THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Rebuild San Diego Ballot Proposal

OVERVIEW

On December 9, 2015, Councilmember Kersey presented his Rebuild San Diego ballot proposal to the City Council's Infrastructure Committee. That proposal would dedicate a portion of future General Fund revenue growth and pension payment reductions to support the City's infrastructure and capital programs over a 30-year period. At the Infrastructure Committee meeting, our office and the City Attorney's office were requested to prepare an analysis of the proposal, and potential adjustments or options for a ballot proposal that would accomplish similar aims.

In this report, we discuss the context in which this ballot proposal is being brought forward, the ballot proposal itself and approaches that we believe could achieve the proposal's goals, and the impacts implementation of the measure could have on future City budgets.

In developing different approaches that could be taken in the proposal, our office has attempted to respond to concerns about striking the right balance between ensuring sufficient funding for infrastructure needs and ensuring reasonable growth in the City's General Fund, and providing fiscal flexibility when necessary. Our report also lays out the choices necessary should the Council want to proceed with placing this measure on the June 2016 ballot.

FISCAL/POLICY DISCUSSION

Background

In January of 2015 the City issued its first ever "Multi-Year Capital Planning Report," which identified known capital needs and funding sources projected to be available over the FY 2016-2020 time period. This Plan was updated and released in December 2016 to reflect results of completed condition assessments and current expenditure and revenue information, and was rebranded the "Five Year Capital Infrastructure Planning Outlook" (CIP Outlook) for consistency with the City's General Fund Outlook. The updated "CIP Outlook" has identified capital and infrastructure expenditure needs of $4.25 billion over the next five years.

Resources available for this purpose are projected to be $2.85 billion, which leaves a $1.4 billion funding gap for the five-year period. Nearly $1.9 billion or 69% of the $2.8 billion in projected resources must be spent on Water and Wastewater projects. Therefore, almost all of the $1.4 billion shortfall is in General Fund project needs. These include streets, streetlights, public facilities, parks, libraries, fire stations, and sidewalks. While significant funding exists for Water and Wastewater over the next five years, General Fund infrastructure needs identified in the Outlook continue to be seriously underfunded.

Furthermore, the updated Outlook does *not* include results of condition assessments underway for two-thirds of the City's facilities and for existing parks. Also not included in the Outlook are needs for *new* parks and recreation facilities; 14 *new* fire stations identified as priorities in the Citygate study; updated street condition assessments; or any costs necessary for general preventative maintenance and repairs of infrastructure assets. Service and condition index levels and policies have also *not* yet been established for all asset types, such as facilities, which could drive up cost projections considerably as these policy decisions are determined. ***Additional and significant funding requirements, beyond those included in the Outlook, will continue to be identified in all asset types as more information becomes available.***

Rebuild San Diego Commits Funding to Infrastructure, More Solutions Needed in Future

As we have stated in numerous reports and presentations over the past several years, addressing the City's extensive infrastructure needs remains the most significant financial challenge facing the City of San Diego. Based on the magnitude of the problem, we advocated for a new dedicated funding source to be identified such as a reasonable increase to either sales tax or property tax, in a June 2015 report to the Infrastructure Committee ("Ballot Scenarios for Infrastructure Funding"). While we believe that a new revenue source is needed and should remain a priority for the near future, we believe the approach of committing a portion of General Fund revenue growth to infrastructure as is contemplated in the Rebuild San Diego proposal is prudent, provided that:

- Revenue growth is ***reasonably apportioned*** between General Fund operations and infrastructure expenditures;
- There is ***reasonable assurance*** based on financial projections that General Fund operations, reserves, and funding obligations are sustainable; and
- This measure ***can be suspended*** in the event of a financial emergency.

If this proposal is approved by the voters, the City Charter would require revenue growth to be apportioned between the General Fund and an Infrastructure Fund, as well as require pension payment reductions to be earmarked for infrastructure. These restrictions could limit General Fund budget flexibility depending on priorities and competing needs in the future.

The next section of this report discusses the ballot measure itself and approaches Council could take to help ensure the reasonable provisions noted above are included in the measure.

