



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: January 20, 2006 REPORT NO.: 06-010
ATTENTION: Honorable Scott Peters, Chair & Members of the Committee
On Rules, Open Government, and Intergovernmental Relations
January 25, 2006

SUBJECT: State Infrastructure Bond

REFERENCE:

REQUESTED ACTION: Information Report Only

STAFF RECOMMENDATION: Adopt Report

SUMMARY:

1. Governor Schwarzenegger and Legislative leaders have announced their intention to pursue voter approval of an infrastructure bond in 2006
2. Almost a dozen legislative proposals are under consideration
3. The City of San Diego is assessing these proposals and preparing priority lists for projects that would benefit the city and region

FISCAL CONSIDERATIONS:

To qualify for some bond resources, the City of San Diego would likely be required to provide some local matching funds

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

This report was requested by Council Committee

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Community support for the bond will be considered when the state proposal is better defined

KEY STAKEHOLDERS & PROJECTED IMPACTS (if applicable):

Originating Department
Officer

Deputy Chief/Chief Operating

Background

Legislative leaders and Governor Arnold Schwarzenegger have expressed strong interest in passing a significant infrastructure investment program in the 2006 legislative session. The following initiatives are anticipated:

1. Several infrastructure bonds have been introduced in the legislature:
 - SB 1024 (Perata): \$10.275 billion (likely to increase)
 - SB 153 (Chesboro): \$3.865 billion Resources Bond
 - AB 1783 (Nunez): Details not yet announced
2. Governor Schwarzenegger announced a \$222 billion, 10 year infrastructure program in his State of the State address January 5, 2006. The proposal provides for \$68 billion in General Obligation bond offerings between June, 2006 and November, 2014 (schedule below) – as well as \$152 billion in existing and new use fee revenues.

| <u>Funding Category</u> | <u>Total funding</u> | <u>GO Bonds</u> |
|------------------------------|----------------------|-----------------|
| Transportation & Air Quality | \$107 billion | \$12 billion |
| Education Facilities | \$59.9 billion | \$38 billion |
| Flood Control & Water Supply | \$35 billion | \$9 billion |
| Public Safety | \$17.4 billion | \$6.8 billion |
| Court Facilities | \$3.3 billion | \$2.2 billion |

| 10 Funding Plan: GO Bonds | 2006 | 2008 | 2010 | 2012 | 2014 |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Transportation & Air Quality | 6.0 | 6.0 | - | - | - |
| Education Facilities | 12.4 | 4.2 | 7.7 | 8.7 | 5.0 |
| Flood Control & Water Supply | 3.0 | - | 6.0 | - | - |
| Public Safety | 2.6 | - | 4.2 | - | - |
| Court Facilities | 1.2 | - | 1.0 | - | - |

3. Two bonds have already qualified for the ballot:
 - Library Bond (SB 1161): \$600 million proposal will appear November, 2006
 - California High Speed Rail Bond: \$9.95 billion adopted by Legislature - public vote delayed several times. It is possible that this proposal will be replaced with a more modest \$1 billion funding proposal in 2006 – with further votes in later years.
4. An independent group is seeking to place a resource bond on the ballot

Funding sources for the bond would include:

- State General Fund: The Governor’s proposal would establish a cap of 6% of state General Fund revenues for debt retirement – and would issue bonds that would keep the State somewhere in the mid 5-6% range through the mid-part of the next decade. The other proposals, more modest in scope, would generally keep the state in the same 6% General Fund expenditure range for debt retirement – but for a shorter period of time.

- Existing & new User Fees
- Construction Industry/Labor group is seeking ¼ cent sales tax increase – generating \$20 billion over 30 years

The architecture for the synthesis of these bond proposals is beginning to take shape:

- The Governor is said to have consulted Legislative leadership in the formation of his bond proposal – and further negotiations are considered likely between legislative leaders and the Governor early in 2006.
- The Legislature has formed a Conference Committee to receive recommendations from the Assembly and Senate – and is scheduled to meet for purposes of organizing the week of January 23. Conferees include:

| | |
|------------------------------|----------------------------|
| Senator Kevin Murray (Chr) | Assembly Member John Laird |
| Senator Wes Chesbro | Assembly Member Judy Chu |
| Senator Dennis Hollingsworth | Assembly Member Rick Keene |
- Legislative Policy Committee hearings are anticipated as follows:
 - Senate
 - Sacramento hearings through January
 - Field hearings through February
 - San Diego Target dates: February 3 or 10, 2006.
 - Assembly hearings are anticipated in January & February
 - Transportation & Housing 1/24 or 1/30
 - Water: TBD
 - Public Safety: TBD
- Legislative leaders have expressed a preference for a large, single bond proposal on the 2006 ballot. The Governor proposes a 5 part proposal to voters:
 - Transportation
 - Water
 - Jails/Court Houses
 - K-12 Education
 - Higher Education
- To qualify for the June, 2006 ballot would require agreement by March 15.
- There is no consensus on whether a November proposal would be acceptable to members of the Legislature due to the election for Governor that would coincide.
- Republic legislators have requested that environmental regulations be reviewed and possibly amended as part of the bond proposal.

Establishing a Regional Strategy

On November 23, 2005, The Government Relations Department convened SANDAG, the Port of San Diego, as well as representatives of San Diego business advocates to discuss how to best position the region in the negotiations by which an infrastructure program will likely emerge. Conclusions of the meeting:

1. We need to define San Diego interests with respect to projects and funding sources for the initiative. SANDAG will help establish a regional perspective. A timeline for action was, subsequent to the meeting, provided:

| | |
|---------------------|------------------|
| SANDAG Policy Board | January 13, 2006 |
|---------------------|------------------|

SANDAG Board Retreat
Legislative Hearing in San Diego
Local/SANDAG Board

February, 2006
February 3 or 10 2006
February 10, 2006

2. We need to be prepared to participate in the campaign likely to be associated with a bond proposal. One reason the region has fared poorly in previous bond proposals is that bond organizers generally assume San Diego will neither support financially, not vote for, most bond proposals. Because law and common sense dictate that taxpayer funds not be expended on any campaigns, the group decided to pursue resurrection of the non-taxpayer supported group that advocated for Proposition A, the TransNet extension, in the 2004 November election. The following timeline was subsequently developed:
 - a. San Diego Regional Economic Development Corporation convened Proposition A representatives December 20 2005
 - b. Target date for stake holders meeting January 31, 2006

Defining the City of San Diego's Interests

All relevant Departments within the City of San Diego are currently reviewing the terms of the bond proposals for three purposes:

1. Determining appropriateness of funded categories to state and regional needs
2. Determining whether funding allocations will be fair to the San Diego region: Mayor Sanders has expressed his support for formula distribution of funding wherever possible
3. Establishing project priorities for the City in 6 areas
 - Transportation & Goods Movement
 - Housing
 - Parks & Open Spaces
 - Drinking Water
 - Waste Water & Storm Water
 - US/Mexico Border

Conclusion

The working group is now focused on developing project lists of regional and city interest in each of these funding categories. The city will have the option of pursuing funding for these options through two strategies:

- ✓ Feeding priorities into the broader SANDAG process
- ✓ Providing recommendations directly to state elected officials