



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: January 4, 2012

REPORT NO:  
12-04

ATTENTION: Honorable Council President and Members of the Council

SUBJECT: Proposed 2012 Legislative Program

SUMMARY:

The Intergovernmental Relations Department (IRD) is charged with developing the City's draft annual legislative program for approval by the City Council. The legislative program is the City's proactive list of legislative, budgetary and regulatory priorities for the upcoming year in both Sacramento and Washington D.C. IRD recommends the City Council adopt the City's 2012 legislative program.

BACKGROUND:

As was the case in previous years, specific criteria drive the City's 2012 legislative focus:

1. Increased job creation and economic development.
2. Protection of existing revenues, opportunities for new revenues, and cost savings.
3. Greater ability or flexibility to provide municipal services.
4. Enhancement of public safety.

The proposed legislative program reflects many of council's priorities, which IRD solicited in the fall, are consistent with the criteria above, appear feasible, and have broad appeal.

DISCUSSION:

2011 may very well be perceived as among the worst of times on the state and federal front for municipal government. At the state level, local funds and local control were under assault. In an attempt to confront a nearly decade-long inability to balance the state budget, which faced a \$25 billion deficit last year, the Governor successfully shepherded a measure through the Legislature that killed redevelopment over the objections of local governments statewide. Despite the

Legislature's companion effort to permit the continuation of redevelopment through a mechanism whereby the City makes annual payments to the State, the Supreme Court on December 29, 2011 found that although the bill eliminating redevelopment was constitutional, the bill resurrecting them was not. As a result, the City will now be required to "wind-down" redevelopment as tax increment not used to pay down existing redevelopment obligations must be redistributed according to the existing property tax allocation formula.

In another budgetary maneuver to save the state money, Sacramento's "realignment" efforts led to the state trickling down some of its current responsibilities, primarily in the health and human services and public safety areas, to local governments (predominantly counties), but failed to provide a continuing funding source, which resulted in funding that had been historically relied upon by cities for public safety purposes being "redirected" toward those efforts and away from cities. Other steps by Sacramento to infringe upon local control included bills to dictate impasse proceedings, prohibit local control over project labor agreements, and overturn the will of the voters to establish a solid waste facility in North County (although the Governor vetoed this bill).

On a positive note, the City was successful in its efforts with the Big Ten and our Economic Growth Services in defeating the elimination of Enterprise Zones, which was part of the Governor's original budget proposal. Additionally, IRD successfully advocated for equal treatment for job-generating projects in all cities during the Legislature's last-minute CEQA reform efforts that were originally only targeted towards one project. Lastly, IRD cooperatively worked with SANDAG and our local delegation on state legislation that maintains a proper balance between highway expansion and transit development.

2012 will likely be spent on defending local control and local funding, including our enterprise zones, even as the City seeks to create a new reformed program to replace redevelopment that contains the two pillars of economic development/job creation and affordable housing. Still facing an estimated \$13 billion state budget deficit, Governor Brown is expected to release his budget proposal on January 10, at which point we will have a better sense of how it might affect city coffers. We expect the Governor and the Legislature to engage in additional attempts to direct what little state funding the City still receives towards the state deficit. IRD will be working with the League of Cities and the Big Ten to protect critical funding and economic development opportunities and prevent unfunded mandates. Other efforts will include working with the travel and tourism and local business community to protect our special events from unnecessary regulation and litigation and advocating for the City's interests as the 2010 water bond is either amended or delayed again.

At the federal level, 2011 was marked by indecision and infighting, as President Obama faced a divided Congress and 2012 elections loomed on the horizon. As a result, the federal government operated under a series of Continuing Resolutions, marked by delayed Transportation and Airport Reauthorizations, elimination of earmarks, government shutdowns, balanced budget amendments, failure of the bi-partisan Super Committee, and strong partisan debates over the debt ceiling, payroll tax extension and a host of other issues. While we were on the defensive with the State, federally it became difficult to get anything of significance through both houses.

