

VOTER GUIDE

NOVEMBER 2011

Ballot analysis and recommendations



Prop. A
School bond
Yes

Prop. B
Streets bond
Yes

Prop. C
City pension and
retiree health care
reform
Yes

Prop. D
City pension reform
No

Prop. E
Initiative
amendment reform
Yes

Prop. F
Campaign consultant
disclosure
Yes

Prop. G
0.5% sales tax
increase
No

Prop. H
School assignment
policy
No position

BOND



Schools bond

San Francisco Unified School District repair and construction bond

Authorizes the city to issue \$531 million in general obligation bonds to finance repairs, renovations and new construction of San Francisco Unified School District structures.

What it does

Proposition A would allow the San Francisco Unified School District (SFUSD) to sell bonds in order to complete capital work and upgrades on schools and school facilities across the city. Under the bond, many, but not all, temporary classroom structures would be replaced with quality permanent buildings. Planning funds are also included for new school facilities, including as much as \$15 million for a new building in the Mission Bay neighborhood and the demolition, construction and equipping of a new facility for the recently shuttered Willie L. Brown School.

The bond identifies 47 specific school sites and seven additional facilities (including administration buildings and development centers) that will receive funds for capital projects contained in the bond. The bond does not specify the projects that will be performed at each campus but does note the following categories of work that are permitted:

- Correcting health and safety risks (e.g. replacing damaged items, remediation of hazards);
- Repairing or replacing building maintenance systems (e.g. electrical, heating, water, sewer, building, lighting, data processing);
- Improving building information infrastructure or data processing systems;
- Complying with the Americans with Disabilities Act for accessibility as well as the California Education Code, Health and Safety Code and Building Code;
- Upgrading for seismic safety and standards;
- Replacing temporary classrooms with permanent buildings;
- Replacing existing facilities with new facilities so long as the new facility is “more practical”; and
- Expanding the green schoolyard program.

The bond document provides the district with flexibility to complete projects not specified in the bond but required by regulations.

In addition to general repair and construction work, the bond includes \$5 million for greening schoolyards and will prioritize the use of these funds to 29 schools.

The bond requires a 55 percent majority to pass. The average cost to property tax payers is projected to be \$21.39 per \$100,000 of assessed value. At this rate, a property valued at \$750,000 would pay \$160 per year in additional property taxes. These estimates are based on assumptions of bond interest rates and growth of citywide property tax assessments. Historically, the actual tax liability of SFUSD bonds has been approximately half of the original projection.

Why it's on the ballot

As the governing body of the SFUSD, the San Francisco Board of Education voted to place this measure on the ballot. SFUSD is independent of the City and County of San Francisco and has the direct authority to place measures on the San Francisco ballot.

In California, all general obligation bond measures must be approved by a vote of the people. Bond measures for schools authorized and issued under California Proposition 39, passed in 2000, require a 55 percent vote to pass (as opposed to the two-thirds vote threshold required by other general obligation bonds).

The measure has been developed in coordination with the Capital Planning Program of the City and County of San Francisco. However, SFUSD will issue and sell the bonds itself.

Based on a 2001 master plan, SFUSD has a \$1.6 billion capital need. Prop. A will be the third and final bond measure to complete this 10-year capital improvement plan. Work paid for through two previous bond measures is reaching a conclusion. The 2003 measure for \$280 million included upgrades and improvements at 30 school sites and was completed on time and within budget by the June 30, 2010, deadline. The 2006 bond for \$435 million is scheduled for completion by the deadline of June 30, 2012. That bond program is providing upgrades and improvements to 59 school sites.

Proceeds from the two prior bond sales plus state matching funds, Mello-Roos parcel taxes, developer fees and deferred maintenance (SFUSD and state match) brings the total funds to \$882.5 million. This leaves \$727.5 million in outstanding capital needs. In addition to the proposed bond, the district will strive to leverage similar sources to meet its capital needs in the next decade.

In recent years, SFUSD registration has remained fairly stable at approximately 55,000 students. But there have been some marked increases in the number of younger students, who

PROP A

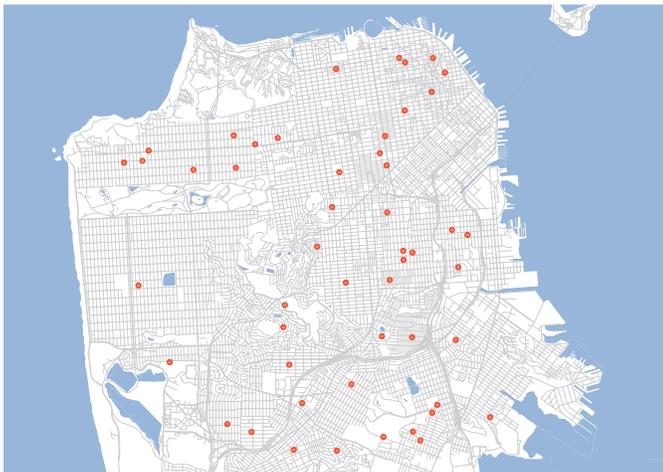
will increase the SFUSD student population in the coming years. The district has ample classroom capacity citywide to accommodate these students, but there is an imbalance between existing capacity on the west side of the city and population growth occurring on the east side. One new school will be constructed, on the east side of the city.

Pros

- Strengthening the public K-12 education system is one of the most important economic and social goals for San Francisco. This cannot be achieved without maintaining or improving the district's facilities.
- Most SFUSD schools and facilities were built decades ago, and as a result many are aging and in need of basic health and safety upgrades, accessibility improvements and replacement of systems and structural features such as roofs and electrical, heating and air-conditioning systems.
- There is no alternative funding source to a general obligation bond that can attract a similar amount of funds and allow the district to implement its capital plan.
- The school district has analyzed its overall capital needs as part of an established 10-year capital plan that identifies a set of funding sources. This bond would allow the district to fulfill its existing capital plan.
- SFUSD has developed effective oversight mechanisms to ensure that bond proceeds are well spent. The SFUSD's Bond Oversight Committee meets monthly and has been effective in ensuring that the district is completing projects on time and within budget. The San Francisco School Alliance provides additional oversight.

Prop. A school improvement sites

Prop. A identifies 47 school sites across San Francisco that will receive funds for capital projects.



