

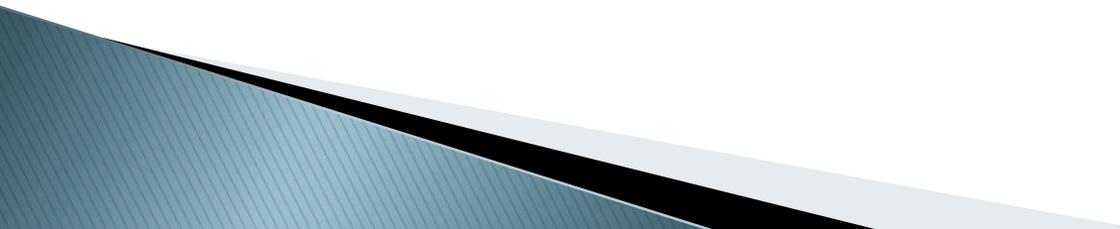


City of San Diego 2016 State Legislative Update

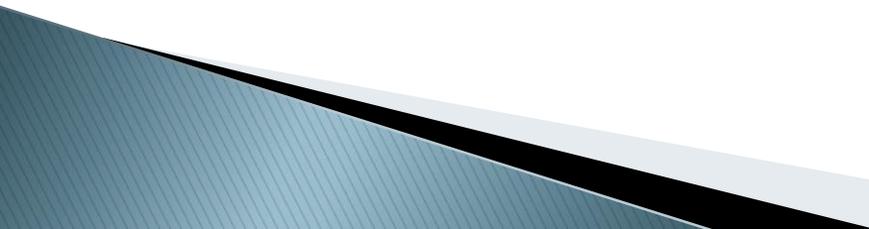
October 20, 2016

2016 Sacramento Update

Today's presentation will focus on:

- ✓ The Sacramento landscape for this year and next.
 - ✓ Hot topics
 - ✓ Final update on activities relative to the City's state legislative and regulatory priorities this session.
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2016 Sacramento Update

- November Elections
 - Legislative Races of Note
 - Propositions
 - Effect on Current Legislative Activity
 - Sacramento Landscape for 2017
 - Legislative Timeline
- 

2016 Sacramento Update

Hot Issues in 2016

▶ Transportation

- Governor called a transportation special session regarding transportation funding. Since no legislation was passed during the regular session, the special session was continued through the Fall. Conference Committee is meeting.
- The Governor and all four caucuses have proposed funding plans and reform measures.
- All the plans include significant funding for city streets and roads.

▶ *Result:*

- The Legislature and Governor could not come to an agreement on any funding/reform package.
- Some talk of lame duck session. Unlikely.

▶ Cap & Trade

- The budget allocated the formula-based funds (60% of the funds). The remaining funds are available for appropriation by the Legislature. For the last two budgets, the Legislature and Governor could not agree on

▶ *Result:*

- In the final hours of session, the Legislature and Governor agreed to an appropriation package of \$900 million in funding.

2016 City Priorities

FOCUS 1.1: Innovation Economy

- Support the growth of San Diego's key innovation industry clusters, including but not limited to biotechnology, life sciences, high tech, advanced manufacturing, sports and active lifestyle, digital economy, clean tech, blue tech, and cyber security.
- Support legislation to provide direct incentives and/or ease barriers to private funding for companies and other entities engaged in research, development and commercialization of key innovation industry clusters.
- Support legislation that encourages, increases and eases technology transfer from institutes of higher learning to the marketplace.
- Support San Diego's start-up community through legislation aimed at developing funding for emerging local entrepreneurs and companies.
- Support legislation that facilitates and funds incubators, accelerators, makers, and co-working space.
- Support legislation to boost San Diego's prominent craft beer, brew tech, industry.
- Oppose legislative and regulatory mandates imposed on San Diego's innovation economy.

ACTIVITY

- ✓ Continue to work with biotech industry association to improve facilities and protect against flooding for biotech companies in San Diego. Legislature still unwilling to allocate funds during the drought.
- ✓ AB 2664 (Irwin) requires the University of California (UC) to fund innovation and entrepreneurship programs at each UC campus. *Support; Signed by the Governor.*
 - ✓ We notified the San Diego delegation of the City's support for this measure which will provide \$2.2 million directly to the San Diego region, via UC San Diego, for entrepreneurship and economic development activities. We wrote to the Governor regarding the City's support.
- ✓ State Budget included \$10 million to further the efforts of the California Initiative to Advance Precision Medicine (CIAPM). It will fund new demonstration projects and facilitate additional multi-institution and private-sector partnerships.
- ✓ SB 1426 (Hall) would have given unfair advertising advantage to large corporate brewers. *Oppose; Failed Passage.*
 - ✓ Following up on the letter of opposition by Councilmember Cate, we engaged with the coalition of opponents to assist in opposing the measure. We ensured the San Diego delegation knew of the City's opposition as well. While the bill died, we remained vigilant of rumors that the bill would be reintroduced in the final days of the Legislative session.

