

CITY OF SAN DIEGO

Proposition H

(This proposition will appear on the ballot in the following form.)

PROPOSITION H

CHARTER AMENDMENT: INFRASTRUCTURE FUND. Shall the Charter be amended to require certain unrestricted General Fund revenues to be deposited in an Infrastructure Fund used exclusively to pay for capital improvements including streets, sidewalks, bridges, bike paths, storm water and drainage systems; public buildings including libraries, recreational and community centers; public safety facilities including police, fire and lifeguard stations; and park facilities, but expressly not used for new convention center facilities and new professional sports venues?

This proposition requires approval by 50% of the voters voting on the proposition.

Full text of this proposition follows the arguments

OFFICIAL TITLE AND SUMMARY

BALLOT TITLE

Charter Amendment Regarding Creation of an Infrastructure Fund

BALLOT SUMMARY

This proposition would amend the San Diego Charter by adding a new section 77.1, entitled "Infrastructure Fund." The amendment will require that the City place certain unrestricted General Fund revenues into a newly-created Infrastructure Fund. If approved by voters, the revenues available in the Infrastructure Fund would be restricted and could only be used to fund costs, including financing costs, related to General Fund capital improvements such as streets, sidewalks and buildings, and the maintenance and repair of such improvements.

CITY ATTORNEY'S IMPARTIAL ANALYSIS

The City of San Diego is responsible for the cost of constructing and maintaining certain public infrastructure such as City streets, police stations, libraries and public buildings. The General Fund is the City's primary operating fund and receives most City tax revenues. Other infrastructure improvements, such as water and wastewater facilities, are funded by ratepayers and are not funded by the General Fund.

This proposition would place unrestricted General Fund revenues in a restricted Infrastructure Fund. Funds legally restricted for other purposes are excluded from the Infrastructure Fund. Funds placed in the Infrastructure Fund would only be used for costs, including financing and personnel costs, associated with the acquisition of real property, construction, repair and maintenance of infrastructure. "Infrastructure" means streets, sidewalks, bridges, bike paths, storm water and drainage systems, public buildings and park facilities. New convention center facilities and new professional sports facilities are excluded from infrastructure. Software and technology with a useful life exceeding five years could be added to the definition of infrastructure by the City Council.

The City's audited revenues and expenditures in fiscal year 2016 is set as the base year for calculating various revenue requirements. The proposition becomes active with the City's fiscal year 2018 budget.

The revenue sources dedicated to the Infrastructure Fund include 50% the growth over the base year of major revenues. "Major revenues" means property tax, transient occupancy tax, and unrestricted franchise fees. "Franchise fees" are fees the City collects from utilities, such as SDG&E, that use public streets to distribute products. Major revenues would be diverted to the Infrastructure Fund until fiscal year 2022.

The proposition would divert a portion of unrestricted sales tax revenue to the Infrastructure Fund. Beginning in fiscal year 2018, sales tax revenue would be adjusted by the annual change in the statewide Consumer Price Index for California and any sales tax revenue exceeding this adjusted amount would be placed in the Infrastructure Fund each year until fiscal year 2043.

The proposition also will require the City to calculate its pension cost each year. The pension cost includes the actuarial determined contribution to the Retirement System (SDCERS), other payments made under the City's defined benefit plan, and employer-defined contributions made on behalf of employees initially hired after July 19, 2012 and who are not members of SDCERS. If the pension cost in any year is less than the pension cost in fiscal year 2016, the difference would be deposited in the Infrastructure Fund each year until fiscal year 2043.

The proposition would allow the Mayor to request its suspension for a fiscal year, which may be approved by the City Council with a two-thirds vote. The City would be required to maintain General Fund infrastructure spending at base year levels so that the Infrastructure Fund will not supplant General Fund spending.

The Council's Infrastructure Committee approved this ballot measure and the Council placed it on the ballot. If approved, the Charter amendments would become effective after they are chaptered by the California Secretary of State.

FISCAL IMPACT STATEMENT

This measure does not increase or decrease revenue for the City of San Diego (City). Instead it requires the City to restrict a portion of future General Fund revenue that would otherwise be unrestricted and available for any other City programs or services. Specifically, the measure requires the City to allocate a proportion of future revenue growth and future cost reductions in pension plans to a City Infrastructure Fund. This Fund will be used to fund capital costs, maintenance and repair costs, and related personnel costs that are associated with City infrastructure. Money in the Infrastructure Fund cannot be used for any other City purpose or expense.

The amount of future revenues that would be allocated to the Infrastructure Fund is difficult to forecast over the 25-year duration of the measure. Over the initial five years, assuming continued growth in City revenues, it is estimated that between \$140 million and \$200 million in future revenues could be allocated to the Infrastructure Fund. Allocations to the Infrastructure Fund will continue beyond the initial five years and are anticipated to continue to increase; however, actual allocations to the Infrastructure Fund depend on the actual growth of General Fund revenues and changes in the Consumer Price Index.

