

# SAN FRANCISCO VOTER GUIDE NOVEMBER 2013

Ballot analysis and recommendations

**Prop. A**  
Retiree  
Health Care  
**Yes**

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**Prop. B**  
8 Washington  
Initiative  
**Yes**

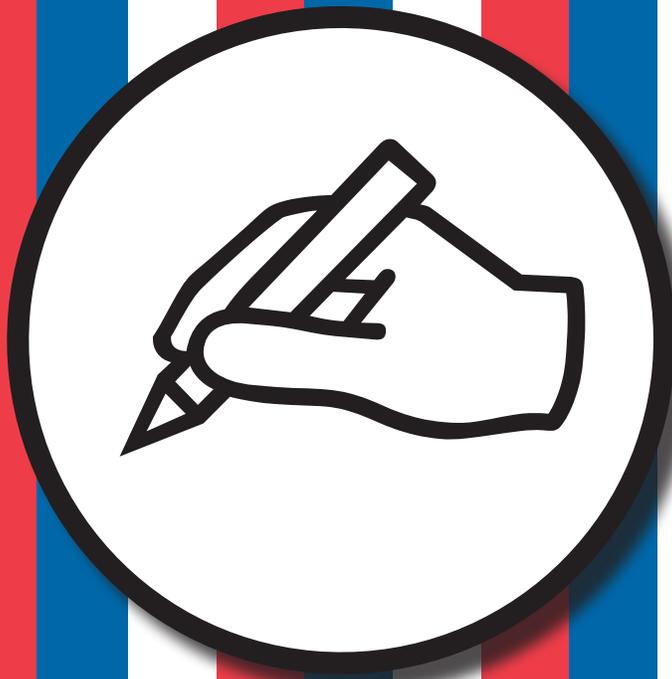
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**Prop. C**  
8 Washington  
Referendum  
**Yes**

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**Prop. D**  
Prescription Drug  
Pricing  
**No**

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CHARTER AMENDMENT



Retiree Health Care

## Retiree Health Care Trust Fund

Prevents the use of the city's existing Retiree Health Care Trust Fund for purposes other than retiree health care and sets up rules that will allow the trust fund to become fully funded by 2043.

### What it does

Proposition A would make changes to the governance and uses of funds in the Retiree Health Care Trust Fund. In particular, it would prevent the use of those funds for purposes other than retiree health care, and it would set up the rules under which the trust fund should become fully funded by about 2043. In short, it would put a lock box on an existing fund that was set up to pay the health costs for retired city workers.

Under current law, all City and County of San Francisco employees either pay into the Retiree Health Care Trust Fund or will soon begin to. Assets in the fund can be used for retiree health care costs — or any other city expenses — as of 2020. Employees hired since 2009 pay 2 percent of their gross salary into a Retiree Health Care Trust Fund, with the city matching 1 percent. Employees hired prior to 2009 will begin paying into the fund as of 2016 and by 2019 will be paying 1 percent of their gross salary to the fund. These requirements and the creation of the Retiree Health Care Trust Fund (passed as charter amendments in 2008 and 2011) were intended to pre-fund the costs of providing health care once a worker retires. Nonetheless, the city government still faces a large unfunded liability for paying health care costs for current retirees and workers hired prior to 2009.

Prop. A would make no changes to the total amount of funds in the Retiree Health Care Trust Fund. Instead, it seeks to ensure that the trust fund becomes fully funded over time (and thus able to pay for all retiree health care costs) by making the following changes:

1) The measure would require that the Retiree Health Care Trust Fund only be used to cover retiree health care benefits, at least until the assets in the fund are sufficient to pay for all future retiree health care obligations. Under current law, the

monies in the trust fund can be used beginning in 2020, and there are no restrictions on the use of those funds.

2) The measure would allow for one exception to the above. It would permit money to be withdrawn to help pay for current retiree health costs *if* those costs (i.e., both employer contributions to the trust fund and the costs of providing health care) were projected to reach more than 10 percent of payroll in the subsequent year. Even then, it would limit withdrawals from the fund to no more than 10 percent of the total value of the fund (based on the fund's prior-year audit). Withdrawing money in this circumstance would require a recommendation by the controller and approval by the mayor as well as a resolution by the Board of Supervisors. (Any changes to this structure would require approval by the controller, the mayor and two-thirds of the board.)

3) The measure would adjust the governance structure of the Retiree Health Care Trust Fund by permitting the controller, treasurer and executive director of the San Francisco Employees' Retirement System to participate directly on the trust fund's board.