Cons

- Some of the funds will be used to pay for deferred maintenance. Deferred maintenance should not be funded with bonds, which require borrowing money and repaying with interest.
- Most schools in San Francisco are located on the west side of the city, but most of the population growth is projected for the east side of the city. This bond does not allocate adequate funds for new facilities to accommodate population shifts that we know are going to happen.
- It is likely that bond sales will not cover the full cost of all the capital projects listed and authorized in the bond. State matching funds may be needed to complete the proposed scope of work desired by one or more school communities. If those additional resources do not materialize and the proceeds from the bond sales are not sufficient to carry out the proposed work, it may make it more difficult for SFUSD to secure future bond support.

SPUR's analysis

SFUSD has had two major general obligation bonds over the past decade (2006 and 2003). Each time, SPUR has supported the bonds. We do so again this year as this measure will help provide the up-to-date, safe and clean buildings that San Francisco students and teachers need. Previous concerns about mismanagement of bond measures have largely been addressed as the district has successfully managed the two recent bond measures, which focused on complex building projects.

It should be noted, however, that in developing this bond proposal SFUSD could have planned for population shifts to the city's east side. Future bond efforts should take this shift into account. Nevertheless, we believe this bond will spend property tax dollars responsibly and make important investments in our schools.

SPUR recommends a "Yes" vote on Prop. A

BOND



Streets bond

Road repaving and street safety bond

Authorizes the city to issue \$248 million in general obligation bonds to rebuild deteriorating city streets.

What it does

Proposition B would allow the city to sell general obligation bonds to fund the repaving of deteriorated city streets; make seismic improvements to bridges, overpasses and stairs; and improve safety for pedestrians, bicyclists and motorists.

The measure is primarily intended to address the problem of deferred maintenance of streets. The proposed bond contains funding for the following categories:

- Street repaving and reconstruction (\$148.4 million)
- Street structure rehabilitation and seismic improvement, including bridges, tunnels, viaducts and stairways (\$7.3 million)
- Sidewalk accessibility improvements (\$22 million)
- Streetscape, pedestrian and bicycle safety improvements (\$50 million)
- Traffic signal infrastructure improvements (\$20.3 million)

Street repaving and reconstruction comprise the largest portion of the proposed program. The city will invest \$65.5 million per year (plus inflation) in street repaving projects across the city that will improve the city's Pavement Condition Index (PCI) score from 64 to 66 by 2015. Though this improvement appears slight, it bridges a crucial point in PCI scoring: Repair of streets with a score of 63 or less can cost as much as ten times more than repairing streets with a score of 64 or above. Currently, more than one-half of the city's streets have a score of 63 or below.

If funding can be maintained at this level following the expiration of bond funds, the PCI score will improve to 70 by 2021. If this bond is not approved and the city's annual spending is reduced to \$26 million per year, the PCI is projected to drop to 61 by 2015 and 55 by 2021.

Each category of improvements has distinct prioritization criteria that will be used to select projects:

- Street projects will prioritize routes that serve more than

one mode of transit; streets that have PCI scores of 84 and below; project readiness; and geographic equity to ensure that projects are distributed to all parts of the city.

- Street structure rehabilitation funding will prioritize projects that are in the city emergency priority network; pose imminent life or safety hazards, tripping hazards or code violations; have unstable foundations, slope hazards or significant deterioration; and are high usage and/or serve as primary points of access.
- Sidewalk accessibility projects will prioritize locations adjacent to state and local government buildings, schools, hospitals, commercial corridors and key transportation connectors, making repairs to 200 blocks per year based on pedestrian usage and geographic equity.
- Streetscape programs will prioritize community-supported plans and programs, commercial corridors, transit and bicycle routes, connectivity to parks and open space, coordination with utilities and city agencies, and geographic equity.
- Traffic signal improvements will prioritize projects on the priority transit network, those replacing obsolete equipment areas with high traffic volumes, and/or emergency routes and projects coordinated with multiple agencies.

Why it's on the ballot

Prop. B was placed on the ballot by the mayor and the Board of Supervisors as part of the city's 10-year Capital Plan.

For decades our city's streets have suffered from a lack of funding for repaving, leading to a long-term deterioration in their overall quality and safety. Although the city's financial support for street repairs has varied considerably over time, it has not been adequate to provide appropriate maintenance. Unlike some other portions of city infrastructure, streets cannot generate any revenue and are less competitive than other services in the annual distribution of discretionary funds.

General obligation bonds have been previously approved for street maintenance. In 1987, San Francisco voters approved a \$27 million street improvements general obligation bond. This new measure addresses the need to "catch up" on the city's backlog of streets in need of repaving.

General obligation bonds require a two-thirds majority of votes for approval. The repayment of the bonds would come from the portion of the property tax already devoted to bond repayment and would not require an increase in the tax rate.

Since the 1987 street improvements bond, the city has made two unsuccessful attempts to pass general obligation bonds for street repairs. A \$68 million measure was placed on the ballot in 1993, and a \$208 million bond was placed on the ballot in 2005. Both measures failed to achieve the necessary two-thirds voter support.

PROP B



photo by David Peters

Prop. B includes funding for street repaving, traffic signal improvements and bicycle safety improvements.

Pros

- Our streets are a critical component of public infrastructure needed to ensure citizen safety and provide a foundation for the city’s economy. The long-term disinvestment in and deterioration of streets constitutes a threat to our quality of life and our economic well-being.
- We lack a sufficient funding source that is large enough to fund these improvements, and therefore general obligation bonds are an appropriate source.
- The proposed streets bond is part of the city’s 10-year capital funding plan to address infrastructure needs. These bonds can be issued without increasing the overall tax rate. This is a smart approach to long-term infrastructure investment.
- Further deterioration of the streets will cost proportionately more in the future. We can pay less now, or pay more later.

Cons

- It is bad policy to use bond funding to maintain streets and roads. Routine maintenance activities should be considered part of the city’s ongoing needs and should be paid for from the General Fund. The proposal gives elected officials an excuse not to fund street maintenance or improvements from the General Fund, a necessary part of a sustainable maintenance strategy.
- It would be cheaper to pay for these costs from the annual budget rather than spreading payments out into the future. This measure provides funding for only a portion of the need and does not create a long-term plan for sustained investment in the city’s streets.
- Spreading these improvements around the city in order to build support for the bond does not allow funds to be directed where they are most needed. Projects should be prioritized solely according to the greatest need to ensure funding reaches projects that will have the greatest impact.