Like the State, the federal government also faces massive budget issues. The FY 12 budget process completed on December 23, nearly three months after the fiscal year began. The omnibus package included nine spending bills and disaster-relief aid, while three other spending bills were passed in November. Despite the limited overall reduction in discretionary spending, many priority programs for local government, particularly FEMA first responder grants, are significantly reduced. It is also important to note that in an effort to offset spending, Congress continues to rescind unobligated balances.

Our team was once again successful in fighting off efforts to limit UASI funding, this time to the top ten recipients. San Diego, once left off the list, is currently ranked eleven and is also included in Tier 1, which typically is limited to ten recipients. We will continue efforts to defend UASI as it is anticipated that UASI jurisdictions will be further reduced to FY 12 from 31 total recipients.

The current reauthorization of the multiyear highway and transit reauthorization bill, SAFETEA-LU, expires March 31 and we expect significant activity in the first quarter. Major focus will be on funding and duration of the legislation, as the Senate and House versions differ.

Similarly, the current Federal Aviation Reauthorization extension expires January 31, 2012. We have been working closely with the Airport Authority on the extensions and reauthorization and will continue to do so in 2012.

D Block Spectrum discussions will be active in 2012 and we will continue to weigh in support of its reallocation for public safety use and a future build out of a public safety broadband network. Again, funding is an issue of contention along with governance of the network.

While President Obama's Jobs Act suffered greatly from Republican opposition, two promising components survived, both supported by the City. The first, known as the 3% withholding provision, was successfully repealed after several years of advocacy by local governments. While extensions of the effective date were authorized in the past, an outright appeal was never achieved until November 2011. The section would have required state and local governments that expend more than \$100 million per year in outside contracts to withhold three percent of all payments for goods and services, remit that to the IRS, and adhere to new reporting requirements.

The second piece of successful legislation from the Jobs Act is intended to assist unemployed veterans find work by creating tax breaks for companies that hire jobless veterans. The credits would be as much as \$9,600 for companies hiring disabled vets who have sought employment for more than half a year. The size of the credit would be based on the worker's salary and how long the worker was unemployed.

Related to the inability to advance the Jobs Act, President Obama announced the Summer Jobs+ plan on January 6, 2012, a call to action for businesses, non-profits, and government to partner in providing low-income and disconnected youth jobs, access to mentoring programs or opportunities to job shadow. The executive action is aimed specifically at the estimated 6.7 million unemployed ages 16-24.

Towards the close of 2012 we were also successful in passage of a Jones Act waiver for non-U.S. vessels that participate in the America's Cup races. Close coordination with the America's Cup event organizers, the City of San Francisco and our Senate and House delegations allowed for a speedy remedy to an unanticipated issue with the America's Cup event.

Finally, 2011 should not close without mention of the Super Committee failure to reduce \$1.3 trillion of the federal debt, which forces significant reductions to the defense budget in 2013. We will engage in discussions to protect local defense funding as the trigger cuts are debated. Although the President has indicated he will veto legislation that attempts to roll back the triggered reductions, we expect further action in Congress as sequestration cuts are analyzed and subsequently debated.

## **2012 LEGISLATIVE PRIORITIES**

### **Jobs, Small Business, and Community Development**

Small businesses form the backbone of our economy and are key to an economic recovery. Jobs in general will be a focus in 2012 as all levels of government look for the most efficient ways that we can stimulate economic growth, reduce unemployment, and increase the tax base. Job-creation is not a short-term agenda as it entails various efforts, including a focus on job training, fostering opportunities for our youth, our ex-offenders, and everyone in society who wants a job as well as providing as many tools as we can to encourage businesses to expand or hire. Although governments at all levels are very focused on their own budget deficits and unlikely to provide significant funding, IRD will monitor and support state and federal efforts that help stimulate our local economy and attract job creators to our region.