Rebuild San Diego Ballot Proposal

Councilmember Kersey's Rebuild San Diego ballot proposal would dedicate to infrastructure expenditures a portion of future growth in sales tax receipts over a selected base-year; half of incremental growth in property tax, transient occupancy tax, and franchise fee receipts; and potential reductions in the City's pension payments. In consultation with the City Attorney's office, we believe that the best manner of accomplishing this is through establishing a new Infrastructure Fund.

Additionally, there are some larger considerations that impact how the measure would be implemented. These considerations include the overall length of the measure and when it would be implemented, what types of expenditures count as infrastructure expenditures, and under what circumstances the measure's requirements could be suspended. These considerations are discussed immediately below, and a discussion of the approaches that could be taken towards dedicating revenue streams follows.

Implementation Year and Length of Measure

The proposal from Councilmember Kersey calls for the Rebuild San Diego measure to be in effect for 30 years. Our office notes that it would be practical to use FY 2016 actual receipts to establish a base-year for General Fund revenue, and have the measure take effect in FY 2018. Should the measure be placed on the June ballot and pass as currently envisioned, it is unlikely that sufficient time would exist to implement the measure in FY 2017's budget.

Additionally, Council may wish to consider a shorter length for the measure; our report accordingly includes projected revenues at 10, 20, and 30 years of the measure being in effect.

Definition of Infrastructure Expenditures

While the City has historically categorized infrastructure spending as spending on capital projects, we believe that non-capital costs associated with maintenance and repair of City infrastructure should also be considered as expenditures on infrastructure. A large contributor to the City's current infrastructure backlog has been insufficient maintenance and repair expenditures.

We therefore recommend that any revenue dedicated to the Infrastructure Fund due to this proposal be available to be used for capital costs, maintenance and repair costs, and related staff costs. Working with the City Attorney, we developed the following language that details eligible uses of the Infrastructure Fund contemplated in this measure:

> *The moneys in the Infrastructure Fund shall be used exclusively for the acquisition, construction and completion of permanent public improvements, including real property, public buildings and facilities, and such initial furnishings, equipment, software, supplies, inventory and stock as will establish the public improvement as an ongoing concern. This fund may also be used for the replacement, rehabilitation,*

> *upgrade, reconstruction, ongoing capital repair and maintenance of such permanent public improvements. This fund may also be used to pay any financing costs associated with permitted uses including debt service, lease payments, costs of issuances and funding or replenishing reserve funds. The cost of infrastructure management and maintenance, including personnel, software, facilities, equipment and related costs are also permitted uses.*

We do note that if the City issues new debt planning to use the Infrastructure Fund as a repayment source, and that debt's repayment schedule extends past the last year of the measure's effective date, the General Fund would have to absorb any remaining repayments.

Proposed Suspension Provision

We believe it is advisable to incorporate a suspension provision into the proposed Charter amendment for Rebuild San Diego. To the extent the Council is concerned about the proposal's impact on the City's credit rating, this provision would likely provide rating agencies with additional comfort in evaluating this funding commitment. Additionally, the provision would provide this Council, and future Councils, with some financial flexibility in times of significant fiscal need and/or competing budget priorities.

In the event the City experiences fiscal duress (e.g., a recession) or encounters a significant unanticipated budgetary need, it is prudent for the proposed Charter amendment to allow a *temporary* suspension of the infrastructure funding requirement. For example, the Charter amendment could include a provision allowing for a one-year suspension of the funding requirement if two-thirds of the Council were to declare a fiscal emergency warranting such a suspension. The IBA understands the proposed Charter amendment is intended to force infrastructure prioritization; however, we believe a provision requiring a two-thirds supermajority vote to suspend the measure represents a good safeguard that allows some financial flexibility for unanticipated budgetary emergencies while retaining the underlying infrastructure funding commitment.

Revenue Dedication Components

The Rebuild San Diego proposal has three components:

1. Dedicating a portion of Sales Tax revenue growth to the Infrastructure Fund
2. Continuing the Mayor's pledge to dedicate 50% of year-over-year revenue growth in Property Tax, Transient Occupancy Tax, and Franchise Fee revenues to the Infrastructure Fund
3. Dedicating future reductions in pension payments to the Infrastructure Fund

Each component is discussed below.