SPUR’s analysis

There is widespread recognition that the declining condition of our city’s streets must be addressed. Moreover, it is clear that unless we handle the problem quickly and effectively, costs will increase significantly. However, there is ongoing debate about the best way to fund such projects.

One perspective is that this is a need best addressed by the General Fund and other ongoing revenue sources such as sales tax and gas tax. These pay-as-you-go funds are the cheapest way to maintain streets because the city is not borrowing money. Unfortunately, the last 30 years have shown us that this is a volatile stream of funding that has proven inadequate. Other demands on the General Fund have outweighed the need for investing in streets. As a result, the condition of city streets has declined significantly.

The failure of the pay-as-you-go approach has left our streets in dangerous condition and increased the urgency of considering general obligation bonds to invest in streets. The argument that streets should always be funded on a pay-as-you-go basis does not make sense, because streets represent a long-term investment and benefit that can reasonably be paid for over the life of maintenance and repairs. It is actually more fair to spread these costs over time so that the costs and benefits match up.

Without Prop. B, citizens will experience more dangerous conditions on the streets, and this will, in turn, result in higher costs to be paid later.

SPUR recommends a “Yes” vote on Prop. B

CHARTER AMENDMENT



City pension and retiree health care reform

City retirement benefits and health care benefits

Increases employee pension contributions, raises retirement ages, requires employee contributions to the Retiree Health Care Trust Fund and changes the composition of the Health Services System Board.

What it does

Proposition C is an amendment to the San Francisco City Charter that would require cost sharing of pension contributions for all city employees and elected officials. Cost sharing means that pension contributions from employees would go up if the city's contributions rise (due to market declines and resulting investment losses to the pension fund) or could go down if the city's contributions decline (due to improvements in the market). This measure also raises the retirement age for all new employees, increases the period used for calculation of pension contributions, amends the composition of the Health Services Board and requires all city employees to contribute to the Retiree Health Care Trust Fund. The city controller projects that this measure will generate as much as \$1.29 billion in savings over 10 years, or \$129 million per year.

Prop. C makes the following changes for **current city employees**:

- Requires that city employees pay more for their benefits but does not reduce their benefits. Currently, both an employee and the city pay 7.5 percent of the employee's earnings into his or her pension (9.5 percent for public safety employees like police and firefighters). But the city's General Fund makes up the difference in payments when the pension fund is underfunded, while employee contributions remain static. Under Prop. C, employee contributions to the pension fund would increase as the city's contributions increase, as much as 6 percent above the baseline contribution, and decline if the city's contributions dip below 11 percent. (It's worth noting that employer contributions are currently at 18 percent and are not projected to dip below 11 percent of earnings any time in the

next 20 years.)

- Requires employees to contribute 0.25 percent of their pre-tax compensation to the Retiree Health Care Trust Fund starting in fiscal year 2016–17, increasing by 0.25 percent each year, up to 1 percent of pre-tax compensation. The city is required to match these contributions. The city's current unfunded retiree health care liability stands at approximately \$4.3 billion.
- Exempts employees earning less than \$50,000 per year from increased pension contributions.

Some changes have already been made to benefits for new employees. All new city employees are currently required to make contributions to retiree health care benefits. In 2008, Proposition B established that employees hired after January 10, 2009, would make contributions of 2 percent of pre-tax compensation to pre-fund their retiree health costs. The city matches those contributions with a 1 percent contribution. That charter amendment also changed the vesting rules to require 20 years of service before receiving full retiree health benefits. The measure also established a Retiree Health Care Trust Fund.

Prop. C makes the following additional changes for **new employees** hired after January 1, 2012:

- Raises the retirement age for new employees from 62 to 65 for most employees, and from 55 to 58 for police and firefighters.
- Increases the period used for calculating final pension compensation from the final two years of city employment to the final three years.
- Eliminates supplemental cost of living adjustments, which are standard for most city retirees, unless the city's total pension fund is fully funded, meaning its current market value is more than the projected cost of pensions for all retirees and current employees.

There are outstanding questions regarding the legal defensibility of the two pension reform proposals on the ballot this year (Prop. C and Prop. D). *Allen v. Long Beach* — one of the most significant and oft-cited legal cases regarding changes to pension benefits or contributions — states that reasonable changes in vested rights may be made only in extenuating circumstances and should be accompanied by comparable new benefits to affected employees. Included in the definition of new benefits, however, can be the preservation or protection of the pension program. While the cost-sharing provisions of Prop. C were designed to address this issue, these legal uncertainties may leave the measure vulnerable to challenge if ultimately approved.

Prop. C also changes the composition of the Health Service System (HSS) Board. The proposal would require that the seven-member board be composed of three commissioners elected by HSS members, one appointed by the San Francisco Board of Supervisors, two appointed by the mayor and one appointed by the city controller and ratified by the HSS Board. Currently, the board consists of four elected commissioners (selected by HSS members) and three unelected

PROP C

commissioners, one a member of the Board of Supervisors and two appointed by the mayor. This change should help to balance decision making and provide much-needed fiscal expertise to inform decisions regarding the financial impacts of city retiree benefits.

Why it's on the ballot

The city controller projects that the costs of paying retirees' pensions will grow by approximately \$100 million per year in the next five years to somewhere between \$717 million and \$820 million per year by fiscal year 2015–16 — a near doubling of annual costs in just five years. Further, these projections show the city's annual pension payments reaching nearly \$1 billion somewhere around fiscal year 2020–21. This cost increase is the result of a number of different factors, including:

- Incremental increases to pension benefits that did not include additional funding;
- Underfunding of employer contributions to the pension system due to what was perceived to be full funding of the pension system in those years;
- Rapidly increasing costs of wages, employee benefits and retiree health care; and
- Dramatic impacts of the recession on the city's pension fund investments.

Because many provisions governing employee benefits are contained in the City Charter, changes to these provisions require that voters approve changes at the ballot. Charter amendments require approval by a simple majority of voters.

The fiscal challenges of the city's retiree liabilities have been an increasing local concern. In November 2010, a signature-sponsored measure (Prop. B) attempted to address pension and retiree health care benefits but was ultimately rejected by the voters.