#### *Priorities:*

1. Support state and federal efforts to improve the local job market and job training, including initiatives to facilitate youth and ex-offender employment.
2. Support and protect continued funding and expansion of the San Diego Regional Enterprise Zone and Foreign Trade Zone.
3. Support Renewal Community successor legislation related to the economic vitalization of distressed neighborhoods.
4. Support legislation like the Marketplace Fairness Act that equalizes the playing field for local businesses by closing tax loopholes on out-of-state businesses competing with local companies.
5. Seek state legislation that provides more certainty to local event sponsors that they will not face costly litigation and environmental review requirements as a result of a temporary event.
6. Continue to explore opportunities for the city-owned open space dedication process and seek state legislation where such parcels are identified.
7. Support state and federal education reform efforts that seek to improve outcomes at our K-12 schools, which is the key to building a workforce of the future.
8. Support a long-term Small Business Innovation Research Reauthorization and increase the set aside from 2.5% to 2.75%.
9. Support legislation that assures everyone the right to equal treatment in all government-sponsored or financed benefits.

10. Seek state and federal recognition for the Balboa Park 2015 celebration.

### **Economic Development and Innovation Economy**

The City will continue to support legislative and funding efforts that support San Diego's economic base and compliment the City's Economic Development Strategy, with emphasis on military and defense sectors, tourism, manufacturing, clean technology, biotechnology, telecommunications, software and electronics. We will also continue to work with our regional partners on shared goals and coordinated lobbying at the state and federal levels.

#### *Priorities:*

1. Partner with universities and educational institutions to support funding for research and economic development.
2. Support state and federal efforts to further the City's goals to expand the use and implementation of renewable energy projects and funding programs.
3. Support federal action to support the use of intellectual property as collateral loans, including SBA lending programs and underwriting standards.
4. Support legislation to reauthorize the PACE program and allow use on residential properties with federally-backed mortgages.
5. Support federal legislation and reforms that encourage investment of foreign-earned profits in domestic research, commercialization and infrastructure through tax and other policies.
6. Protect local defense funding and programs as 2013 federal trigger cuts are debated and developed.
7. Pursue locating a satellite US Patent and Trade Office in San Diego.
8. Support Electric Vehicle funding and infrastructure.

### **Affordable Housing and Redevelopment**

Redevelopment will continue to be a huge focus for IRD in 2012. Coordination among the Big Ten, CRA and LOC began immediately following the court decision on redevelopment elimination. We expect proposals and legislation to emerge quickly in response and it is important San Diego continues to be engaged and leading in these efforts. Affordable housing will be a major component of redevelopment reform given the lack of stable state resources to further those efforts.

#### *Priorities:*

1. Seek statewide efforts to create a new program to replace redevelopment.
2. Seek state and federal legislation and funds for the development of affordable housing.
3. Preserve Community Development Block Grant (CDBG) funding levels and other domestic programs like HOME, ESG and Section 8 and advocate for funding levels and eligibility criteria that adequately address the needs of San Diego.
4. Support additional state and federal funding for foreclosure assistance, homeless services, veterans housing and other affordable housing projects.

## **Infrastructure and Goods Movement**

The City strives to reduce the economic impact of border wait times and protect and enhance the binational region's global competitiveness while maintaining secure and efficient ports of entry. As Phase 1 of the San Ysidro Port of Entry construction advances, the City will continue to work with SANDAG, CalTrans, General Services Administration and California Border Patrol on major projects within the border zone. We are also working with the Port of San Diego on coordinated efforts to advance Port and Maritime priorities to enhance the waterfront and stimulate economic development.

As stated earlier, there is still disagreement on a federal Transportation Reauthorization and Airport Reauthorization. We will continue to monitor and provide input on the two major pieces of legislation governing the transportation reauthorization and work with Airport Authority on the airport reauthorization.