1 - Sales Tax Revenue Growth

The Rebuild San Diego proposal would dedicate a portion of sales tax revenue growth over a baseline year to the Infrastructure Fund over the lifespan of the proposal. Our office has identified three potential approaches to dedicating a portion of revenue increases:

- **A)** *Revenue above Baseline and Percentage Growth* – This approach dedicates any revenue over a certain growth rate to infrastructure.
- **B)** *Revenue above Baseline/Percentage Growth and Below a Cap* – This approach dedicates revenue between two different growth rates to infrastructure.
- **C)** *Proportional Revenue* – This approach dedicates a percentage of all revenue growth to infrastructure.

Each approach is described below, along with the pros and cons of each approach.

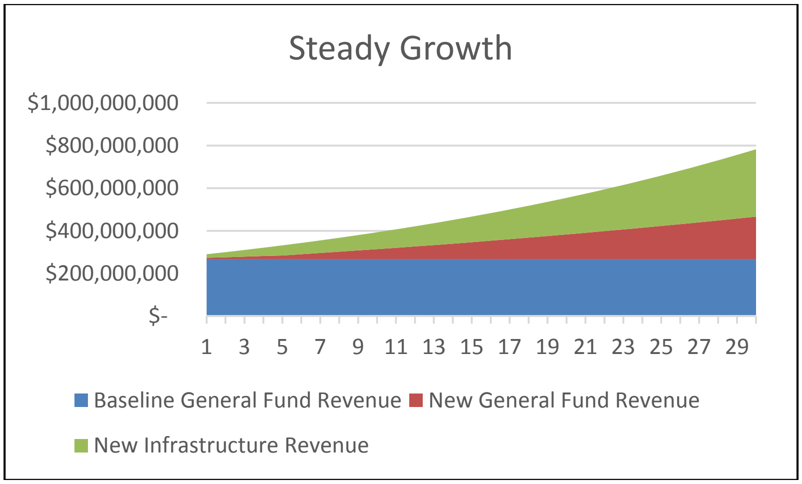
Our office does note that there was some discussion in the Infrastructure Committee about gradually decreasing the amount of revenue dedicated to the Infrastructure Fund in outer years, as infrastructure expenditures shift from construction of projects to maintenance and repair efforts. This could be accomplished by decreasing the amount of revenue that would be available for the Infrastructure Fund by 10.0% per year over the last decade of the proposal.

A – Revenue above Baseline and Percentage Growth

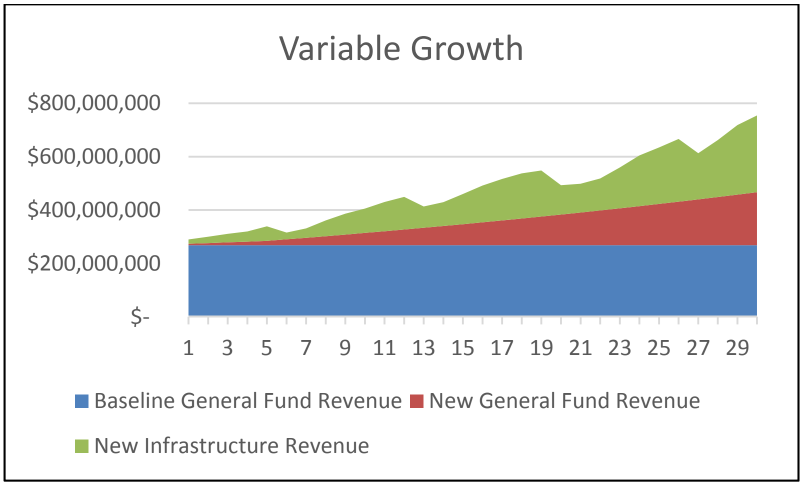
This approach is included in Councilmember Kersey's Rebuild San Diego proposal. Under this approach, a baseline year establishes the initial amount of sales tax revenue that is available for the General Fund. Growth in sales tax revenue above that baseline and below an established limit would be available for the General Fund, and any growth above that limit would be allocated to the Infrastructure Fund.