The current year's Prop. C was formulated over many months of collaborative negotiation involving the city, labor unions and many of the city's non-profit and business community partners. Subsequently, the Board of Supervisors unanimously approved the measure for the November 2011 ballot.

Pros

- Prop. C addresses many of the city's unfunded post-employment benefits: pension obligations, unfunded retirement health care obligations and health care costs.
- Without changes, retiree pension and health benefits will take an increasing share of the city's discretionary budget, squeezing out important city services in favor of paying past obligations to retirees. This measure will help close the gap by achieving \$1.29 billion in savings over 10 years.
- The fiscal impact of the city's retiree liabilities is a major citywide concern that is best solved through a consensus-based process. Not only will consensus reduce the likelihood

of future litigation, but it also enables an appropriate balancing of changes to city services with changes to employee compensation and benefits. This measure reflects a high degree of consensus and was placed on the ballot with unanimous support from the mayor and the Board of Supervisors.

- Reconfiguration of the Health Services System Board could yield long-term structural savings beyond the controller's projections through increased health care cost-containment measures and benefit changes.
- In a unionized workplace, it is often beneficial to collaboratively negotiate solutions to highly complex problems. The crafting of Prop. C was informed by the expertise of those in the labor, business and non-profit communities.

Cons

- Prop. C is a missed opportunity to achieve a solution with even bigger savings, as it only addresses 15 to 20 percent of unfunded future pension and health benefit obligations. It is also a missed opportunity to analyze whether this system of benefits is an ideal match for the system of revenues that exists.
- This proposal does not address the entirety of the city's pension challenge. Pension costs are projected to reach between \$717 million and \$820 million per year by fiscal year 2015–16. Savings generated by this proposal are estimated to reach as much as \$1.29 billion over 10 years — an average of approximately \$129 million per year.
- Questions remain regarding the legality of the proposal's structure, which could leave the city exposed to legal challenge, significantly impact projected savings and perpetuate the current General Fund funding of pension expenses.
- Prop. C contains a "poison pill" that precludes enactment of any clauses of competing pension proposals; if this proposal fails or does not receive more votes than a competing measure, the city receives none of the benefits contained herein.

SPUR's analysis

Any meaningful pension reform proposal will face intense political opposition, a challenging legal battle and a skeptical public. Somehow, the city has been able to keep many important stakeholders at the table to negotiate a pension reform package that increases employee pension contributions, begins to address retiree health care costs and gives the city an opportunity to appoint cost-conscious allies on the Health Service System's governing board. While Prop. C does not save as much as the competing measure on the ballot (Prop. D), we believe that this proposal is more comprehensive because it addresses more aspects of the problem — including retiree health care. This means it could yield greater long-term savings as health care costs grow over time.

Prop. C's consensus-based approach enabled it to develop a more comprehensive proposal with the expertise of city staff and those in the business, labor and nonprofit communities. Past ballot measures have addressed various components of the retirement system, but never before has a measure confronted

PROP C

the challenge of changing benefits for existing city employees with well-crafted estimates of financial impact. This measure may not address the entirety of the financial challenge, but having general agreement over this type of reform will make this solution much easier to implement if approved by voters in November — and, importantly, it will allow the conversation to proceed toward solving more structural issues.

The mayor and supervisors should be commended for executing this agreement under extremely difficult circumstances. To craft a solution that achieves relative consensus among elected officials is laudable and extremely uncommon in San Francisco. However, we hope that this is acknowledged as what must be the beginning of a much bigger conversation about the viability of the city's pension system.

SPUR recommends a “Yes” vote on Prop. C

We pore over the mind-numbing details so you don't have to.

Join SPUR



CHARTER AMENDMENT



City pension reform

San Francisco pension reform act

Reforms the funding of city employee pension benefits through increased pension contributions, raising retirement ages and limiting the annual pension for new employees.

What it does

Proposition D is an amendment to the San Francisco City Charter that would require increased pension contributions from all city employees as city pension contributions rise. (Currently, the city's General Fund makes up the difference in payments when the pension fund is underfunded, and employee contributions remain static.) This measure also reduces retirement benefits for future employees, limits the total annual pension benefit, raises the retirement age for all new employees and increases the period used for calculation of pension contributions.

This measure does not apply to those employees in CalPERS, those employed by the San Francisco Unified School District (SFUSD) or City College of San Francisco (CCSF), or those in the California State Teachers' Retirement System, and it does not address contributions to fund the city's retiree health care benefits.

Prop. D is projected by the city controller to generate as much as \$1.62 billion in savings over 10 years, or an average of approximately \$162 million per year.

Prop. D makes the following changes for all **current city employees**:

- Requires that current city employees pay more for their benefits, but does not reduce their benefits. Currently, both an employee and the city pay 7.5 percent of the employee's salary into his or her pension (9.5 percent for public safety employees like police and firefighters). But the city's General Fund makes up the difference in payments when the pension fund is underfunded. Under Prop. D, employee contributions to the pension fund would increase as the city's contributions increase — to as much as 16 percent of earnings based on level of income (more income leads to a higher percentage

PROP D

contribution). It would also raise the current baseline contribution for public safety employees from 9.5 percent to 10 percent of earnings and increase their maximum contribution to as much as 18.5 percent based on level of income.

- Employees making below \$50,000 annually will be exempt from any increases.
- Current employees can choose to participate in plans that apply to new employees.

Prop. D makes the following changes for **new employees** hired after January 1, 2012:

- Reduces pension contributions for all future employees and provides a lower level of benefits:
 - Future police and firefighters will contribute 8 percent of earnings.
 - All other future employees will contribute 6 percent of earnings.
- Requires that employee contributions to the pension fund increase as the city's contributions increase — as much as 8.5 percent above the baseline contribution.
- Limits the total annual pension benefit to the lower of either \$140,000 annually (adjusted for inflation) or 75 percent of pensionable compensation.
- Increases the number of years on which pensionable income is calculated from the last two years of employment to the last five years.
- Raises the minimum retirement age for all future employees:
 - Police and firefighters would increase to 50 with 10 service years, from 50 with five years.
 - All other employees would increase from 50 to 55 with 20 service years or 65 with 10 years.
- Grants authority to the Board of Supervisors to negotiate a supplemental benefits program to all future employees with a city contribution not to exceed 3 percent of base wages.
- Eliminates annual cost of living adjustments unless the pension fund is fully funded.
- Prevents the city from paying for any portion of the employee pension contribution. (Historically the city has granted pension contributions in lieu of pay increases as part of collective bargaining.)

