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**City of San Diego Proposition H: Rebuild San Diego Infrastructure Financing Plan**  
*April 2016*

**SDCTA Position:**

**SUPPORT**

**Rationale for Position:**

The SDCTA supports Rebuild San Diego because it garners desperately needed funds for capital projects. For too long, the City has not set aside adequate funds for the repair and maintenance of these assets, and for this reason it is the opinion of the SDCTA that these allocations should no longer be subject to the vote of the City Council. While the Rebuild SD proposal will not solve the infrastructure deficit in the City of San Diego, it is an important first step in the process of combating decades of negligence.

**Title:** City of San Diego Proposition H: Rebuild San Diego Infrastructure Financing Plan

**Jurisdiction:** City of San Diego

**Type:** Charter Amendment

**Vote:** Simple Majority

**Status:** Approved for June 6th municipal election ballot

**Issue:** Infrastructure Financing

**Description:** The Rebuild San Diego proposal seeks to reduce the infrastructure budget deficit in coming years by dedicating three streams of revenue to a new “infrastructure fund”

**Stream A:** Half of all major general fund revenue (defined as a combination of property taxes, transient occupancy tax, and franchise fees for 5 years).

**Stream B:** All general fund sales tax increases above a FY 2016 sales tax baseline for 25 years. This baseline is allowed to increase each year by the Consumer Price Index to adjust for inflation.

**Stream C:** Savings garnered from five year pensionable pay freeze resulting from recent public employee pension negotiations.

**Fiscal Impact:** According to the Independent Budget Analyst, over the course of 25 years, this measure will garner an estimate \$2.3 billion dollars for the infrastructure fund. Of this, roughly \$77.4 million will come from Stream A, \$909.1 million will come from Stream B, and \$1.3 billion will come from Stream C. Each of these funding streams are highly variable and as such these estimates should be approached with appropriate caution. While this amount is appreciable, it is important to note that it will not come close to closing the City’s infrastructure financing deficit. According to the 2015 Multi-Year Capital Planning Report, the City expects to have \$4.25 billion dollars in infrastructure needs over the next five years, of which only \$2.85 billion are funded. This leaves a funding gap of \$1.4 billion dollars, of which Rebuild will raise less than a quarter of a billion.

**Governance Impact:** Though the passage of this charter amendment may incentivize future city councils to propose similar measures to tackle other areas of public need that are underfunded, such as public safety, each succeeding City Council has failed for decades to appropriately budget funds for infrastructure maintenance and repair. This proposal may be a first step in readdressing the City’s priorities and assuring the taxpayers that the City can be trusted to spend tax dollars prudently, which it has failed to do within current governance constructs.

**Background:**

This measure was drafted in response to the growing recognition of local elected officials, city staff, and taxpayers of the vast scale of the City of San Diego's infrastructure backlog. For decades, the City's policymakers have failed to allocate sufficient funds for repair and maintenance of capital projects. Indeed, it was not until very recently that the City began efforts to adequately catalogue its assets and to rigorously consider how much money is necessary to maintain them in usable condition. As a result, the scope of the City's deferred maintenance backlog is staggering. The City's Multi-Year Capital Plan, released in January of 2015, identifies \$4.25 billion dollars in infrastructure needs from FY 2016 to FY 2020, of which only \$2.85 billion is currently funded, leaving a \$1.4 billion shortfall. To make matters worse, this estimate does not take into consideration assets such as parks, new recreation facilities, the majority of new fire stations recommended by the Citygate study of the San Diego Fire Department, Balboa Park, the Convention Center, or Qualcomm Stadium.

**Proposal:**

On December 9<sup>th</sup>, 2015 San Diego City Councilmember Mark Kersey presented his Rebuild San Diego proposal to the City Council's Infrastructure Committee, of which he is the current chair. The proposal seeks to increase the level of funding for infrastructure projects in the City of San Diego by earmarking three separate streams of expected income for a new infrastructure fund. These streams are as follows:

**Stream A:** Half of all major general fund revenue growth for 5 years (defined as a combination of property taxes, transient occupancy tax, and franchise fees).