Scenario 1 –Growth of 1.0% for 5 years and 2.0% thereafter

Councilmember Kersey's initial proposal would allow sales tax growth up to 1.0% for the first five years of the proposal, and 2.0% over the remainder of the proposal, to be allocated to the General Fund. If FY 2016 was established as the baseline year, and the measure went into effect in FY 2018, the following charts show how revenue would be allocated under scenarios where overall sales tax receipts grow by 3.5% a year. The first chart assumes flat 3.5% growth over the length of the proposal, while the second chart has an average growth of 3.5%, though individual years experience gains and losses. Corresponding new revenues for the General Fund and Infrastructure over a 10, 20, and 30 year period are included in tables next to each chart.



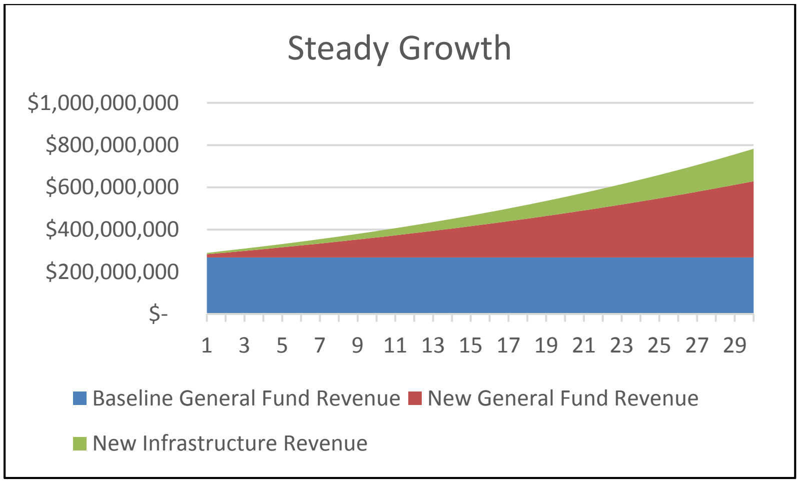
$ in millions	New $ - GF	New $ - Infra
10 Years	$ 224.7	$ 484.0
20 Years	$1,053.0	$1,749.9
30 Years	$2,649.7	$4,207.9



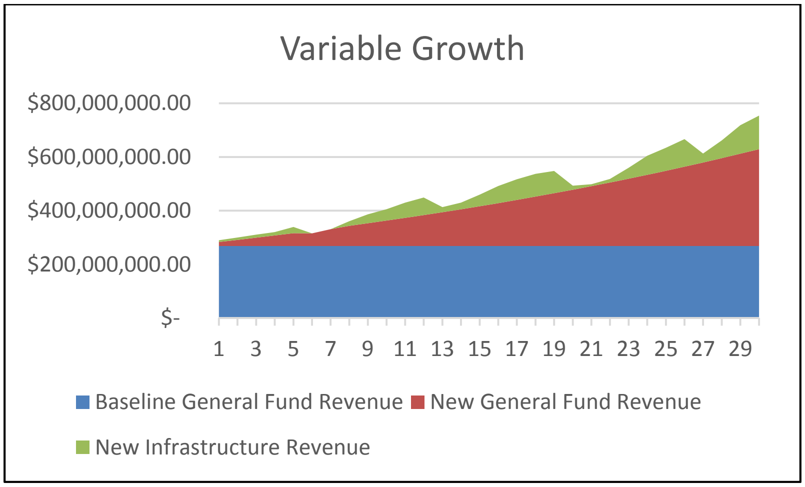
$ in millions	New $ - GF	New $ - Infra
10 Years	$ 224.7	$ 453.4
20 Years	$1,053.0	$1,713.8
30 Years	$2,649.7	$3,665.0

Scenario 2 – Baseline Growth using Average Consumer Price Index (CPI)

This scenario allows the percentage allocated to the General Fund to annually increase by the Average CPI. Adjusting the amount of General Fund revenue growth allowed under this approach results in a different amount of revenue being dedicated to infrastructure. Based on the average CPI of 2.79 over the last 30 years, the following amounts would be allocated under the same scenarios:



$ in millions	New $ - GF	New $ - Infra
10 Years	$ 535.1	$ 173.6
20 Years	$2,088.7	$ 714.1
30 Years	$4,983.7	$1,873.8



$ in millions	New $ - GF	New $ - Infra
10 Years	$ 522.5	$ 155.7
20 Years	$2,076.2	$ 690.6
30 Years	$4,971.1	$1,343.6

These charts assume a consistent CPI, though actual CPI varies from year-to-year. Council could consider allowing General Fund revenue to grow by the CPI or 2.0% per year, whichever is greater. However, it is difficult to project annual revenue amounts under this scenario, as the CPI in outer years cannot be projected with any certainty.

Pros and Cons of the "Revenue Above Baseline Increase" Approach

This approach to dedicating revenue growth to infrastructure has some advantages. Under this approach, any year-over-year declines in overall sales tax revenue will first come out of the portion of revenue growth that would be allocated to the Infrastructure Fund, and the portion of growth for the General Fund would remain intact unless the City received less sales tax than the specified growth rate for the General Fund. This helps insulate General Fund expenditures from declines in overall sales tax receipts.

However, in years when growth substantially exceeds the growth rate for the General Fund, the General Fund's allocations are capped. Should the economy expand significantly for several years in a row, this could limit the City's ability to dedicate General Fund money to expanding operational needs. It is also possible that increased growth in the infrastructure portion of sales tax growth could outpace the City's ability to spend that revenue on infrastructure.

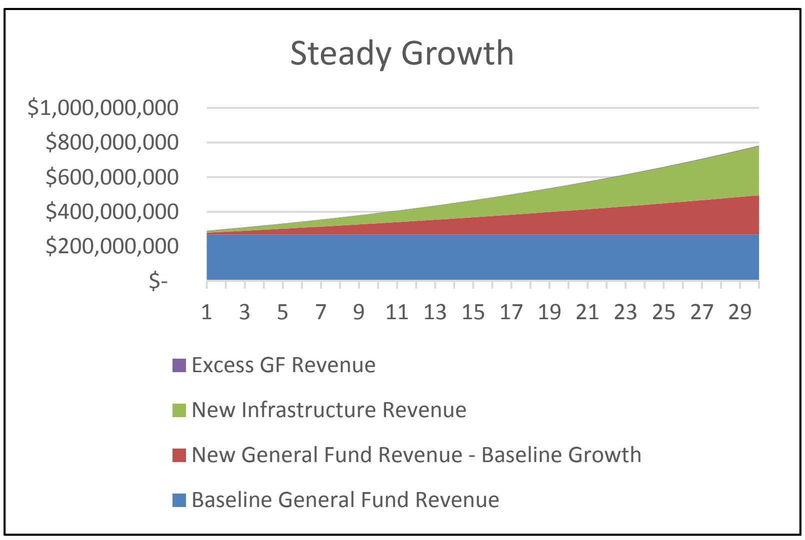
This approach may be particularly problematic during cycles of recession and recovery. In recessions, the City's revenues drop, which can force cuts to the City's operations. At the same time, capital costs generally decrease. Should the City face a recession and an accompanying drop in sales-tax receipts while this proposal is in effect, this approach may limit the City's ability to provide 'catch-up' funding to City operations during recovery years, while at the same time provide additional revenue for infrastructure at a time when costs associated with capital infrastructure are decreasing.

As with other approaches to dedicating a portion of revenue growth to an Infrastructure Fund, absent a new source of funding, the City loses the flexibility that it has when all revenue growth is allocated to the General Fund. While identifying infrastructure funding is important, it is also important that the City maintain the ability to provide funding for other City functions as well.