As we mentioned in our discussion of Prop. C, there are outstanding questions regarding the legal defensibility of both pension reform proposals on the ballot. *Allen v. Long Beach* — one of the most significant and oft-cited legal cases regarding changes to pension benefits or contributions — found that reasonable changes in vested rights may be made only in extenuating circumstances and should be accompanied by comparable new benefits to affected employees. Included in the definition of new benefits, however, can be the preservation or protection of the pension program. The unsettled questions of this area of the law may leave Prop. D susceptible to legal challenge if ultimately approved and could result in long-term deferrals of projected savings; meanwhile, the city will be required to continue to make increasing annual pension contributions per negotiated collective bargaining agreements that will continue to diminish already-scarce General Fund resources.

Why it's on the ballot

Prop. D aims to address many of the same issues as Prop. C, and therefore Prop. C's "Why it's on the ballot" explanations also apply here.

Prop. D was placed on the ballot through a signature campaign that collected more than 46,000 valid signatures.

Pros

- Without substantial changes, retiree pension benefits will continue to take an increasing share of the city's annual discretionary budget, squeezing out important city services in favor of paying past obligations to retirees. This measure is an important step and is projected to achieve \$1.62 billion in savings over 10 years.
- Prop. D generates more savings than the competing measure on the ballot (Prop. C) and achieves those savings solely from adjustments to city pension benefits. This is an appropriate approach that balances the financial burden between employees and taxpayers.

Cons

- Prop. D was constructed completely independent of city staff and employee partners. As a result, this measure is a less comprehensive solution that ignores the funding of retirement health care benefits. This unfunded obligation was recently valued at more than \$4.3 billion; it is paid annually from the city's General Fund, to the detriment of other important programs.
- Much like Prop. C, Prop. D is a missed opportunity to achieve a more complete solution with even bigger savings, and to analyze whether this system of benefits is an appropriate match for the system of revenues that exist.
- There are many questions remaining regarding the legality of Prop. D's structure that could leave the city exposed to legal challenge. This could significantly impact projected savings, perpetuate the current General Fund funding of pension costs and incur additional legal expenses. Deferral of these savings could have severe repercussions to the provision of public services.

SPUR's analysis

There is never an easy way to enact changes to employee benefits — especially with regard to pension and retirement benefits. Following the defeat of Prop. B in November 2010, this measure is a clear improvement both in substance and in structure, and generates significant savings that could help to stave off further cuts to public services.

Prop. D is estimated to save as much as \$1.62 billion over 10 years, an average of approximately \$162 million per year. That's approximately \$330 million more savings over the same period

PROP D

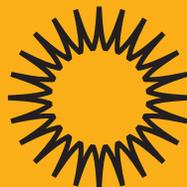
than the competing measure, Prop C. However, Prop. C also includes provisions that address the city’s growing retiree health care costs and the composition of the Health Services Board, the governing body that determines health care benefits for current and retired city employees. Health care costs have been among the most explosive drivers of city expenses in recent years, and we believe they contain the potential for significant long-term savings.

The private drafting of Prop. D no doubt prevented the proposal from being diluted by a highly politicized negotiating process — but it also means the measure was devised without any input from city staff, unions or other stakeholders. In crafting a more aggressive proposal, Prop. D may have jeopardized its own success by excluding the involvement of any of the primary stakeholders. While the differential in savings between the two proposals is certainly reason for pause, the combination of other savings included in Prop. C, and the collaborative process by which it was devised, lead us to believe that Prop. C is a stronger overall proposal.

SPUR recommends a “No” vote on Prop. D

Charter reform, 1995
Budget reform, 2009
Muni reform, 2010
— *Brought to you by SPUR*

Join SPUR



CHARTER AMENDMENT



Initiative amendment reform

Allowing amendments to or repeal of initiative ordinances and declarations of policy

Allows the mayor and Board of Supervisors to amend or repeal voter-adopted initiative ordinances and declarations of policy that they have put on the ballot.

What it does

Proposition E is a charter amendment that would allow the mayor and Board of Supervisors to amend or repeal initiative ordinances and declarations of policy that are passed by voters after January 1, 2012, under the following circumstances and restrictions:

- No amendments to a measure would be allowed for the first three years following its adoption.
- From three to seven years following adoption, appeals or amendments to the measure would need support from eight or more members of the Board of Supervisors as well as the mayor.
- After seven years following adoption, the affected measures would be treated the same as any other ordinance (i.e., amendments or repeal would require a majority approval of the supervisors and mayoral approval).

The measure would apply prospectively only to voter-adopted measures placed on the ballot by the supervisors or mayor and approved on or after January 1, 2012. It would not apply to any voter-adopted measures placed on the ballot by voter signatures, irrespective of the date of adoption, or to measures that are charter amendments, taxes or bonds. Under current law, all charter amendments must be approved by voters, and any future charter amendment can modify or amend any prior charter amendment.

If future ballot measures have a more permissive amendment policy than what is outlined above, the provisions of this charter amendment would not apply. In other words, this charter amendment sets a new baseline for amending future ordinances and policy statements placed on the ballot by the Board of Supervisors or mayor.

PROP E

Why it's on the ballot

Currently, voter-adopted ordinances and declarations of policy may only be amended or repealed by the voters, unless the measure specifically provides otherwise. This prohibition on amendments by the legislative body appears to be unique to California; other states that allow voters to legislate also allow for legislative amendments or repeals of the legislation without returning for voter approval. All ordinances (except for taxes) as well as declarations of policy are types of legislation that can be approved directly by the Board of Supervisors with the support of the mayor. San Francisco has a provision in its charter that allows four or more members of the Board of Supervisors as well as the mayor independently to place ordinances and policy declarations directly before voters. This provision in the City Charter is one reason San Francisco has more local ballot measures even than other counties and cities in California.