Although Prop. A would affect employees of the City and County of San Francisco most directly, the measure would set up a disbursement framework for other public sector employers in San Francisco (such as the San Francisco Unified School District, City College of San Francisco and the San Francisco Superior Court) if they were to join the Retiree Health Care Trust Fund. Currently only City College is participating in the irrevocable trust fund. If the school district or the superior court became participating employers, they would be subject to the same parameters and restrictions on the use of the fund established by this charter amendment.

### Why it's on the ballot

All retirement pension and health benefit issues that pertain to city employees are contained in the City Charter. This means that the voters must approve any changes to retiree benefits.

Over the past decade, health costs have increased rapidly. Like many cities, San Francisco has faced growing obligations to pay for health costs for its retired municipal employees. Unlike pensions, health care costs for retirees are not pre-funded, so the cost of delivering health care for retired workers has historically been paid for on an annual basis. Many have referred to this expense as an "unfunded liability."

In 2004, recognizing the national scope of the unfunded liability for retirees, the federal Governmental Accounting Standards Board (GASB) began to require government employers to detail the liabilities owed to workers and retirees in the form of both pensions and health benefits. These are often referred to as "other post-employment benefits" (OPEB). Every two years, government employers must report on the actuarial liabilities for the promised benefits and provide an assessment of potential demands on future cash flows.

## PROP A

A GASB report issued by the San Francisco controller in November 2012 showed San Francisco's current OPEB liability at \$4.4 billion as of July 1, 2010. Because of prior charter amendments, this level of unfunded liability remained stable at \$4.4 billion through July 2012, a level that equates to more than \$13,000 per San Franciscan. Because health benefits for retirees have historically been handled on a pay-as-you-go basis, the bill for retiree health care comes straight out of the city's General Fund. In 2013, the city paid \$150 million out of its General Fund for retiree health care. Without any changes, the city would pay \$300 million annually toward retiree health care in 10 years and as much as \$500 million in 20 years.

There have been two key ballot measures seeking to address this issue in recent years.

In 2008, voters approved Prop. B, a measure that changed the years of service required to receive lifetime retiree health care benefits. Prior to 2009, employees of the City and County of San Francisco could receive lifetime retiree health care benefits after five years of service (and as of age 55), and the city and county would pay 50 percent of dependents' coverage. This provision was changed in Prop. B, a charter amendment that:

- Required new city employees to have 20 years of service before receiving lifetime retiree health care benefits;
- Established a Retiree Health Care Trust Fund and set up a mechanism to begin to fund it;
- Prevented disbursements from the trust fund until January 1, 2020; and
- Required all employees hired in 2009 and beyond to contribute 2 percent of their gross salary, matched by a city contribution of 1 percent. As a result, for those hired in 2009 and beyond, contributions by employees and the city are expected to cover the full cost of their future retiree health benefits. This 2008 measure made no changes affecting employees hired prior to 2009.

In 2011, the voters passed Prop. C, requiring pre-2009 employees to contribute 1 percent of their salary, matched by 1 percent from the city, into the trust fund. Based on the provisions written in Prop. C, pre-2009 workers will increase their contributions each year by a quarter of a percent starting in 2016 and will reach 1 percent of gross income by the end of 2019.

The current measure, Prop. A, follows from these prior charter amendments and focuses on ensuring that the trust fund investments are only used to cover retiree health care.

## Pros

- The charter amendment would eliminate the \$4.4 billion OPEB liability in 30 years (the assumed working life of a career employee entitled to lifetime health benefits). It would do so by establishing a guarantee that the trust fund would fully pre-fund retiree health benefits and could not be used for other purposes.
- The measure would ensure that trust fund proceeds serve those whom the fund was specifically established to serve, protecting the fund from possible "raids" in years of fiscal constraint.
- Prop. A would stabilize city spending on retiree health care as a percent of payroll by allowing disbursements from the trust fund if retiree health costs exceed 10 percent of city payroll. The mechanism would shield the city from any rapid spikes in retiree health costs.
- The measure would provide financial security and enhance budget predictability for city government.
- The measure might also lower bond interest costs by inspiring confidence among rating agencies and bond investors that the city is well run, stable and fiscally responsible.
- The measure could become a model for other municipalities grappling with the cost of retiree health care.