The measure also requires the City to, at a minimum, maintain its current General Fund spending on infrastructure maintenance in future years without using monies allocated to the Infrastructure Fund.

In times of fiscal need, this measure can be suspended for a year at a time only upon a request by the Mayor and an approval of that request by a two-thirds vote of the City Council.

ARGUMENT IN FAVOR OF PROPOSITION H

The City has neglected our infrastructure for far too long. The problem began when past city leaders failed to treat infrastructure maintenance as a core function of local government.

As a result, our streets, sidewalks & public buildings are crumbling. Our city has a \$1.4 billion infrastructure deficit and roughly 700 miles of streets are in poor condition.

Proposition H, also known as RebuildSD, will ensure that future city leaders do not repeat the mistakes of the past. RebuildSD makes infrastructure a core function of city government, dedicating up to \$4 billion towards San Diego's streets, sidewalks, parks, libraries, fire and police stations.

Importantly, Proposition H does not raise existing taxes or create any new taxes. It requires that the city pay for core infrastructure before considering spending taxpayer money on non-essential projects like a new football stadium or employee salary increases.

Investing in infrastructure is critical to our economy. Economists estimate that \$4 billion of infrastructure investment will generate \$6 billion in economic growth, putting thousands of San Diegans to work, cutting down commute times and making our region more attractive to outside investment.

This investment also saves taxpayers money in the long run. Every dollar spent today on properly maintaining streets saves the city up to ten dollars in long term replacement costs for broken and crumbling streets. Furthermore, driving on poor quality roads costs San Diegans an average of \$350 annually in extra car maintenance due to potholes and other road issues.

RebuildSD has received bipartisan support from a supermajority of the City Council, and is also supported by Mayor Kevin Faulconer, and Chamber of Commerce CEO/Former Mayor Jerry Sanders.

San Diegans deserve better roads & sidewalks. We need to rebuild San Diego with Proposition H.

Councilman Mark Kersey
Author of Proposition H

ARGUMENT AGAINST PROPOSITION H

Beware. Proposition H is a Politicians' Trick.

The City's own **Independent Budget Analyst** says Prop. H will NOT meet San Diego's most urgent infrastructure needs. Instead, Prop. H will leave us with a \$1.2 billion infrastructure funding deficit in the next five years alone and

San Diego's firefighters, paramedics, nurses, police officers oppose Prop. H because:

- Prop. H does NOT require funds be directed to the most urgent needs.
- Prop. H does NOT include a project list. Neighborhoods where residents have been waiting for decades for simple needs like sidewalks have no idea if these funds will be spent on their needs.
- Prop. H puts hundreds of millions of dollars in a "Mega-Slush Fund" the politicians can spend wherever they want.
- Prop. H can be spent on pet projects including a new City Hall, gondolas from the Bay to Balboa Park or even salaries for politicians' staff.

Prop. H robs from Peter to pay Paul. As San Diego grows, our need for essential services – Police, Fire, 911 Medical Emergency, Trash Pick-Up – also grows. Prop. H locks away hundreds of millions of dollars that the city will need for critical services.

NO CITIZEN SAFEGUARDS TO PROTECT THE PUBLIC. There is no public detailed project list identifying how taxpayer dollars will be spent. This lack of transparency and oversight means there will be no way to hold politicians accountable.

Leading advocates for Taxpayers say:

"Prop. H is a very bad idea. It ties the hands of the Council for 25 years. It could deprive the city of needed money for emergency services. It is riddled with loopholes and completely lacking in any effective oversight or transparency."

See for yourself what the city's **Independent Budget Analyst** said about Prop. H: <https://www.sandiego.gov/iba/reports/infrastructure>

Vote NO on Prop. H!
Don't fall for the Politicians' Trick.

SCOTT BARNETT
President
San Diego Taxpayers Advocate
TaxpayersAdvocate.org

LISA HAUGHEY
RN, Affiliate Hospital President
United Nurses Associations of California
Union of Healthcare Professionals

CLARE CRAWFORD
Executive Director
Center on Policy Initiatives

PROPOSITION H

ARTICLE VII

FINANCE

SECTION 77.1: INFRASTRUCTURE FUND

There is hereby created a fund in the General Fund that shall be called the Infrastructure Fund. The intent of the Infrastructure Fund is to require the City to dedicate specific sources of revenue to fund General Fund infrastructure.