SPUR has a long history of involvement in initiative reform in San Francisco. In 2007, SPUR and other good-government advocates drafted and passed a charter amendment (Proposition C) that requires an earlier submission of ordinances and policy declarations by the mayor or four or more supervisors. This current law, as defined in 2007 Prop. C, requires mayor- or Board-endorsed ordinances and declarations of policy for the ballot to be introduced 45 days prior to the finalization of the ballot and for there to be a public hearing in the ensuing time. In addition, Prop. C allows for these ballot measures to be removed from the ballot if the measure no longer retains signatures of four supervisors. Since this measure's passage, the number of mayor- and Board-supported ordinances and policy statements on the ballot has plummeted. In fact, all measures initially placed on the ballot by the supervisors in 2011 were later removed when they failed to retain the required four signatures.

Pros

- This measure continues a pattern of important reforms of the initiative process in San Francisco that SPUR has actively supported. As with past measures, the overall goal is to improve the quality of legislation in San Francisco and to reduce the number of minor and noncontroversial administrative fixes that often must be approved by voters.
- Prop. E could result in a slight decline in the overall number of ballot measures, as many measures are simply seeking voting approval for minor administrative matters better fixed through the legislative process.
- Minor fixes and administrative changes to policy are best left to the legislative branch, not the voters. This measure would limit the tendency for ballot measures to appear before voters when they are simple, noncontroversial fixes — precisely the types of matters that would garner a super-majority vote at the Board of Supervisors.

Cons

- The time limits on the measure's application make it more complicated for voters to understand the processes for adopting, amending and repealing initiatives.
- Although the preamble to this measure notes the problems with the inability for legislators to modify past measures, Prop E. expressly prohibits the modification of measures adopted prior to the start of 2012, effectively killing its usefulness to correct past mistakes.
- This measure does not apply to ballot initiatives that originate with signature petitions. Ideally, a comprehensive initiative reform package would include provisions to revise and/or amend all initiatives approved at the ballot rather than only those placed on the ballot by the mayor and Board of Supervisors.

SPUR's analysis

This measure reinforces two long-standing SPUR values. First, we have long advocated for reform of the ballot initiative process to improve the quality of legislation. We believe legislation initiated by the mayor and Board of Supervisors will improve with the addition of a more flexible mechanism for making administrative updates and revisions.

SPUR has also sought to limit legislation brought to the ballot to those matters that truly require voter approval. Our current system dictates that if legislators wish to make even minor changes to ordinances passed at the ballot, those changes must be submitted to a vote of the people. But a majority of today's legislators should certainly have the ability to modify past ballot measures, particularly over ordinances and policy declarations that are already in the purview of the legislative body. Minor and noncontroversial administrative fixes belong in the legislative process, where they can be more effectively resolved, and not on the ballot.

SPUR recommends a "Yes" vote on Prop. E

ORDINANCE



Campaign consultant disclosure

Modifying registration and disclosure requirements for campaign consultants

Modifies current regulations to require campaign consultants to submit filings monthly instead of quarterly and complete a training course; also increases some fees.

What it does

Proposition F amends the city's Campaign Consultant Ordinance to change filings from paper to electronic format and requires monthly instead of quarterly reports to the San Francisco Ethics Commission and the public.

Under the existing ordinance, campaign consultants must report the dates on which clients retain and terminate their services. Current law does not specify when consultants need to register. This measure requires registration within five days of being hired as a consultant. Consultants must also take a training course sponsored by the Ethics Commission.

Currently, consultants must register with the Ethics Commission if they receive more than \$1,000 in fees from a campaign. Prop. F increases the minimum threshold for registration from \$1,000 to \$5,000, so some community groups addressing a single issue may be exempted from filing requirements. It also establishes two levels of campaign consultants: those who receive between \$5,000 and \$9,999 per year, who would be required to pay a \$200 annual fee; and those who receive more than \$10,000 per year, who would be required to pay a \$500 annual fee. The measure removes additional fees based on the number of clients a consultant serves.

Prop. F would also allow future modifications of consultant registration and fee schedules through a legislative process.

Why it's on the ballot

Voters enacted the Campaign Consultant Ordinance in 1997. Because it is a voter-approved ordinance, any subsequent amendments or revisions to this ordinance also require voter approval.

The Ethics Commission initiated Prop. F. in order to increase the effectiveness of its operations and oversight and to provide simpler, more frequent and efficient reporting to the public by campaign consultants. This update is similar to the commission's updates of the Lobbyist Ordinance. According to the Ethics Commission, electronic filing will make consultant filings available to the public immediately upon receipt; the current process has about a one-week delay to allow commission staff to enter the data manually. Electronic filing will also potentially free commission staff for more enforcement duties. Raising the threshold for consultant filing from \$1,000 to \$5,000 eliminates the need for consultants working on smaller projects to register and file.

Pros

- The measure clarifies requirements for campaign consultants by aligning filing requirements and frequencies with those defined in the city's Lobbyist Ordinance.
- The measure improves the timely availability of information by enabling real-time access to the public as consultant filings are received.
- Electronic filing and regular reporting enhance transparency and disclosure.
- The measure improves the efficiency of the consultant filing process without increasing costs to the Ethics Commission.
- By exempting consultants who receive less than \$5,000 a year in fees, the proposal removes an existing impediment to occasional single-issue consultants.
- The measure creates a process for amending the ordinance through a legislative process in the future, rather than solely through another ballot initiative.

Cons

- Increased filing fees may discourage some consultants or advocates from participating in campaigns.
- More frequent filings and required training may be burdensome and increase consultant costs.

SPUR's analysis

This measure, put forward by the Ethics Commission through the Board of Supervisors, would increase the transparency and effectiveness of city government by requiring consultant training and decreasing the time delay between reporting to the Ethics Commission and the public availability of campaign information. Over the long term, the measure would also allow for the ordinance to be amended through a legislative process,

PROP F



image from Harper's weekly, Library of Congress

which is less onerous than a ballot initiative amendment process, and allows for more flexibility as circumstances change.

On balance, this is a worthwhile reform that imposes reasonable costs, clarifies reporting requirements and enhances access to information.

SPUR recommends a “Yes” vote on Prop. F

ORDINANCE



0.5% sales tax increase

0.5% dedicated sales tax increase to fund public safety programs and services to children and seniors

Temporarily increases the sales tax in San Francisco from its current rate of 8.5 percent to 9 percent to fund public safety and social programs in the face of reductions in state funding.

What it does

Proposition G is an ordinance that increases the sales tax rate in San Francisco from 8.5 percent to 9 percent for a maximum of 10 years. Proceeds of this tax are designated to fund public safety programs and social safety net services — including services for children and seniors — according to the Safe Communities Transactions and Use Tax Expenditure Plan. The tax will expire in 2022. The measure will generate approximately \$15 million in fiscal year 2011-12 and \$60 million or more thereafter.