## Cons

- The charter amendment would do nothing to increase overall funding to pay down the unfunded liability for retirees. Instead, it would rely on the natural turnover in the city workforce and on funding mechanisms that were established in prior elections. This means that a portion of the General Fund would be used to pay for retiree health care benefits until the Trust Fund becomes fully funded, which is projected to happen in about 30 years.
- The measure would do nothing to address the growing inequity between workers hired under older systems and workers hired today. It would also carry forward some portion of the liability for funding current retiree health care. (It's important to note, however, that if pre-2009 employees were to pay 2 percent, the city would only move toward a fully funded system one year earlier.)
- The city has been doing reasonably well with pay-as-you-go funding for retired employee health benefits. There is no requirement under GASB that the liability be funded; it merely has to be reported. We don't know that the exponential increase in health care costs will continue in the future.

Continued on page 4

**PROP A**

**SPUR's analysis**

After several years of increasingly strong measures dealing with retiree health care issues (2008's Prop. B and 2010's Prop. C), this one finally closes a major loophole: the ability to raid the Health Care Trust Fund for other uses after 2020. SPUR supported both prior measures (though we were critical of the 2008 inclusion of an increase in pension rates for all workers in exchange for creating the two-tier system in retiree health care). If the assumptions in this year's Prop. A are correct, the charter amendment would make a major dent in the unfunded retiree health liability and should lead to a fully funded health system by about 2043.

While the measure does not identify a revenue source for paying down the health care retiree costs, it does seek to fully fund the outstanding liabilities with revenue sources established in prior charter amendments and through the natural turnover in the workforce, which will result in a higher and higher percent of employees prepaying the full cost of their retiree health care benefits. This measure could eliminate a long-term liability, improve the city's credit rating and result in fully funding retiree health care for new employees.

This is a long-overdue measure that puts San Francisco on a path toward responsibly managing its unfunded health care liability. Other cities and counties should take note of San Francisco's leadership and foresight in designing an innovative strategy to resolve this unfunded liability.

**SPUR recommends a "Yes" vote on Prop. A**

**ORDINANCE**



**8 Washington Initiative**

**8 Washington Parks, Public Access and Housing Initiative**

Approves the 8 Washington Street housing development through voter initiative.

**What it does**

Proposition B would approve a housing development on the Embarcadero at 8 Washington Street. The measure was put on the ballot by the developer of the project to counter Prop. C, which was put on the ballot by project opponents.

The 8 Washington project would create 134 new housing units; public parks and open spaces that would reconnect Jackson Street and Pacific Avenue to the waterfront; a new private fitness and swim club; ground-floor retail and cafés; and underground vehicle and bicycle parking. It would also generate greater revenue for the Port of San Francisco (which owns part of the land the project is located on) and increase payments into the city's affordable housing fund above the basic requirement. The project is located on a triangular site along the Embarcadero between Washington Street, Broadway and Drumm Street (see site map on page 9).

The 8 Washington initiative implements an existing project proposal that was approved through the city's usual legislative process in 2012. One part of that process is now under referendum. (See Prop. C on page 10.) To counter the referendum, Prop. B would implement the 8 Washington project through a special use district (SUD) called the 8 Washington Parks, Public Access and Housing District. The SUD is a planning tool that would implement and require all the approved features and benefits of the project, including the open space plan, height limits, number of units and parking restrictions. The project as defined in the initiative is identical to the project already approved by the San Francisco Planning Commission and Board of Supervisors. SPUR is on record as having supported the project throughout the approval process. For a description of the approval process, see Prop. C on page 10.

## PROP B

A “yes” vote on the initiative would require the city to issue building permits for a project that met all of the criteria set forth in the text of the initiative. A “no” vote would not implement the project.

The initiative also creates an implementation procedure for the project should the initiative pass. This “administrative clearance” procedure would give the Planning Department 10 days to review an application provided by the project sponsor to determine whether the plan is complete, and then an additional 30 days to determine whether the plan is in compliance with the mandatory requirements of the initiative. The procedure to determine whether a project is complete would be similar to what’s called for in California’s Permit Streamlining Act, though the timeline would be significantly tighter (10 days to review the application for completeness as opposed to the 30-day period outlined in the Permit Streamlining Act).

Once the project passed the administrative clearance, the project sponsor would continue to work with the Planning Department to finalize the building design in the typical process that occurs for all similar projects. The Planning Department would then review the project prior to issuing a building permit. This is the same process that the project would have undergone under the approvals provided by the Planning Commission and upheld on appeal by the Board of Supervisors.

