



**MEASURE J: CHARTER AMENDMENT REGARDING USE OF LEASE
REVENUE FROM MISSION BAY PARK**

October 2016

SDCTA Position:

OPPOSE

Rationale for Position:

SDCTA has historically opposed ballot box budgeting, and Measure J would be a continuation of this practice for Mission Bay Park lease revenues established by then-Proposition C in 2008. The Association recognizes the efficiency improvements that Measure J would bring to the current section 55.2 of the City Charter, and also recognizes that Proposition C has allowed the City to save money over nearly a decade to spend on priority projects including deferred maintenance in the parks. However, Measure J would continue to require lease revenue funds to be tied to park improvements for over fifty years, which will tie the hands of City officials for too long in the case of an emergency or other scenarios where the General Fund may need more revenue. Additionally, the proponents' argument for needing stability in funding to issue thirty year bonds would be met by an extension to 2050, not to 2069. Lastly, Proposition C in 2008 was created to preserve Mission Bay Park lease revenue for improvements in Mission Bay Park, but Measure J would deviate from that original intent by reducing the allocated ratio of funds going into the Mission Bay Park Improvement Fund.

Title: Measure J – Charter Amendment Regarding Use of Lease Revenue from Mission Bay Park

Jurisdiction: City of San Diego

Type: Charter Change Ballot Initiative

Vote: Simple majority

Status: On the November 8, 2016 General Election Ballot

Issue: Charter amendment regarding allocation of Mission Bay Park lease revenue and park improvements

Description: An increase from 25% to 35% in the allocation of annual Mission Bay Park lease revenues exceeding \$20 million toward capital improvements in San Diego Regional Parks until 2069. The measure would also combine and coordinate construction of park improvements, as well as allow City Council to add City-owned parkland to the boundaries of Mission Bay Park.

Fiscal Impact: The measure will have no fiscal impact other than affecting the ratio of Mission Bay Park lease revenue allocated toward the Mission Bay Park Improvement Fund and the San Diego Regional Parks Improvement Fund.

Background

Proposition C

In 2008, voters in the City of San Diego adopted section 55.2 of the San Diego Charter through Proposition C, which allocated all revenues in excess of a threshold amount (originally \$23 million and then \$20 million in July 2014) that were collected by the City of San Diego from activities within Mission Bay Park (MBP). Proposition C designated 25% of all MBP lease revenues toward the San Diego Regional Parks Improvement Fund, solely to be used for capital improvements to regional parks. These parks include Balboa Park, Chollas Lake Park, Mission Trails Regional Park, Otay River Valley Park, Presidio Park, San Diego River Park, open space parks, beaches on the coast, and their contiguous coastal parks. The other 75% of lease revenue was to be designated toward the MBP Improvement Fund, solely to be used for MBP improvements. Funds for MBP would first be spent on priority projects, and then on capital improvement projects within an Improvement Zone designated by an Oversight Committee and approved by City Council.

SDCTA conducted an analysis on Proposition C in 2008, and voted to oppose the measure despite the fact that lawmakers had been neglecting maintenance projects at the park. SDCTA argued that Proposition C unnecessarily restricted budget flexibility and eliminated the ability for City officials to ever use the revenue for other priorities in the General Fund.

Measure J

Measure J would increase the amount of MBP lease revenues allocated toward capital improvements in San Diego's regional parks from 25% to 35% and decrease the amount allocated to MBP improvements accordingly.

The measure would change the process for funding MBP capital improvement projects identified in the Charter and create the potential for multiple priority projects to occur simultaneously to increase efficiency. It would also shift the status of three projects from being mandatory to being projects that may be recommended for completion by the Oversight Committee and approved by City Council. These projects include Deferred maintenance projects that are also capital improvement projects within the MBP Improvement Zone such as installing sustainable lighting and restoring playgrounds, comfort stations, bridges, paths, parking lots, and seawall on Oceanfront Walk.

Furthermore, Measure J would permit the City Council to add contiguous City-owned parkland to MBP's boundaries, and would consolidate construction of MBP improvements. These amendments would be extended from June 30, 2039 until June 30, 2069 to prevent lease revenue from going straight to the General Fund for miscellaneous public projects.

