



# Financial Concepts Workshop

September 13, 2000

**I**t is important that everyone who cares about the Presidio realizes that there is a relationship between finances and the character of the park. Financial analysis of the plan alternatives will help us to understand that relationship.

## PTIP and Financial Overview

**T**he Presidio Trust Implementation Plan (PTIP) will be an update to the 1994 General Management Plan Amendment (GMPA) for the Presidio of San Francisco. The plan will set forth the vision and conceptual framework for Area B of the Presidio under Trust jurisdiction, and will not amend the GMPA for Area A. The plan will focus on specific elements that need a new look due to changes or opportunities that have arisen since 1994. An environmental impact statement (EIS) will be prepared to consider the environmental effects of a range of alternatives.

The Presidio Trust is required by Congress to manage the Presidio so as to become financially self-supporting by 2013. This requirement makes financial planning and analysis a key element of the plan update. Each alter-

native proposed for study in PTIP will be analyzed for its long-term financial effects using a financial forecasting model common to all alternatives. The financial analysis of the different plan alternatives will:

- Demonstrate that plan alternatives considered as part of PTIP meet the Trust's financial self-sufficiency mandate;
- Adjust assumptions from the 1994 GMPA to reflect changed circumstances;
- Identify the cost and revenues associated with different levels of leasing, public programming, and park improvements that would vary with each alternative;
- Inform the decision-making process by showing a relationship between the financial result and the park character.

## Financial Planning Context

**A**s part of the GMPA, the National Park Service (NPS) prepared a *Presidio Building Leasing and Financing Implementation Plan* (1994), which provided financial analysis and projections for the GMPA's implementation at that point in time. Success of the GMPA's implementation relied upon an anticipated continuing inflow of federal funds. This 1994 GMPA financial plan (at Table 4) estimated annual Presidio operating costs at \$38-\$40 million, to be paid in part by tenant revenues (e.g. the continuing presence of the Sixth U.S. Army), and by a continuing annual operating subsidy from Congress (federal appropriations) ranging from \$13 - \$16 million. Capital improvement costs, estimated at \$490 million, would be paid through a combined financing approach, including Treasury and/or private sector borrowing and Congressional appropriations, as well as philanthropic funding.

The 1996 Presidio Trust Act changed the financial assumptions of the GMPA. Key among the changes is the requirement that the Presidio generate sufficient revenues to support Area B operations, capital needs, and programs over the long term without federal appro-

priations beyond the year 2013. The federal subsidy will decline to zero by 2013. The Trust's financing authority is limited to \$50 million in Treasury borrowing with no authority to borrow private funds. The Sixth Army has departed, and UCSF will not occupy the Letterman Complex. The Crissy Field improvements, estimated at \$30 million, have accounted for a significant amount of the anticipated philanthropic contribution. In addition, since 1994, changes in the Bay Area real estate market have been dramatic, which illustrates the importance of taking into account market fluctuations over time in planning for the future. Lastly, since 1994, many projects have been implemented by either NPS or the Trust that will need to be accounted for in the PTIP financial model: long-term leases, residential rentals, and capital investments in the Presidio's infrastructure, open space enhancements, and the rehabilitation of historic buildings. After several years of managing the Presidio as a national park, the Trust can refine estimates of operating and capital costs, and this management experience may reveal additional costs or cost savings not anticipated in 1994.

# Paying for the Presidio

## What Does It Take to Run Area B of the Presidio?

Managing the Presidio is not unlike managing a small city in a national park. Within the context of operating expenses, capital costs, replacement reserves, and financing costs, the Trust must pay for everything from building rehabilitation and maintenance costs to the provision of visitor amenities, park programs, park enhancements, housing programs, transportation demand management programs, and stewardship activities, among much more.

### Operating Expenses

To operate the Presidio on a daily basis, funds are needed to maintain the resource base and to pay for projects, programs, and services that serve visitors, residents, and workers. Operating cost categories include: public safety; maintenance, roads and grounds; utilities; telecommunications; sustainability; energy programs; planning, design and engineering; historic and environmental compliance; construction; project management; administration; leasing; public affairs; special events; and programs.

### Capital Costs

Investments are needed to preserve and upgrade the Presidio as a national park that can support diverse park activities. The Trust must rehabilitate historic buildings, repair and improve infrastructure systems, and preserve and enhance historic forests and native plant areas as envisioned in the GMPA. Capital cost categories include: buildings, utilities, infrastructure, grounds, roads, park enhancements, and alternative transportation.