2016 City Priorities

FOCUS 1.2: Economic Development

- Support legislation that strengthens the city's business expansion, attraction and retention efforts.
- Support legislation that strengthens the city's three key traded industries: defense, tourism, and innovation.
- Support legislation that preserves and expands community and economic development tools and funding options for city services, including the IBank's programs which finance public infrastructure and private development.
- Support local businesses in successfully competing for California Competes funding, including the prioritization of former enterprise zone businesses.
- Support state reform of the minimum franchise tax and other taxes/fees to avoid charging businesses prior to their bringing in revenue and when the business is inactive or operates at a loss.
- Continue to support redevelopment reform legislation and policies that clarify the wind down process.

ACTIVITY

- ✓ AB 1348 (Irwin) establishes the federal grant administrator within the State Clearinghouse to serve as the state's primary point of contact for information on federal grants related to community, economic and local development. *Watch; Signed by the Governor.*
- ✓ SB 936 (Hertzberg) allows more small businesses to be assisted through the California Small Business Loan Guarantee Program. *Signed by the Governor.*
 - ✓ We notified the San Diego delegation and the full Legislature of our support for this measure. Additionally we provided testimony in legislative policy committees in support of the bill. We communicated with the Governor the City's support.

2016 City Priorities

FOCUS 1.3: Exports, Foreign Direct Investment & Bi-National

- Support foreign direct investment initiatives which increase economic opportunities locally.
- Support export opportunities including efforts to reinstate the establishment of a California Export Finance Office to help firms, especially small businesses, overcome hurdles to entering new export markets.
- Support additional California Trade Offices in Europe and Asia.
- Support legislation that would expand economic relations with Mexico and leverage cross-border ties to maximize trade potential of the CaliBaja Bi-National Mega Region.

ACTIVITY

- ✓ The Governor's vetoes of a number of international bills in the past continue to dampen Legislature's interest in reintroduction of bills to accomplish these goals.
- ✓ SJR 22 (Hueso) urges the federal government to fund infrastructure improvements at the Calexico West Land Port of Entry.

2016 City Priorities

FOCUS 1.5: Tourism and City Promotional Activities

- Support initiatives that promote tourism including cultural tourism through arts and culture.
- Support measures that support and promote the entertainment industry including opportunities for local film and TV industry workers.

ACTIVITY

- ✓ SB 1465 (de León) establishes a structure to provide state financial guarantees to demonstrate that California is serious and prepared to host the 2024 Olympic Games and Paralympic Games. *Support; Signed by the Governor.*
 - ✓ As part of a push by the "Big 10 Cities," the City supported this bill as important for cultural and economic development. We testified in multiple hearings and lobbied the San Diego delegation on the importance of the bill.
- ✓ AB 866 (E. Garcia) extends the tied-house exception to include Petco Park. *Watch.*
 - ✓ While we were not initially notified by the sponsors of the bill, the Padres, about their intent to introduce this bill, we actively reached out to the team's advocates to ensure the City's position was understood. We did not take a formal position on the bill since the team management did not ask for the city's support. However the bill did not pass. According to the team's advocate, the bill was put on hold while a more global, league-wide solution is developed.

2016 City Priorities

INFRASTRUCTURE, WATER RELIABILITY & THE ENVIRONMENT

FOCUS 2.1: Transportation Infrastructure

- Support legislation and opportunities to improve transportation, including, but not limited to, improving traffic flow, repairing local roads and highways and supporting noise abatement for properties near freeways.
- Support existing and expanded funding for local and regional transportation infrastructure, including Transit Oriented Development projects.
- Support legislation and opportunities to increase funding and flexibility to improve mass transit and alternative transportation including local and regional bicycle and pedestrian mobility projects, safety, and infrastructure improvements.
- Support efforts to increase funding and remove legislative and regulatory barriers for infrastructure improvements that improve connections to and facilities around public transit, buses, streetcars, and trolley lines.
- Oppose legislative and regulatory mandates imposed on Transportation Network Companies.