The measure is intended to protect against potential state budget reductions. It would raise the total sales tax rate from its current level of 8.5 percent to 9 percent — half a percent higher than the current level, but half a percent lower than the 9.5 percent total sales tax rate that was in place from April 2009 to June 2011.

To ensure that San Francisco’s sales tax rate remains below the 9.5 percent rate that was in place until June 30, 2011, the proposed measure stipulates that the 0.5 percent increase will automatically expire if California restores the state tax rate to the 2009–2011 level at any time until 2016, the end of the city’s five-year financial plan. After 2016, the proposed 0.5 percent increase would be decoupled from the state tax rate and the Board of Supervisors would hold a hearing to determine if the 0.5 percent increase should continue.

Why it’s on the ballot

The proposed ordinance was initiated by the mayor and co-sponsored by the Board of Supervisors in response to the expiration of a temporary state sales tax increase. As per state law, the measure is on the ballot because all local taxes require approval by two-thirds of voters in years where there are no legislative members up for election.

From July 2004 to March 2009, San Francisco’s sales tax rate was 8.5 percent, which was composed of a state tax rate of 6.25 percent, a local tax rate of 1 percent and a special district rate of 1.25 percent. In April 2009, the state tax rate was temporarily increased by 1 percent, from 6.25 percent to 7.25 percent, in order to augment the state’s general fund in the face of declining tax revenues and a weak economy. This increase raised San Francisco’s tax rate to 9.5 percent. During his first six months in office, California Governor Jerry Brown advocated for extending the existing sales tax rate as part of a budget plan comprised of tax extensions and spending

Expenditures by category (in millions)

Fiscal year	Public safety	Social safety net	Total revenues
2012	\$7.5	\$7.5	\$15.0
2013	\$30.0	\$30.0	\$60.0
2014	\$30.9	\$30.9	\$61.8
2015	\$31.8	\$31.8	\$63.7
2016	\$32.8	\$32.8	\$65.6
2017	\$33.8	\$33.8	\$67.5
2018	\$34.8	\$34.8	\$69.6
2019	\$35.8	\$35.8	\$71.6
2020	\$36.9	\$36.9	\$73.8
2021	\$38.0	\$38.0	\$76.0
2022	\$39.1	\$39.1	\$78.3

PROP G

reductions but was unable to secure the necessary votes to extend the rate. On July 1, 2011, this temporary increase of 1 percent expired, returning San Francisco's sales tax rate to the 2004-2009 level of 8.5 percent.

State lawmakers allowed the temporary 1 percent increase in the state sales tax to expire over the objections of the governor and the Democratic majority in the state legislature, arguing that strong revenue projections indicated the state would have sufficient revenue and that augmenting sales tax revenue would therefore be unnecessary. However, if the state's collected revenue falls short of projected revenue, it is likely that state funding for public safety and social service programs will decrease further, which will in turn decrease the amount of money transferred from the state to local jurisdictions such as San Francisco.

Pros

- This measure raises approximately \$60 million to pay for local services annually, adds certainty to local revenues and provides a backstop against state budget reductions and realignment of programs.
- The measure maintains the overall sales tax rate below the April 2009–June 2011 level of 9.5 percent. Therefore, even with the increase in the local portion of the sales tax rate, the total rate will be lower than it was before the recent expiration of the state sales tax, which lowered rates by 1 percent.
- The proposed measure protects San Francisco by incorporating a provision that the 0.5 percent increase will be automatically voided if the state restores the state sales tax to the April 2009–June 2011 level, maintaining a tax rate ceiling at least until 2016.
- The proposed measure provides \$60 million annually toward the stated objectives of the city's current five-year financial plan, which calls for the city to identify \$100 million in new annual revenues to support city services, as well as \$789 million in total expenditure reductions to bring the city's budget back into structural balance.

Cons

- Given the state of the economy, the city should seek to stimulate commerce and job production by maintaining certain taxes at lower rates. Although the proposed tax is 0.5 percent less than the April 2009–June 2011 rate, it is 0.5 percent more than the current sales tax rate. In general, increasing taxes can have a dampening effect on economic growth in a difficult economy.
- If San Francisco is the only jurisdiction to increase the local sales tax in the Bay Area, the city will have the highest sales tax in the region, making the city less competitive relative to its neighbors.
- The proposed measure fails to provide protection beyond 2016 against an increase in the total local sales tax rate above the April 2009–June 2011 level. If California restores the state sales tax rate to 9.5 percent sometime after 2016, San

Francisco could have a total sales tax rate in excess of 10 percent.

- Sales taxes are a regressive form of taxation that disproportionately impacts low-income residents. While just over half of sales taxes in San Francisco are paid by non-residents (businesses or visitors), sales taxes are a poor choice to drive revenue when both individuals and businesses are struggling against the poor state of the economy.
- This tax increase will not fund any new public services; it is designed to fund the existing structure and level of public services in each of the categories defined. Further, there is no guarantee that this measure will be used to increase funds for the intended services because the measure does not mandate maintenance of existing funding levels. As a result, discretionary General Fund contributions to the intended beneficiaries could easily be diverted for use in other programs.

SPUR's analysis

SPUR applauds the efforts of the mayor and the Board of Supervisors to protect the city's budget from further uncertainty and to protect funding for critical public safety and social service programs without increasing the total sales tax burden above recent levels. For the first time in its history, the city has adopted a five-year financial plan (advocated by SPUR) that will help bring the city budget back into structural balance over the next five years. This proposal would earmark these funds specifically for programs that have been adversely impacted in recent years and create a virtual sales tax rate ceiling in the short term that will give taxpayers a modicum of relief from recent sales tax rates.

However, this proposal would also give San Francisco the highest sales tax in the region and one of the highest in the state. What this also means is that — should the state reauthorize the expired sales tax extensions after 2016 — San Francisco could have a total sales tax rate in excess of 10 percent. Though more than a third of sales taxes are paid by visitors to the city, we do not believe that it is wise to impose additional costs on local residents and businesses while trying to attract new jobs and nurse our economy back to health.