Fiscal Impact

The first \$20 million of revenue from property owned by the City in Mission Bay will be deposited into the General Fund for general government purposes. The excess funds are divided between the MBP Improvement Fund and the Regional Parks Improvement Fund. The proposed Charter Amendment would increase the allocation of excess revenues going toward the Regional Parks fund and decrease the amount allocated toward the MBP fund. The Regional Parks fund would receive the greater amount of a) \$3.5 million or b) 35% of lease revenues over \$20 million. The City

Attorney's analysis provides the following example of fund allocation if total lease revenue were \$30 million¹:

Under Current Formula:

- General Fund – \$20 million
- MBP Fund – \$7.5 million
- Regional Parks Fund – \$2.5 million

Under New Formula:

- General Fund – \$20 million
- MBP Fund – \$6.5 million
- Regional Parks Fund – \$3.5 million

The San Diego Independent Budget Analyst report on Measure J indicates that projected revenue allocations to the MBP and Regional Parks funds through 2069 would total \$1.4 billion.²

Improvements to the Parks

Though SDCTA opposed Proposition C due to concerns regarding “ballot-box budgeting” that also exist in Measure J, SDCTA also notes that the impact of eight years with Proposition C against its purported purpose would nuance the analysis of Measure J.

The following chart demonstrates the revenue and expenditures for the Mission Bay Improvement Fund and the San Diego Regional Parks Improvement Fund between fiscal years 2010 and 2013.

¹ City of San Diego City Clerk, *Charter Amendment Regarding Use of Lease Revenue from Mission Bay Park*, O-20722 (San Diego, CA, 2016).

² “Fiscal Impact Statement – Measure J: Charter Amendment Regarding Use of Lease Revenue from Mission Bay Park.” Office of the Independent Budget Analyst Report, 16-27. August 22, 2016.

Revenues and Expenditures from Park Improvement Funds FY2010 – FY2013

Fiscal Year	Mission Bay Revenues	Regional Park Revenues
2010	\$115,603.30	\$1,708,236.34
2011	\$62,743.92	\$1,747,023.02
2012	\$2,452,534.60	\$2,553,335.95
2013	\$5,378,627.48	\$2,539,403.29
Total Revenue	\$8,009,509.30	\$8,547,998.60
	Mission Bay Expenditures	Regional Park Expenditures
2010	—	—
2011	—	—
2012	—	\$313,640.25
2013	—	\$408,679.85
Total Expenditures	—	\$722,320.10
Available Balance as of June 30, 2013	\$8,009,509.30	\$7,825,678.50

Source: Performance Audit of the Mission Bay Improvement Fund, Fiscal Year 2014

According to the Performance Audit of the Mission Bay Park Improvement Fund for Fiscal Year 2014, performed by the City Auditor, \$2,500,000 in lease revenue was transferred to the Regional Parks fund and \$4,260,442 was transferred to the MBP fund. Only \$742,897 was actually expended from the Regional parks fund, and **no** funds were expended from the MBP fund during the same fiscal year.³ The report did not evaluate money that was already in the funds before the implementation of the Proposition C charter amendment in January 2009. Prior to the implementation of Charter Section 55.2, the MBP fund and Regional Parks fund had cash balances of \$5,664,901 and \$4,992,418, respectively.

One reason so little funds have been expended from the Regional Parks Fund is that current ordinance language makes it unclear that budgeted projects have been recommended by the funds’ Oversight Committees and approved by the City Council per the City Charter. To address this discrepancy, the Auditor suggested amending the language of the ordinance to streamline approval of the priority of projects in order to initiate their completion.

After priority projects are authorized and a funding plan has been adopted by City Council, funds may be committed to non-priority projects. The following projects would be listed as priority projects in the amended Charter:

1. Restoring navigable waters
2. Expanding wetland and improving water quality
3. Restoring shoreline treatments

³ “Performance Audit of the Mission Bay Improvement Fund, Fiscal Year 2014.” Office of the City Auditor. June 30, 2014.

4. Expanding endangered and threatened species preserves and upland habitats
5. Deferred maintenance projects that are also capital improvement projects within the MBP Improvement Zone as may be recommended by the Oversight Committee and approved by the City Council

In the Mission Bay Park Improvement Fund Ten Year Plan, the City indicates that the dredging project—the Charter’s number one priority—is fully funded with \$7,849,147 allocated for spending and is set to begin in late 2016.⁴ The top three priority projects would require substantial environmental review and the acquisition of construction permits prior to commencement, so those projects would not begin for an estimated two to three years. The MBP Improvement Fund would continue to receive funding during this time. If Measure J were approved by voters, it would allow multiple projects to be completed simultaneously.

Proponents:

- Mayor Kevin Faulconer
- Councilmember Todd Gloria
- Councilmember Laurie Zapf
- Chair of Mission Bay Park Committee Paul Robinson
- Founder of Friends of Balboa Park Betty Peabody

Proponent Arguments:

The measure will ensure that money made in Mission Bay Park will be used to preserve the environment and San Diego’s park systems for the future. The park system strengthens San Diego’s economy and benefits neighborhoods.

No opponent argument was filed at the City Clerk’s office.

⁴ “Report to the Mission Bay Park Improvement Fund Oversight Committee.” City of San Diego. December 1, 2015.