ACTIVITY

- ✓ The Transportation Special Session on transportation funding. The Legislature and Governor could not agree on a package this year.
- ✓ The Cap and Trade appropriation this year funds the following, among many other programs:
 - \$135 million for the Transit and Intercity Rail Capital program, helping fund essential local capital projects to keep Californians moving by bus and commuter rail;
 - \$10 million for the Active Transportation Program to fund bicycle and pedestrian programs that make walking or biking to school and work safer and easier;
 - \$140 million for the Transformative Climate Communities program to allow for a community-wide approach for disadvantaged communities specified in statute to implement an integrated transportation, housing, and green space development plan to reduce pollution and improve local quality of life;
- ✓ A number of bills related to Transportation Network Companies and traditional taxicabs were debated.
 - ✓ AB 828 (Low) Failed Passage.
 - ✓ AB 2763 (Gatto) Signed by the Governor.
 - ✓ AB 2790 (Nazarian) Contents removed from bill.
 - ✓ AB 650 (Low) Vetoed by the Governor.

2016 City Priorities

FOCUS 2.2: Border Infrastructure

- Support funding for border infrastructure and economic development to enhance international trade and cross-border relations through better trade facilitation and port of entry infrastructure.
- Support efforts to continue to decrease border wait times, including the creation of an enhanced drivers' license (EDL), to reduce lost economic output.

ACTIVITY

- ✓ After several years of attempting passage of an EDL bill, including last year's which resulted in a veto, Senator Hueso did not reintroduce legislation this year (SB 249) to create an enhanced drivers' license.
- ✓ AB 2170 (Frazier) Requires federal freight revenues from the FAST Act be deposited into the Trade Corridor Improvement Fund and apportioned and existing TCIF program guidelines. *Support; Vetoed by the Governor.*
 - ✓ We provided written support of this important bill for goods movement within the San Diego region. We also testified in multiple committees on behalf of this bill. In the final two weeks of session this measure, underwent much negotiation amongst the Administration, Assembly and Senate leadership, unions and transportation agencies. We closely monitored and engaged with our delegation during this time regarding the importance of this measure. We have written in support to the Governor on behalf of City.

2016 City Priorities

FOCUS 2.3: Water Sustainability and Reliability

- Seek support for our applications to obtain the City's fair share of \$7.5 billion water bond.
- Support legislation that maintains the City's authority and increases certainty and streamlining of the regulatory process, as well as seeking funding, for both indirect and direct potable reuse to ensure this sustainable source of clean drinking water and favorable resolution of the current Point Loma Wastewater Treatment Plant Discharge Permit renewal process.
- Support legislation and take the necessary administrative action to access low-cost loans for the planning, design and construction of various water infrastructure as well as for the replacement of aging water and sewer systems and to meet new regulatory requirements (i.e. State Revolving Loan Fund, Water Infrastructure Financing Innovations Authority, etc.)
- Work with partners to seek legislation to improve the state's Integrated Regional Water Management (IRWM) Program.
- Support efforts to streamline storm water channel clearing.
- Support legislative options to provide rate assistance to low income customers.
- Support legislative options to structure sustainable water conservation pricing while maintaining ratepayer protections.
- Seek funding for economic incentive programs for residential and commercial water conservation and reuse, especially in light of the drought.
- Seek support for fairly adjusted water mandates for conservation in San Diego that account for local infrastructure investments and development of a new water supply.
- Support funding and grants for improving technology for regional desalination projects.
- Monitor policies to improve and strengthen California's Bay-Delta infrastructure.

ACTIVITY

- ✓ Last year's budget allocated much of the water bond funds. We continue to work with the State Water Resources Control Board and Department of Water Resources to access those funds.
- ✓ AB 2022 promotes Pure Water by authorizing the distribution of advanced purified demonstration water for educational purposes and the promotion of recycled water. *Support; Signed by Governor.*
 - ✓ We worked with City staff on this bill in its many iterations. Initially the bill was strongly supportable and we communicated the City's support in writing and through testimony in multiple committees. As the bill was amended we worked with staff to determine the full impact, both positive and negative of the bill's provisions. In the end, since the bill would not necessarily apply to charter cities we reduced our level of involvement in the bill's passage.
- ✓ SB 163 (Hertzberg) imposes a new "waste and unreasonable use" standard on wastewater discharge to the ocean as well as to water suppliers who do not take recycled water. Would have a profoundly deleterious effect on Pure Water. *Oppose; Failed Passage.*
 - ✓ This was a high priority bill for the City. We were active participants in a lobby coalition against the bill. We communicated this City's position on this measure and testified in committee on the bill's onerous provisions. The author has vowed to bring this bill back next year which will require our continued action.