Ultimately, we are skeptical that this tax increase will improve or even sustain public services. Though this is a tax to benefit public safety and social safety net programs, there are only general parameters for how it will be spent. We remain unconvinced that it will result in real service improvements in a fragile economic climate. While the intent of the measure is laudable, it lacks the necessary protections to ensure that discretionary revenues are not redirected to other programs and services.

SPUR recommends a “No” vote on Prop. G

DECLARATION OF POLICY



School assignment policy

Quality neighborhood schools for all

Declares that the system for assigning children to schools should give the highest priority to the proximity of a child's home to the school.

What it does

Proposition H makes a policy statement that the system for assigning children to schools should, after assigning siblings to the same school, give the highest priority to the proximity of a child's home to a school.

The proposed ballot measure would be advisory in nature, meaning it would not compel the San Francisco Unified School District (SFUSD) to create a neighborhood-based school-assignment system. Passage of the measure would simply indicate to school board members how the majority of San Franciscans feel about the priorities defined in the district's school assignment system.

Why it's on the ballot

This proposition was placed on the ballot through a signature campaign and is a non-binding policy statement.

In 2011 the San Francisco Unified School District (SFUSD) implemented a new method of assigning students to schools. The design of this new policy was researched and discussed for many years, fueled by confusion with the previous process and the fact that it did not successfully diversify and integrate the school system.

Like many cities, San Francisco has struggled with school segregation for many years, driven primarily by a series of legal challenges. Efforts to end de facto segregation in San Francisco schools began with busing programs in 1971. In 1978, African-Americans sought to desegregate the district and improve the quality of education in *San Francisco NAACP v. SFUSD*. The resulting consent decree, approved in 1983, mandated the desegregation of all schools, programs and classrooms, and mandated that no ethnic group could constitute more than 45 percent of enrollment at any school site.

In 1999, a group of Chinese parents successfully challenged the school district in a lawsuit over the racial cap (in *Ho v. SFUSD*), ending the use of race in assigning students. As a result, in 2002 the district instituted a "diversity index" that assigned students based on socio-economic factors. Under the diversity index, however, many parents were dissatisfied with their children being placed in cross-town schools.

The current SFUSD policy for elementary school admissions considers a number of factors, listed in descending order:

- Younger siblings of students enrolled in a school during the year for which the younger sibling requests attendance.
- Students who live in the attendance area of the school and are enrolled in an SFUSD pre-kindergarten program in the same attendance area.
- Students from areas of the city with the lowest average test scores
- Students who live in the attendance area (neighborhood) of the school.
- Students who live in attendance areas that do not have enough space to accommodate all the students in that attendance area.

In 2011, the first year of the district's new methodology, proximity does not appear to have been a driving factor for school selection. Preliminary results show:

- 23 percent of parents' first choice was based on proximity.
- 39 percent listed language pathway as a first choice.
- 72 percent of sixth-grade applicants and 74 percent of ninth-grade applicants did not request schools closest to home as their first choice.
- 12,000 kindergarten, sixth and ninth grade students who submitted an application this year did not select proximity as their first choice.

Pros

- San Francisco is a city made up of neighborhoods. Allowing students to attend quality schools near their homes will help increase child safety, foster a sense of community and increase the involvement of parents and other caregivers in schools.
- Decreasing travel time between home and school increases family time and study time and decreases the impact on the environment.
- Quality neighborhood schools will attract students. Some 40 years ago there were 90,000 children in San Francisco schools. Today there are 55,000. Some 30 percent of school-age children currently do not attend San Francisco public schools.
- Not knowing where their children will attend school is one of the reasons parents give for not enrolling in San Francisco public schools. Offering the option of attending a neighborhood school would remove much of the stress in the school-placement process. Knowing that their children can attend school close to home, parents can help to improve the quality of their neighborhood school.
- The proposed measure would give children the option to attend schools with language immersion or other specialized programs even if these schools are not located near home.

PROP H

Cons

- Non-binding policy statements do not belong on the ballot. If passed by voters, Prop. H would not compel the school board to change its school admissions policies.
- As noted above, parents overwhelmingly choose schools in San Francisco based on factors other than proximity. In the first year of district's new methodology, only 23 percent of parents' first choice was based on proximity.
- This policy declaration attempts to reverse a placement policy that is the result of extensive community input, data analysis and discussion with educational experts.



photo by Flickr user jeweledion

Prop. H supports the benefits of assigning students to neighborhood schools, including walking and biking to school.

SPUR's analysis

SPUR supports the goals of classroom diversity and access to quality neighborhood schools, and generally appreciates the intention of this proposal. However, the measure is not binding and does not do anything to directly improve the quality of education throughout the SFUSD or to address the factors driving the district's current school assignment strategy.

SPUR has no position on Prop. H

Eight city measures appear on the San Francisco ballot on November 8, 2011. As we do every election, SPUR thoroughly analyzed each one. Our Ballot Analysis Committee heard arguments from both sides of the issues, debated the measures' merits and provided recommendations to our Board of Directors. The board then voted, with a 60 percent vote required for SPUR to make a recommendation.

For each measure, we asked: Is it necessary and appropriate to be on the ballot? Is it practical and, if enacted, will it achieve the result it proposes? And most importantly: Is it a worthy goal, one that will make San Francisco a better place to work and live?

This analysis was reviewed, debated and adopted as official SPUR policy by the SPUR Board of Directors on August 17, 2011.

SPUR Ballot Analysis Committee

Lee Blich, Mike Ege, David Friedman, Bob Gamble, Tom Hart, Dave Hartley, Ellen Huppert, Barry Kendall, John Madden, Bree Mawhorter, Tomiquia Moss, Rich Peterson, Debbi Quick, Bill Rosetti, Victor Seeto, Raphael Sperry, Evelyn Wilson, Cynthia Wilusz, Peter Winkelstein

SPUR staff lead

Corey Marshall

SPUR staff and volunteers

Cole Armstrong, Ben Grant, Will Heywood, Sarah Karlinsky, Gabriel Metcalf, Laura Tam, Egon Terplan, Eli Zigas



The mission of the San Francisco Planning and Urban Research Association is to promote good planning and good government through research, education and advocacy.

SPUR is a member-supported nonprofit organization. www.spur.org

SPUR

654 Mission Street
San Francisco, CA 94105
tel. 415.781.8726
info@spur.org

In-depth
ballot
analysis,
made
possible
by members
like you.

Join SPUR