## Why it’s on the ballot

The proponents of the 8 Washington development put this measure on the ballot through petition signatures. The measure was put forward after opponents of the project successfully collected signatures for a referendum on the Board of Supervisors’ 2012 approval of height increases for a portion of the 8 Washington site. The referendum (see Prop. C on page 10) focuses solely on these height changes and is not a referendum of the project as a whole.

## Pros

- The 8 Washington project would be a positive addition to the city, replacing a private tennis and swim club with well-designed housing and ground-floor retail, which would help activate the street. In addition, the open spaces would improve street connections in the area and increase access to the waterfront.
- This project has already received required approvals from the Planning Commission, Port Commission, Recreation and Park Commission, Board of Supervisors and State Lands Commission. The initiative upholds a project that has undergone the required administrative and legislative process.
- The initiative provides an opportunity to educate voters about the benefits of the entire project. If only the referendum (Prop. C) appeared before voters, they would only learn about the current battle over the height limits on the site.

## Cons

- This measure puts a zoning decision to the vote of the people. SPUR has historically opposed ballot-box zoning, even for worthy projects. When a project is approved at the ballot, legislators lose the power to make changes to mandatory provisions of the project, should such changes be needed later. Instead, these changes would have to be approved by another vote of the people. Approving (or opposing) projects at the ballot box sets a dangerous precedent, one that should not be undertaken lightly.

## SPUR’s analysis

Prop. B represents a conflict of two core SPUR principles. On one hand, SPUR does not support zoning by the ballot, even for excellent projects. On the other hand, SPUR supports good planning principles, including housing in transit-rich locations, strong urban design that helps reinforce the street, and greater opportunities for pedestrians to reach the waterfront.

A key factor in our analysis is that the 8 Washington development has already undergone a very lengthy review process and secured its approvals in the appropriate manner: through a legislative process that involved many public hearings before public bodies, including the Planning Commission, Port Commission and Board of Supervisors. It was only after opponents of 8 Washington brought the project to the voters through a referendum that proponents sought to put Prop. B on the ballot. Had the opponents not put the project to referendum, the proponents would not have put 8 Washington before the voters.

While SPUR does not support the use of the ballot to implement land use changes, this project has already gone through the legislative process and successfully received its approvals. Prop. B would move forward the same project that was approved by all the required public bodies. Without Prop. B on the ballot, voters might not learn about all the benefits the project has to offer. Opponents of 8 Washington chose to put before the voters only the most unpopular aspect of the project: a change in building height limits. The project sponsors thought it was critical to craft Prop. B to tell voters about all the positive aspects of the project. On balance, we believe the benefits of this measure outweigh its drawbacks.

## SPUR recommends a “Yes” vote on Prop. B

For an explanation of the 8 Washington height changes and site plan, see illustrations on pages 8 and 9.