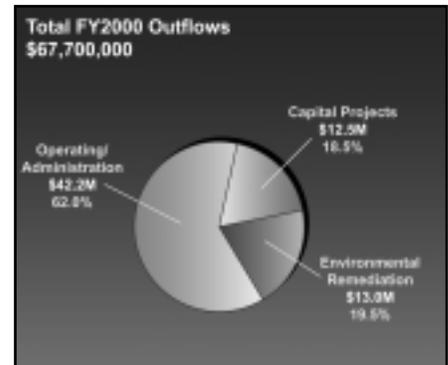
### Long-term Stewardship

All built systems in a park or urban setting eventually wear out. Presidio buildings, infrastructure, and even forests have useful lives after which they must be replaced, modernized or replanted. The Trust's financial plans must include set-aside funds to pay for capital costs in perpetuity. The categories of costs for which the Trust will build replacement reserves include residential and non-residential buildings, interior improvements, and infrastructure. The level of funds to be set aside each year to cover replacement or modernization costs will be factored into each plan alternative studied in PTIP.

### Financing Costs

The Presidio Trust Act authorized the Trust to borrow up to \$50 million from the U.S. Treasury. The principal and interest costs associated with Treasury borrowing must be repaid by the Trust from general revenues.

These summary financial charts offer a "snapshot" of the current costs and funds for Area B for the year 2000. These charts reflect financial information that will vary over time. The financial analysis under PTIP will account for changing inflows and outflows.

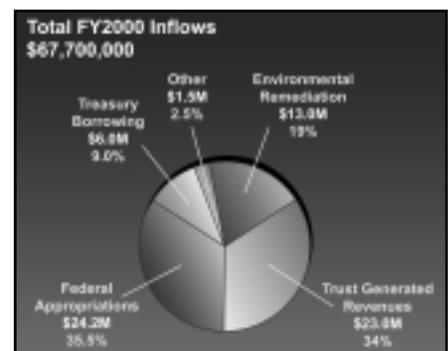
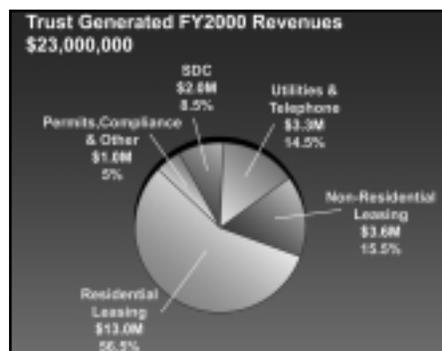


## Where Does the Money Come From?

Funding for Presidio improvements comes from a combination of \$50 million of Treasury borrowing, general Trust revenues, and tenant-financed building preservation efforts. Operating expenses are supported in the interim by annually declining Congressional appropriations until the year 2013, and then by general Trust revenues.

Environmental clean-up of the park (Area A and B together at \$100 million) will be funded separately by the Department of Defense.

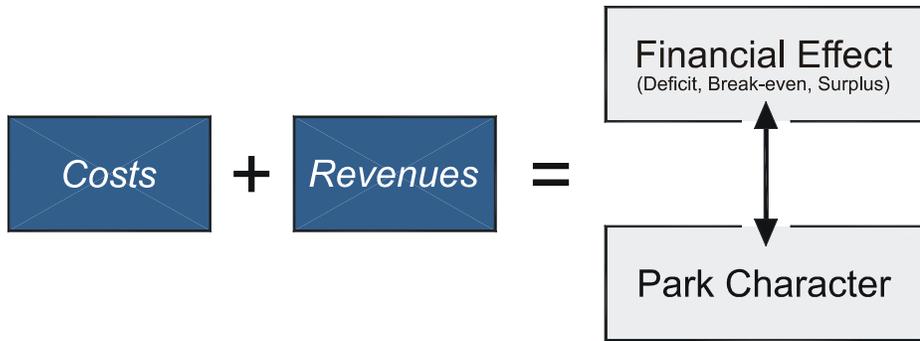
The sources of funds that fall into "general Trust revenues" include: Residential and non-residential leases at market rates for varying use categories; service district charges (a tenant reimbursement of Presidio-wide service costs); net utility income; parking; permits and special events.