2016 City Priorities

FOCUS 2.4: Environment and Energy

- Support legislation that would help the City meet the greenhouse gas (GHG) reduction goals in the Draft Climate Action Plan
- Support the equitable distribution of Cap-and-Trade revenues to support the GHG reduction goals of AB 32, SB 375, and the CAP.
- Seek state funding for low-impact development (LID) capital improvement projects.
- Support legislation and policy that provide incentives, reduce barriers, and lower costs for energy efficiency, renewable energy, fuel-efficient vehicles, and electric vehicles.
- Support efforts to increase the Renewable Portfolio Standard for investor-owned utilities, electric service providers, and community choice aggregators provided excessive costs are not mandated on consumers.
- Support CEQA reform to streamline the environmental review process, expedite litigation, and reduce compliance costs, including for special events.
- Support legislation and funding for the identification and maintenance of parks and open space areas.
- Support expediting the Coastal Commission process to expedite approvals.

ACTIVITY

- ✓ **AB 33 (Quirk) would establish regulatory authority for hydro-pumped storage at San Vicente Reservoir. Was amended in final week of last session but is now restarted and has heard on June 13. *Support; Signed by Governor.***
 - ✓ Working with the San Diego Water Authority, we supported this bill to create a path for a hydropump storage facility at San Vicente. We communicated our support to the San Diego delegation and provided notification to the Governor of the City's support.
- ✓ **AB 2693 (Dababneh) amends the enabling statutes for the Property Assessed Clean Energy (PACE) program. Initial versions of the bill would have drastically reduced the effectiveness of the program, which is a component of the City's Climate Action Plan. *Support; Signed by Governor.***
 - ✓ Along with a broad coalition of local governments, the City initially opposed this measure which would severely hurt the PACE program. While amendments early in the process were significant enough to remove the City's opposition, they were not enough to move to a support position. We continued to closely monitor the bill and in the final days of the session amendments were taken which resolved remaining concerns. We communicated the City's position to the Governor.

2016 City Priorities

FOCUS 2.5: Storm Water Regulatory Relief and Water Management

- Support funding, legislative and regulatory opportunities to improve and maintain the city's storm water management programs and facilities for the recharge of groundwater basins.
- Support the removal of barriers to local and regional funding for water and storm water projects.

ACTIVITY

- ✓ Continue working with statewide organizations to seek Constitutional amendment that would clarify the process for fee changes via the Proposition 218 process. SB 1298 (Hertzberg) attempted a statutory fix but was legally-questionable statutory and therefore failed passage.
- ✓ SB 163 (Hertzberg) imposes a new “waste and unreasonable use” standard on wastewater discharge to the ocean as well as to water suppliers who do not take recycled water. Would have a profoundly deleterious effect on Pure Water. *Oppose; Failed Passage.*

2016 City Priorities

HOMELESSNESS, HOUSING AFFORDABILITY AND NEIGHBORHOOD SERVICES

- Support legislation and grants to provide funding and incentives for programs which provide adequate affordable and accessible housing for all economic segments of the community including the homeless, elderly, handicapped, veterans, and low-income persons.
- Seek streamlining of affordable housing regulations to bring them more in line with market rate housing.
- Support efforts to reform the point system used by the California Tax Credit Allocation Committee in overseeing affordable housing programs.
- Support legislation that promotes neighborhood revitalization through mixed income housing, and that could be used in the creation of 'economic opportunity zones' to incentivize revitalization of low-to-moderate income communities.
- Support legislation which enhances funding for public library programs and facilities.

ACTIVITY

- ✓ AB 2817(Chiu) would increase the aggregate amount that can be allocated to the Low-Income Housing Tax Credit (LIHTC) program by \$300 million. *Support; Failed Passage*
 - ✓ We communicated the City's support position on this measure and testified in multiple committees on the bill's provisions.
- ✓ The State Budget included a number of proposals aimed at increasing affordable housing:
 - ✓ The "No Place Like Home" initiative uses Proposition 63 funds to provide \$2 billion for supportive housing for mentally ill homeless.
 - ✓ The \$400 million that was set-aside for affordable housing programs pending negotiations between the Governor and the Legislature on legislation that would provide housing "by right" for certain housing projects will not be appropriated since they could not come to agreement.
- ✓ AB 2444 (Garcia) places a \$3 billion GO bond on the ballot entitled California Parks, Water, Climate, and Coastal Protection and Outdoor Access For All Act of 2016. *Watch; Failed Passage.*
 - ✓ We met with City staff to provide analysis and receive feedback on the City's priorities for a state parks bond. While no position was ultimately taken by the City, we closely monitored to ensure the City could fairly compete for funds if this bond were to pass ultimately.