**PROP B**

**The 8 Washington Initiative Would Implement the Same Project Approved by the Board of Supervisors**

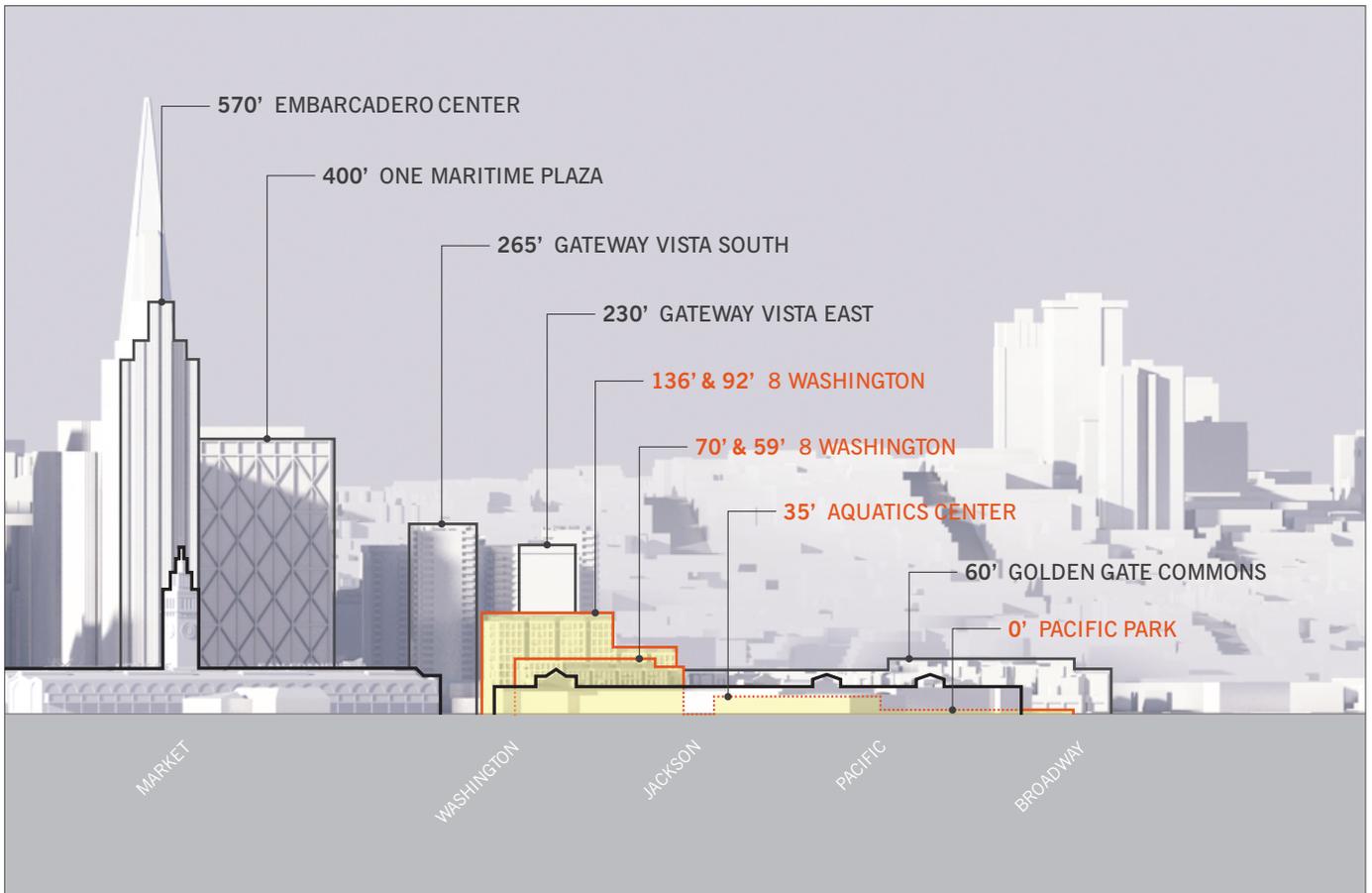
Prop. B puts the 8 Washington project before the voters. SPUR analyzed the initiative language to determine if the project described in the initiative was the same as the project approved by the Board of Supervisors. All the physical aspects of the project (heights, number of units, parking), as well as all the fees paid to the city, would be the same. Only the implementation mechanism for the project would be different.

Project Aspect	8 Washington as Approved by the Planning Commission and Board of Supervisors	8 Washington Initiative (Prop. B)
Heights	The portion of the site closest to Drumm is amended from the prior height limit of 84 feet to allow for heights of 92 feet and 136 feet (see map in Prop. C analysis). The buildings on the remainder of the site will step down to 70 feet, then 59 feet, then 35 feet, then 0 feet as per the approved plans.	The portion of the site closest to Drumm is amended to allow for heights of 92 feet and 136 feet. The buildings on the remainder of site step down to 70 feet, then 59 feet, then 35 feet, then 0 feet as per diagrams attached to the ordinance in Exhibit A-2. These are the same heights approved by the Planning Commission and the Board of Supervisors.
Number of units	134	134
Change in number of units	Can increase by 5 percent or decrease by 10 percent at the request of the project sponsor.	Can increase by 5 percent or decrease by 10 percent at the request of the project sponsor.
Residential parking	127 spots, as per conditions of approval. This is an absolute limit.	127 spots. This limit is defined as a ratio (0.95) of parking spaces to the total number of units.
Parking ratio	0.95 to 1	0.95 to 1
Public parking	200 spots	200 spots
Affordable housing	20 percent fee in accordance with the inclusionary housing ordinance, plus an additional 5 percent that is required in the purchase and sale agreement with the port.	20 percent fee in accordance with the inclusionary housing ordinance, plus an additional 5 percent in accordance with the purchase and sale agreement with the port.
Mitigation measures defined in the environmental review documents	Complies with the Mitigation Monitoring and Reporting Plan adopted by the Planning Commission when certifying the Environmental Impact Report (EIR).	Complies with the Mitigation Monitoring and Reporting Plan adopted by the Planning Commission when certifying the EIR.

