A; or you can reach us by E-mail at: Hearings1@sanidiego.gov or FAX: (619) 533-4045. All communications will be forwarded to the Mayor and City Council.

If you wish to challenge the City Council's actions on the above proceedings in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence to the City Council at or prior to the public hearing. All correspondence should be delivered to the City Clerk (at the above address) to be included in the record of the proceedings.

This material is available in alternative formats upon request. To order information in an alternative format, or to arrange for a sign language or oral interpreter for the meeting, please call the Clerk's office at least five working days prior to the meeting at (619) 533-4000 (voice) or (619) 236-7012 (TT).

ALL PERSONS HAVING ANY INFORMATION RELEVANT TO THE PROPOSED
ISSUANCE OF THE BONDS DESCRIBED ABOVE ARE HEREBY INVITED TO APPEAR AT
THE TIME AND PLACE MENTIONED ABOVE TO PRESENT SUCH INFORMATION TO THE
CITY COUNCIL.

Dated: _____, 2016

City Clerk of the City of San Diego

Publish: _____, 2016