

REBUILDSD CHARTER AMENDMENT

JUNE 2016 BALLOT

POSITION

The Chamber's Public Policy Committee unanimously voted to **SUPPORT** the REBUILDSD ballot measure proposal on December 8, 2015. The Chamber's Board of Directors also voted to **SUPPORT** the REBUILD ballot measure proposal on December 17, 2015.

STATUS: The REBUILDSD ballot measure proposal was introduced by Councilmember Mark Kersey on Wednesday, December 2, 2015. If approved by City Council, the charter amendment will be on the June 2016 ballot.

BACKGROUND

Infrastructure funding was identified as one of the top public policy priorities for the Chamber. There are multiple discussions that the Chamber is involved in concerning infrastructure. The REBUILDSD Charter Amendment proposal was released by Councilmember Mark Kersey (author), accompanied by Council President Lightner on December 2, 2015. The Citywide vote in June for the REBUILDSD Plan would require the approval of the majority of voters before it could go into effect. If a sales tax increase measure for infrastructure appears on the November 2016 ballot, it would require a two-thirds vote.

ANALYSIS

The Author expects that the REBUILDSD plan will secure approximately \$4 to \$5 billion over the next 30 years. While substantial, the author states that this does not tackle the entire 5 year infrastructure backlog, as the majority of funding will be captured in outlying years. Rather, the intent of the initiative is to provide a smart and sustainable long-term investment in neighborhood infrastructure over the life of the measure.

Overview:

The REBUILDSD proposal was introduced by Councilmember Mark Kersey on December 2, 2016.

The REBUILDSD proposal will be heard by the Infrastructure Committee on December 9, 2015 and if approved, by the full City Council in January.

If approved by the City Council, the REBUILDSD proposal would appear on the June 2016 ballot and would require approval from a majority of voters.

The REBUILDSD proposal dedicates future sales tax (30 years), major general fund revenue (10 years), and net pension savings (30 years) above and beyond an adjustable baseline.

Some have indicated concerns that REBUILDSD would jeopardize an approval of a November 2016 ballot measure for infrastructure because the public would believe the infrastructure problem was solved.

The approval of REBUILDSD would not preclude a vote for a revenue increasing measure on the November ballot. According to the author, REBUILDSD is a necessary precursor to any contemplation of a measure to raise additional revenue for infrastructure. The REBUILDSD plan shows that City leaders are committing future dollars to infrastructure before considering asking for additional funding from the voters.

The REBUILDSD Infrastructure Fund would be established for the following infrastructure needs:

- Street and road repair
- Fire and police stations
- Parks and recreation facilities
- Sidewalks
- Storm drains
- Neighborhood revitalization
- Libraries
- Other city building facilities

The author is currently exploring ways to define infrastructure with the City Attorney's office to ensure that new technologies that may arise in the future are not precluded from receiving infrastructure funding.

General Fund:

Requires 50% of all new major general fund revenue growth, year over year, to be invested into neighborhood infrastructure for 10 years, beginning in FY 2017. Major general fund revenue growth is defined as Transient Occupancy Tax, Franchise Fees, and Property Tax. This is consistent with the last two city budgets and the commitment made by Mayor Faulconer while he is in office.

Sales Tax Revenue:

REBUILDSD Invests all general fund sales tax increment above the FY 2016 baseline, including any new state or local non-specific revenue measures, into the REBUILDSD Infrastructure fund for 30 years. The baseline is allowed to grow annually based on a combination of the Consumer Price Index and Cost of Living Adjustment for city employees. This is being done to ensure that this proposal does not have a negative impact on other city services/salaries.

In an economic downturn situation, where the sales tax revenue falls below the baseline, there would be no dedication of additional revenue for infrastructure. This would not impact reserves because in years that the sales tax revenue falls below the baseline, no minimum investment in infrastructure would be required.

Pension Payment Savings:

According to the author, the City is expected to see significant one-time savings from pension reform over the next 30 years. From FY 2018 to FY 2047 REBUILDSD dedicates 100% of all net pension payment savings into the

REBUILDSD Infrastructure Fund. The rationale is that in the past there was underfunding of the City's pension program which reached a crisis level during the economic downturn. To get out of the deficit infrastructure funding was slashed. Future dedicated revenues will ensure that infrastructure is adequately funded in the future.

Stop-Gap Provision:

The author is considering a stop-gap provision where the spending restrictions could be temporarily suspended by a 2/3 vote of the City Council if necessary. Chamber staff feels this provision is needed to ensure that there is flexibility in budgeting in an emergency or if an unforeseen circumstance arises.

Rebuild Plan vs. 2011 Save Our Streets Plan

In 2011 former Councilmember Carl DeMaio proposed an infrastructure financing plan that spanned five years, called the Save Our Streets Plan. This plan was not approved by the City Council or council committee. While similar in some respects to the REBUILDSD plan in that it dedicated future San Diego revenue for five years to road repair, it also contained several other components including changing City service structures, additional City employees, outside contractors and open competition for City contracts.

The author also asserts that under his leadership as Chair of the Infrastructure Committee, the City is in a better position to implement this proposal than in 2011 for the following reasons:

- The City has adopted its first ever multi-year capital improvement program. This was a comprehensive approach to acquiring, planning, designing, constructing, maintaining, renovating, and rehabilitating the City's infrastructure.
- In 2015, the City completed an unprecedented sidewalk assessment program to prioritize where investments should be made.
- In 2013 the author created a Neighborhood Input Policy and made public input a formal part of the process to prioritize infrastructure projects. Meetings are held annually throughout the city and feedback is integrated into long-term planning. It should be noted that the Chamber policy committees also participated in this policy.

Timing:

The City's Infrastructure Committee on Wednesday, December 9, 2015 voted 3 to 1 to support the REBUILDSD proposal and move to the full council. It is expected to be heard by the full City Council on January 18, 2016.

SUPPORT

Councilmember Mark Kersey

Council President Sherri Lightner