Project Aspect	8 Washington as Approved by the Planning Commission and Board of Supervisors	8 Washington Initiative (Prop. B)
Approving documents	<p>Zoning map amendment for height increase; conditional use authorization for the residential and club components of the project with conditions of approval; a disposition and development agreement and purchase agreement with the port, which approved the overall project, including those components to be constructed within publicly owned spaces. Project approved by the Planning Commission, Port Commission and Board of Supervisors. Can be amended legislatively.</p>	<p>Creates a special use district (SUD) that implements the existing zoning map amendment for the height increase and the elements of the project that were approved through the conditional use authorization and the port agreements, including the conditions of approval. The key project components listed in the initiative cannot be amended legislatively, but other projects not meeting the project requirements can be approved under the base zoning and 84-foot height limit without going back to the voters.</p>
Implementation procedures	<p>The project sponsor works with the Planning Department on building design. The Planning Department reviews plans prior to issuing a building permit.</p>	<p>The project sponsor works with the Planning Department on building design. The Planning Department reviews plans prior to issuing a building permit. The project sponsor applies to the Planning Department for an “administrative clearance.” The Planning Department has 10 days to deem the application complete and 30 days to review plans for their conformance with the SUD. After plans are deemed to conform with the voter-approved initiative, the project sponsor works with the Planning Department on building design, just as the sponsor would under the project that the Planning Commission approved. The Planning Department reviews plans prior to issuing a building permit.</p>

PROPS B & C

8 Washington Project Building Heights



The 8 Washington project (labeled and outlined in orange) steps down from a height of 136 feet in the area closest to San Francisco's high-density downtown core to a height of 35 feet along the waterfront. The next building to the west of the project is the 230-foot-tall Gateway Vista East.

PROPS B & C

Site Plan for 8 Washington Project



The 8 Washington project proposes housing, parks, a fitness club and ground floor retail including cafés. The project will create pedestrian connections to the waterfront from Pacific Avenue and Jackson Street. The height increases approved by the Board of Supervisors (outlined in orange) make up one portion of the overall site. Opponents of the project are putting these height increases to a popular vote in Proposition C.

REFERENDUM



8 Washington Referendum

## Referendum Against Ordinance 104-12, the 8 Washington Street Project

Asks the voters whether or not they want to reaffirm the height increases granted as part of the Board of Supervisor approvals for the 8 Washington Street project.

### What it does

Proposition C is a measure that would stop the 8 Washington Street project from moving forward under its current approvals from the Planning Commission and the Board of Supervisors, which the project received in 2012.

The 8 Washington project, as approved by the Planning Commission and the Board of Supervisors, would replace a surface parking lot and private tennis and swim club with 134 new housing units; public parks and open spaces reconnecting Jackson Street and Pacific Avenue to the waterfront; a new private fitness and swim club; ground-floor retail and cafés; and underground vehicle and bicycle parking. It would also generate greater revenue for the Port of San Francisco (which owns some of the land the project is located on) and increase payments into the city's affordable housing fund above the basic requirement. The project is located on a triangular site along the Embarcadero between Washington Street, Broadway and Drumm Street (see site map on page 9).

As part of the approvals for the project, the Board of Supervisors voted to amend the city's zoning map to change the height limits on the 8 Washington site from 84 feet to 92 feet in one area along Drumm Street and from 84 feet to 136 feet in another area along Drumm Street (see site map on page 9). Previously the entire site had been zoned for 84-foot limits. The remainder of the site would all be built below the 84-foot height limit, stepping down from a 70-foot mixed-use residential and retail building at the south end of the site to a 0-foot public park to the north. The Planning Commission and the Board of Supervisors voted to approve the entire project,

including the height limits, as well as the mixture of uses and the open space plan.