### *Priorities:*

1. Protect local transportation funding and seek infrastructure funding where possible.
2. Support state and federal funding for transportation infrastructure projects, including transit, rail, bicycle, and pedestrian improvements.
3. Advocate for further rounds of funding from the Department of Transportation's Transportation Investment Generating Economic Recovery (TIGER) Program with criteria that maximizes our regional competitiveness.
4. Continue advocacy on border projects: Cross Border Facility, San Ysidro Port of Entry expansion, and Otay Mesa I and II Ports of Entry.
5. Support regional development projects that seek expedited approval from the Governor under recent amendments to CEQA and support legislation to further reform the process.
6. Support Infrastructure Bank investment at state and federal levels.
7. Support efforts to maintain municipal bonds tax exempt status.

## **Water**

With regard to both drinking water supply and delivery, stormwater pollution prevention, and wastewater collection, the City is required to comply with a myriad of federal and state regulations and mandates, all of which demand a mixture of infrastructure investments, maintenance, monitoring, and public outreach.

In 2012, the City will continue to work with our regional water partners, as well as monitor opportunities at the state and federal level to better manage and develop water supplies within the region and increase water supplies available from outside the region. The City will also initiate a long-term effort covering both stormwater and public utilities water and wastewater to promote greater regulatory certainty, including a consistent and scientifically sound application of regulations by state regulatory agencies, such as the regional board, that also consider cost-benefit analyses that show economic impacts of mandates.

### *Priorities:*

1. Seek state and federal support for water infrastructure projects.
2. Support existing, and seek out new, state and federal opportunities to provide sustainable funding for storm water pollution prevention.

3. Seek amendments to federal law that provide the City with environmentally and fiscally sound treatment options upon the expiration of the current Point Loma Wastewater Treatment Plant Discharge Permit in 2015.
4. Support legislation that offers opportunities to reduce stormwater discharge and streamlines the infrastructure repair process in the event of emergencies.
5. Support legislative efforts, related to the previously passed state water package, to protect funding for the region and achieve additional benefits or opportunities.
6. Support coordination between state agencies for non-potable and potable reclaimed water treatment and quality standards.
7. Continue to seek federal funding for the feasibility study of a project to design and construct a Reservoir Intertie System for the purposes of improving water supply reliability and water yield in the San Diego region.

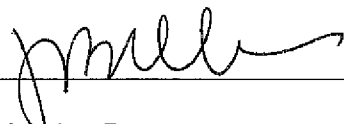
### **Public Safety**

Public safety funding and flexibility are necessary complements to our police, firefighting, and homeland security activities. Since January 2007, the Department of Homeland Security has consistently included San Diego as an urban area eligible to apply for Urban Area Security Initiative funding. Once again, IRD was successful in preventing efforts to cut San Diego out of the UASI allocation. At the state level, focus will be turned to the Public Safety Realignment ballot measure proposed by the counties and protecting the City's interests.

#### *Priorities:*

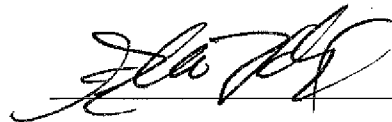
1. Continue efforts to ensure San Diego remains on the high risk urban area list and eligible for the UASI program.
2. Advocate for stable or increased funding of the UASI program.
3. Support federal and state efforts targeted at crime prevention as well as gang prevention and intervention.
4. Support D block spectrum legislation for public safety use, including build-out funding.
5. Protect state funding to local law enforcement as it relates to realignment.
6. Seek relief from federal regulations that prohibit the City from recovering costs associated with Fire-Rescue helicopter rescues.
7. Seek relief from federal emissions standards for public safety vehicles.
8. Support legislation that would reform the SAFE program.

#### PREVIOUS COUNCIL and/or COMMITTEE ACTION:



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Originating Department  
Jaymie Bradford  
Director



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Almis Udrys  
Deputy Director