(a) For the purpose of this section, the following definitions shall apply and the words shall appear in italics:

- (1) Base Year means the City's fiscal year 2016 audited actual revenues and expenditures.
- (2) Exempt Revenues means revenues that would be included in Infrastructure Revenues but are otherwise legally committed to other uses, such as sales tax rebate agreements.
- (3) General Fund Share means the amount budgeted annually in the General Fund for maintenance and repair functions related to Infrastructure, including but not limited to streets, storm water systems, and facilities. The City Council may, by ordinance, more specifically define included functions.
- (4) Infrastructure means General Fund capital improvements including streets, sidewalks, bridges, bike paths and related right-of-way features, storm water and drainage systems, public buildings such as libraries, recreational and community centers, public safety facilities such as police, fire and lifeguard stations, and park facilities. New convention center facilities and new professional sports venues are expressly excluded from the definition of Infrastructure. Software and other technology that is capital in nature (having a useful life in excess of five (5) years) may be included in the definition of Infrastructure by the City Council by ordinance.
- (5) Infrastructure Revenues means Major Revenues Increment, Sales Tax Increment, and Pension Cost Reduction dedicated to the Infrastructure Fund pursuant to this section, as specified, and excluding Exempt Revenues.
- (6) Major Revenues means property tax revenues, unrestricted General Fund transient occupancy tax revenues and unrestricted General Fund franchise fees. Sales tax revenues are excluded from the definition of Major Revenues as are any components of revenues otherwise identified as Major Revenues that are already dedicated to other purposes by this Charter or other law.

PROPOSITION H (CONTINUED)

- (7) Major Revenues Increment means fifty percent (50%) of the year to year growth in Major Revenues beginning with the Base Year.
- (8) Pension Cost means, for each enumerated item herein, the General Fund portion of:
(A) the City's Actuarial Determined Contribution (ADC) as provided to the City by the San Diego City Employees' Retirement System (SDCERS) plus (B) any payments required under the City's Preservation of Benefits Plan, plus (C) any payments made pursuant to the Supplemental COLA benefit, plus (D) any employer contributions made to an interim or final defined contribution plan on behalf of City employees initially hired on or after July 20, 2012 and who are not members of SDCERS. Pension Cost, as defined herein, is not intended to define, limit, or otherwise modify the City's obligation to fund any vested retirement benefit for any City employee.
- (9) Pension Cost Reduction means the amount by which the Pension Cost in the proposed budget for each fiscal year beginning in Fiscal Year 2018, is lower than the Pension Cost in the Base Year. If the Pension Cost in any fiscal year is higher than the Pension Cost in the Base Year there is no Pension Cost Reduction in that fiscal year.
- (10) Sales Tax Baseline means Sales Tax Revenue in the Base Year adjusted for the annual change in the statewide Consumer Price Index (CPI) for California.
- (11) Sales Tax Increment means the annual change in Sales Tax Revenue compared to the Sales Tax Baseline.
- (12) Sales Tax Revenue means any unrestricted sales tax revenue received by the City. In the Base Year, Sales Tax Revenue is the Bradley-Burns Sales Tax received by the City including the Triple Flip Property Tax reimbursement.
- (b) Beginning with the Mayor's Fiscal Year 2018 proposed budget, and for each fiscal year through Fiscal Year 2022, Infrastructure Revenues shall include Sales Tax Increment plus Major Revenues Increment, plus Pension Cost Reduction, minus Exempt Revenues.
- (c) Beginning with the Mayor's Fiscal Year 2023 proposed budget, Infrastructure Revenues shall include Sales Tax Increment plus Pension Cost Reduction, minus Exempt Revenues.
- (d) Beginning with the Mayor's Fiscal Year 2043 proposed budget, all funds previously budgeted in the Infrastructure Fund shall be budgeted in the General Fund as unrestricted revenues and the requirements of this section shall cease.
- (e) Each fiscal year, as part of the presentation of the proposed budget, the Chief Financial Officer shall certify as to the accuracy of the calculations used in determining the amount of Infrastructure Revenues.

PROPOSITION H (CONTINUED)

- (f) Infrastructure Revenues shall be used exclusively for the acquisition of real property, construction, reconstruction, rehabilitation, repair and maintenance of Infrastructure, including all costs associated with financing such acquisition of real property, construction, reconstruction, rehabilitation, repair and maintenance. Personnel costs associated with such use are also permitted. Infrastructure Revenues may not be used to fund debt service on General Fund lease revenue bonds issued before the effective date of this section. Infrastructure Revenues may not be used to fund operations, such as utility costs, janitorial services, waste management and upkeep of grounds. Operations may be more specifically defined by the City Council by ordinance.
- (g) The Mayor may request the suspension of the requirements of this section for one fiscal year or for the remainder of a fiscal year. After at least one public hearing on the request for suspension, the City Council may approve a one-year suspension by a vote of two-thirds of the City Council.
- (h) Except in the event of the suspension of the requirements of this section, in no fiscal year may the General Fund Share be less than the amounts included in the Base Year.
- (i) The adopted budget in any fiscal year must comply with the requirements of this section.
- (j) The City Council shall, by ordinance, establish policies and definitions, not inconsistent with this section, related to the use of the Infrastructure Fund.
- (k) Nothing in this section prohibits the City Council from transferring additional revenues to the Infrastructure Fund or otherwise funding infrastructure projects within the General Fund.
- (l) Infrastructure otherwise approved by voters in a general obligation bond election shall not be included in permitted uses of Infrastructure Revenues except with respect to maintenance and repair.

END OF PROPOSITION