The 8 Washington project has undergone a very lengthy and contentious approval process. In 2006, San Francisco Waterfront Partners submitted to the Port of San Francisco a proposal for the redevelopment of Seawall Lot 351 (SWL 351) that would combine the site with an adjacent site at 8 Washington. The proposal was for a condominium project 84 feet tall, in keeping with the parcel's zoned height. This proposal met with opposition from some neighbors and other community members, who organized to preserve the private tennis and swim club located at the 8 Washington site. After a year of community and Port Commission hearings, the port issued a request for proposals for SWL 351, with development criteria that had been crafted in concert with the community. In 2009, the Port Commission awarded the development of SWL 351 to San Francisco Waterfront Partners.<sup>1</sup>

After the project had been awarded, Supervisor David Chiu (who represents the district that includes the Northeast Embarcadero) requested that the port work with the Planning Department to lead a focused planning process for the port's surface parking lots north of Market Street. This process led to the creation of the Northeast Embarcadero Study: An Urban Design Analysis for the Northeast Embarcadero Area. The study was recognized by the Planning Commission, which adopted a resolution urging the port to consider the principles and recommendations proposed in the study. This study recommended sculpting the building heights on the SWL 351 and 8 Washington Street parcels so that they would range from lower heights of 25 feet between Jackson and Pacific to as high as 125 and 130 feet on the western side of the site, which is across Drumm Street from an existing 230-foot residential tower.

The project proposed by San Francisco Waterfront Partners conforms to the height recommendations laid out in the Northeast Embarcadero Study. After the study was complete, the project proceeded through a series of approval hearings at the Port Commission, Planning Commission, Recreation and Park Commission, Board of Supervisors and State Lands Commission. The project received the required approvals from these bodies. SPUR is on record as having supported the project throughout the approval process.

<sup>1</sup> The port received two proposals for the site, one of which was ultimately withdrawn.

## PROP C

### Why it's on the ballot

After the project was approved, opponents of the project filed a referendum to stay the Board of Supervisors' approved height increases for the 8 Washington project as outlined in the zoning map amendment. The referendum required that the Board of Supervisors revote on the height increases. If the board did not vote to repeal the height increases, then the project would be put to a vote of the people. The board did not vote to repeal the increases, and therefore the height increases were upheld and the referendum is now being put to a popular vote to approve or overturn the board's decision.

The referendum asks specifically whether the voters would like to uphold the Board of Supervisors' approval of the height-limit increases. A "yes" vote on the referendum would uphold the board's action by adopting the zoning map amendment and would allow the 8 Washington project to move forward. A "no" vote would reject the Board of Supervisors' approval of the zoning map amendment. The height limit would remain at 84 feet, and the project could not move forward as approved.

### Pros

- The 8 Washington project would be a positive addition to the city, replacing a private tennis and swim club with well-designed housing and ground-floor retail, which would help activate the street. In addition, the open spaces would improve street connections in the area and increase access to the waterfront. SPUR has long supported this project for all of its benefits.
- This project has already undergone a lengthy public process where all parties had the opportunity to make their voices heard. It has received all required city and state approvals. Putting the project to a vote of the people undermines the process that already took place and sets a dangerous precedent; in the future, anytime project opponents do not succeed through the legislative process, they may think they can overturn the results at the ballot. In recent years, San Francisco has avoided using the ballot box for planning, and it is important to continue in that vein.

### Cons

- The people of San Francisco have a right to weigh in on the 8 Washington project. It is not always easy for people to attend hearings and community meetings. The people will now have an opportunity to express their opinion directly at the ballot, and those who do not agree that the benefits of the project outweigh the drawbacks will have the chance to vote "no."

### SPUR's analysis

The 8 Washington project has undergone a very rigorous multiyear planning process. Opponents of the project did not succeed in blocking the project legislatively and therefore have brought the project before the voters, focusing specifically on the narrow question of the height-limit changes. SPUR does not believe it is appropriate to use the ballot to block projects that have already received their approvals; we believe that to do so sets a dangerous precedent. We recommend that voters uphold the approvals adopted by the Planning Commission and the Board of Supervisors and vote "yes."

## SPUR recommends a "Yes" vote on Prop. C

DECLARATION OF POLICY



Prescription Drug Pricing

## Prescription Drug Purchasing

Urges the City of San Francisco and its state and congressional delegations to employ all available opportunities to bring down the price of prescription drugs.

### What it does

Proposition D is a non-binding declaration of policy calling on the City and County of San Francisco to use all available opportunities to reduce the city's cost of prescription drugs. It also would establish a policy that the city should engage in direct negotiations with drug manufacturers to bring down the price of essential medications that San Francisco purchases. The measure would also call on San Francisco's state and congressional representatives to pass legislation to reduce current drug prices paid by all levels of government by at least one-third.

If the proposed measure were adopted, the Board of Supervisors would be urged to consider the policy and determine what action, if any, would be appropriate to implement the policy.