2016 City Priorities

OPEN GOVERNMENT & TRANSPARENCY

- Support legislation that strengthens, protects and expands ongoing revenue for the City.
- Support legislation and grants to fund e-government initiatives.
- Oppose measures which restrict the ability of local governments and charter cities to issue various long term obligations for local infrastructure under existing State statutory authority.
- Oppose legislation that undermines and preempts local authority over taxes and fees.
- Continue to support legislation to improve and expand use of Infrastructure Financing District (IFD) funds, including enhanced IFDs.
- Oppose any and all state efforts to start taxing interest income from investing in municipal bonds.
- Support greater transparency in all levels of government institutions.
- Support legislation that provides funding and resources for retrofitting municipal buildings and public infrastructure to increase energy and water efficiency, conservation, and reuse.

ACTIVITY

- ✓ AB 2492(Alejo) provides technical clean up to last year's bill which created the Community Revitalization and Investment. *Support; Signed by the Governor.*
 - ✓ We communicated the City's support position on this measure and testified in multiple committees on the bill's provisions. We wrote in support to the Governor on behalf of the City.
- ✓ SB 885 (Wolk) prescribes the contractual arrangement between a public entity and a designer, engineer or architect with respect to public works projects. *Concerns; Failed Passage.*
 - ✓ We worked with City staff to determine full extent of the impact of the bill's provisions on City contracting. While we took an initial position of oppose, City staff and City Attorney staff later determined that San Diego already complies with much of the bill's provisions. Throughout the year, we continued to monitor the bill to ensure the bill was not expanded to adversely impact the City's ability to contract properly.

2016 City Priorities

5. PUBLIC SAFETY

- Support public safety related legislation and funding for activities, infrastructure and equipment needs of police, fire, lifeguard, and gang prevention, intervention and diversion programs, including replacement or new construction of public safety facilities.
- Support regulatory or other measures that will assist with police recruitment and retention.
- Support legislation and regulatory acts that allow jurisdictions with Exclusive Operating Areas for Emergency Medical Services to procure and administer their own EMS contracts.
- Support reform of state regulations related to residential rehabilitation facilities in residential neighborhoods.
- Support and enhance state policies and resources that help local authorities prevent devastating wildfires.

ACTIVITY

- ✓ SB 443 (Mitchell) would have negative impacts on the City's ability to fight organized crime, especially international narcotics and money-laundering operations. *No position (Oppose prior version); Signed by the Governor.*
 - ✓ We communicated the City's opposition to this measure in 2015, when it was held due to significant public safety opposition. When it was revived this year, amendments were taken to address those concerns.
- ✓ There are currently several bills related to drones:
 - ✓ AB 2320 prohibits the operation of a drone in a manner that violates a protective order, constitutes stalking, interferes with emergency response personnel, or facilitates delivery of contraband into a jail or prison. *Vetoed by the Governor.*
 - ✓ SB 807 provides immunity to local governments which damage private drones in the course of emergency response. *Signed by the Governor.*
 - ✓ SB 868 sought to comprehensively regulate drone use in California by establishing numerous prohibitions, restrictions, and penalties on the use of drones in ways that would invade privacy, endanger personal safety, interfere with critical infrastructure or harm nature. *Failed passage.*

2016 City Priorities

6. EDUCATION & YOUTH OPPORTUNITY

- Support initiatives of local universities, colleges and technical trade education facilities to continue funding and developing career technical education, and technology-based career centers, including the Career Pathways program and STEAM education, to close the 'skills gap' and embrace industry opportunities.
- Support efforts to attract and retain green collar jobs and provide workforce training in renewable energy, energy efficiency, green building, and other related fields.
- Support initiatives to facilitate youth, at-risk youth, veteran, and ex-offender educational and employment opportunities.

ACTIVITY

- ✓ SB 1216 (Hueso) provided a tax credit for employers who hire that hire certain young individuals who are ex-offenders convicted of a felony. *Support; Failed Passage.*
 - ✓ In its original form this bill provided a tax credit for businesses which employ ex-offenders. We communicated this City's support position on this measure and testified in multiple committees on the bill's provisions. In the final weeks, the author was notified of the Governor's intent to veto the measure if they passed it. Instead of sending the bill to him, Senator Hueso used SB 1216 as a tool to assist in the negotiations on AB 2170 regarding trade corridor funding.

2016 Recap & 2017 Outlook

Questions/Comments?