**Stream B:** All general fund sales tax increases above a FY 2016 sales tax baseline for 25 years. This baseline is allowed to increase each year by the Consumer Price Index to adjust for the increase in cost of services due to inflation.

**Stream C:** Savings garnered from the five-year pensionable pay freeze resulting from recent public employee pension negotiations.

This reallocation of funding streams will begin with the Fiscal Year 2018 budget if the measure passes. The initial draft of the measure proposed by Councilmember Kersey recommended a period of ten years for Stream A, a 30 year duration for Stream B with no growth baseline decided (though Councilmember Kersey had previously stated his willingness to include one), and included no suspension clause. SDCTA staff presented the following list of policy recommendations for consideration at the Tuesday, January 26<sup>th</sup> meeting of the City Council:

- The measure should contain a suspension clause with a supermajority vote of the City Council
- Baseline programmatic expenditures should be allowed to increase along with the Consumer

Price Index

- The proposal must include a narrow, concise definition of infrastructure
- The proposal must contain a maintenance of effort clause to prevent newly gained funds from being diverted to other budgetary items
- Council should consider a time-limited duration of 15-20 years
- The performance of the ordinance should be put to regular evaluation by the City

In response to the effective advocacy of the SDCTA and other community organizations, a clause which allows the provisions of the measure to be suspended for a year at the recommendation of the Mayor with a super majority vote of the City Council has been included in the final measure, along with a concise definition of infrastructure, a draft maintenance of effort clause that can be strengthened by ordinance, and the aforementioned reduction in duration of the measure from 30 years to 25 years.

**Policy Implications:**

**Fiscal Impact:**

According to the Independent Budget Analyst, over the course of 25 years, this measure will garner an estimated \$2.3 billion dollars for the infrastructure fund. Of this, roughly \$77.4 million will come from Stream A, \$909.1 million will come from Stream B, and \$1.3 billion will come from Stream C. Each of these funding streams is highly variable and as such these estimates should be approached with appropriate caution. While this amount is appreciable, it is important to note that it will not close the City's infrastructure financing deficit. As detailed above, the City expects to have \$4.25 billion dollars in infrastructure needs over the next five years, of which only \$2.85 billion are funded. This leaves a funding gap of \$1.4 billion dollars, of which Rebuild will raise less than a quarter of a billion.

**Summary of Policy Recommendations:**

With the notable exception of Proposition 1A in 2006, the SDCTA has historically opposed measures that enact by constitutional or charter amendment policies that can be effectively implemented by the standard legislative process. The passage of these types of charter amendment may incentivize future city councils to propose similar measures to tackle other areas of public need that are underfunded, such as public safety, instead of working through normal legislative processes. However, the SDCTA views the current situation regarding infrastructure maintenance to be both untenable and unique. Council governance has proven unable to adequately budget for infrastructure needs, and this has resulted in a multi billion dollar backlog that is only worsening. While the current Council has realized the scope of the problem and is actively engaged in working toward a problem, this has not been the case historically, and cannot be counted on to continue indefinitely into the future. While a measure that increases revenue will ultimately be needed to bring the City's infrastructure to a serviceable level, this proposal may be an important step in readdressing the City's priorities and assuring the taxpayers that the City can be trusted to spend tax dollars prudently.



**List of Proponents:**

Councilmember Mark Kersey  
Council President Sherri Lightner  
Councilmember Lorie Zapf  
Councilmember Myrtle Cole  
Councilmember Chris Cate  
Councilmember Scott Sherman  
San Diego Regional Chamber of Commerce  
Building Industry Association

**Proponent Arguments:**

- Action must be taken to alleviate the City's deferred maintenance backlog and ensure future diligence.
- While the changes in the measure could and should be performed by ordinance, past councils have failed to do so
- Proposition H does not exclude the possibility of a revenue increase

**List of Opponents:**

**Opponents:**

Councilmember Todd Gloria  
Councilmember David Alvarez  
Center on Policy Initiatives

**Opponent Arguments:**

- The measure does not raise enough money to appreciably impact the infrastructure deficit
- It is not appropriate to place the budgetary restraints as the measure in the Charter