In order to obtain the lowest possible price on prescription drugs, the San Francisco Department of Public Health is authorized to use the services of outside companies. Currently, the city purchases medical drugs and equipment through contractual relationships with both a group purchasing organization (GPO), which negotiates prices, and a wholesaler, which purchases and distributes products. The GPO is an entity that leverages the combined purchasing power of member businesses to negotiate more favorable prices from manufacturers. The wholesaler buys and sells the products at the negotiated price and acts as a distributor to efficiently deliver thousands of different products to the many publicly owned hospitals and clinics in San Francisco. The city also enters into a small number of "ancillary agreements" directly with drug manufacturers to procure drugs. For outpatient medications, the city uses a company that participates in a

discounted drug program run by the federal government. This company purchases drugs for the city at a discounted rate set by a federal law.

### Why it's on the ballot

Prop. D was placed on the ballot through petition signatures. The AIDS Healthcare Foundation led the signature gathering.

The measure's backers note that prescription drug costs are increasing faster than any other costs in the American health care system. Prices for the lifesaving drugs that treat AIDS/HIV have been rising especially fast. Supporters of the measure hope to use municipal negotiating power to drive down prescription drug costs for San Franciscans while also raising awareness of the need for public action to reduce the cost of essential medication.

### Pros

- Placing a policy statement on the ballot is a way for San Franciscans to directly express their opinion and start a civic conversation on a public health issue that impacts many of our citizens.
- Prop. D would signal to state and federal legislative bodies that San Francisco's citizens support national policy change to limit the growth of drug prices, potentially increasing the profile of this important issue.

### Cons

- Non-binding policy statements do not belong on the ballot. Beyond giving some visibility to the issue of prescription drug prices, this ballot measure is unlikely to address the problem it seeks to solve.
- The ramifications of a policy that requires the city to enter into direct negotiation with drug manufacturers is unclear. While the city does enter into a small number of ancillary agreements with manufacturers directly, the vast majority of the city's drug purchasing is done through third-party entities. Moving toward more direct negotiations may actually result in the city getting less favorable pricing because it will lose the leverage of negotiating as part of a larger group. These direct negotiations also could require an unknown amount of additional staffing and resources that the city has not planned for.

### SPUR's analysis

Reducing the price of critical prescription drugs is an important goal and one that should be key for the city. However, this measure and the policy it recommends are not practical means of achieving this result.

**PROP D**

The City and County of San Francisco makes use of the collective purchasing power of a GPO and a wholesaler to obtain drugs at a reasonable price from hundreds of manufacturers. The measure's language requiring the city to enter into direct negotiation with individual drug manufacturers could be interpreted as a directive to move away from our existing system, which relies on third-party entities to negotiate drug purchases. This change could require significant new staffing resources while not necessarily resulting in lower drug prices for those who need them. In order to keep drug prices affordable, advocates should focus their attention on strengthening the federal program that discounts drug prices for safety-net providers such as Medicaid. It is this program that currently enables the city to provide lower cost drugs to outpatients.

Lastly, SPUR does not favor using the ballot initiative process for non-binding policy statements. There are countless non-controversial statements of policy that a majority of San Franciscans would support. While each statement might reflect the values of our populace, it is not an appropriate use of the ballot box. A more effective path for the development of public policy is to hold public hearings, conduct analysis of the issues and then develop policies or new programs.

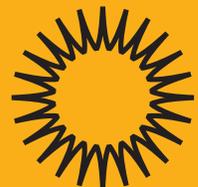
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## SPUR recommends a “No” vote on Prop. D

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

Join SPUR



Four city measures will appear on the San Francisco ballot on November 5, 2013. As we do before every election, SPUR researched and 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?

The SPUR Board of Directors reviewed, debated and adopted this analysis as official SPUR policy on August 21, 2013.

**SPUR Ballot Analysis Committee**

Jim Chappell, Mike Ege, Robert Gamble (chair), Ellen Huppert, John Madden, Terry Micheau, Adhi Nagraj, Deborah Quick, Victor Seeto, Mike Teitz, Cynthia Wilusz Lovell, Evelyn Wilson, Peter Winkelstein, Howard Wong

**SPUR staff leads**

Sarah Karlinsky, Egon Terplan, Jennifer Warburg

**SPUR volunteers**

Laura Hobbs, John Means



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654 Mission Street  
San Francisco, CA 94105  
tel. 415.781.8726  
[info@spur.org](mailto:info@spur.org)

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