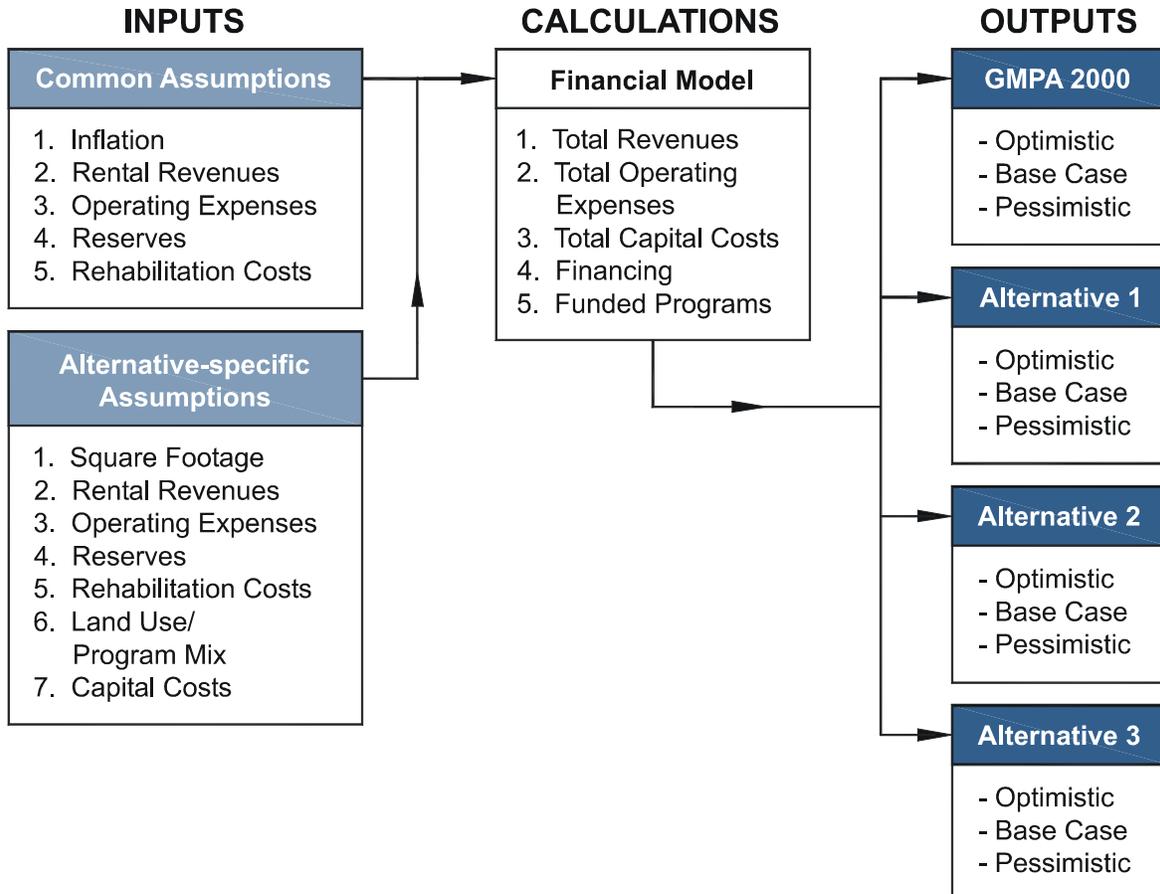
# Financial Forecasting Model

## Financial Analysis as Part of the PTIP Process

Each alternative proposed for study in PTIP will be analyzed for its long-term financial impacts using a financial forecasting model common to all alternatives. The different combinations of building and land use studied in the draft EIS will be analyzed using the model. The proposed financial model includes revenue and cost categories to evaluate the financial impact of different income rates and costs associated with elements of varying alternatives. The financial model will also factor in the level of funds to be set aside each year to cover replacement or modernization costs for each plan alternative studied. Every element of the model may not be used for a given alternative.



## Flow Chart of Model



# Financial Concepts: Scoping Questions

**A**s the Presidio Trust looks ahead to the park's future, there are several key issues to consider in developing a successful update to the Presidio plan and successful financial strategy. We would like your input on these and any other related PTIP planning issues:

- 1. How should the \$50 million aggregate cap for borrowing, tenant revenues, and direct federal funding until 2013 be spent to implement a plan for the park?*
- 2. How can the Trust's mandate for self-sufficiency best be balanced with program and public purpose goals?*
- 3. What are priority programs, projects or activities that the Trust should fund?*
- 4. What are different ways to achieve savings, efficiencies and economies of scale in building rehabilitation and park enhancements?*
- 5. How can revenues be most effectively generated?*
- 6. What are ways to reduce operating expenses over time?*
- 7. Are there other financial ideas, issues or concerns that should be considered in the plan/EIS?*

The Trust would like your input on materials in this handout and any comments, questions or concerns to be considered in the plan or EIS. Please feel free to respond here and add separate sheets of paper.

**Please send to:**

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