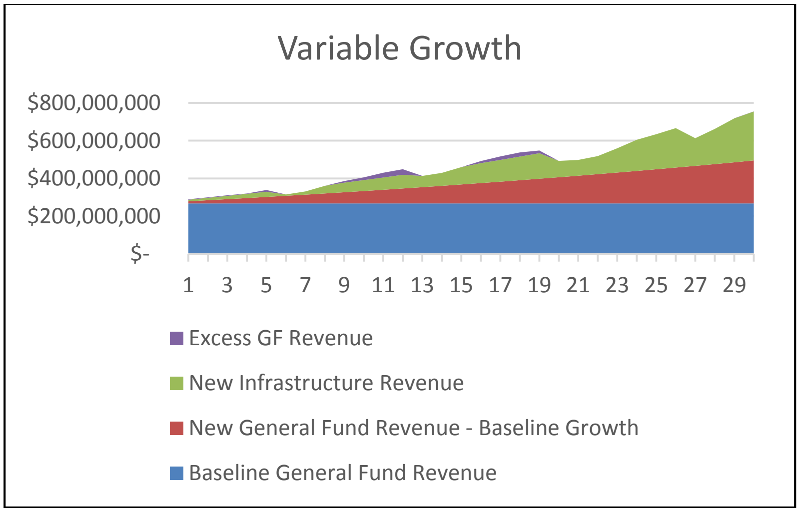
B - Revenue above Baseline/Percentage Growth and Below a Cap

This approach is similar to the approach discussed above, but it establishes growth limits for initial allocations to the General Fund and for all allocations Infrastructure Fund. Any revenue growth above both those limits would be allocated to the General Fund. In effect, this approach captures for the Infrastructure Fund a band of revenue between two growth rates. Council would need to determine these rates.

If this approach were used, the following charts show the breakdown between General Fund and Infrastructure Fund revenue using the same overall sales tax scenarios discussed in the approach above. These charts assume that the initial 2.0% of growth in Sales Tax receipts would go to the General Fund, growth between 2.0% and 3.5% would go to the Infrastructure Fund, and any growth above that would go to the General Fund.



$ in millions	New $ - GF	New $ - Infra
10 Years	$ 393.7	$ 314.9
20 Years	$1,458.5	$1,344.3
30 Years	$3,347.9	$3,509.6



$ in millions	New $ - GF	New $ - Infra
10 Years	$ 415.1	$ 263.0
20 Years	$1,578.1	$1,188.6
30 Years	$3,435.3	$2,879.4

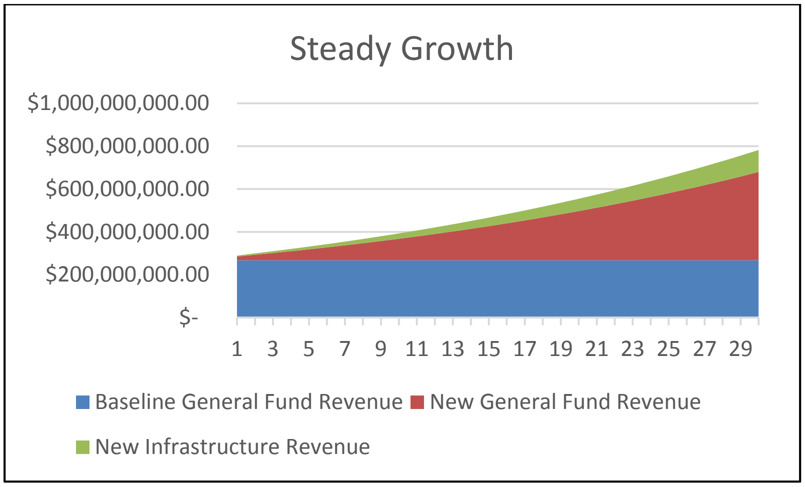
Pros and Cons of the "Revenue above Baseline/Percentage Growth and Below a Cap" Approach

This approach ensures that the General Fund portion of sales-tax revenue is allowed to grow by both the growth rate discussed in the previous approach, and also that years of high overall growth in sales-tax receipts will offer additional money for the General Fund, as opposed to having all growth above the baseline dedicated to infrastructure. This approach can help insulate the General Fund from some of the potential disadvantages to the simple baseline approach, so that significant multi-year increases in sales-tax receipts coming out of a recession could be made available to the General Fund to be used for other needs.

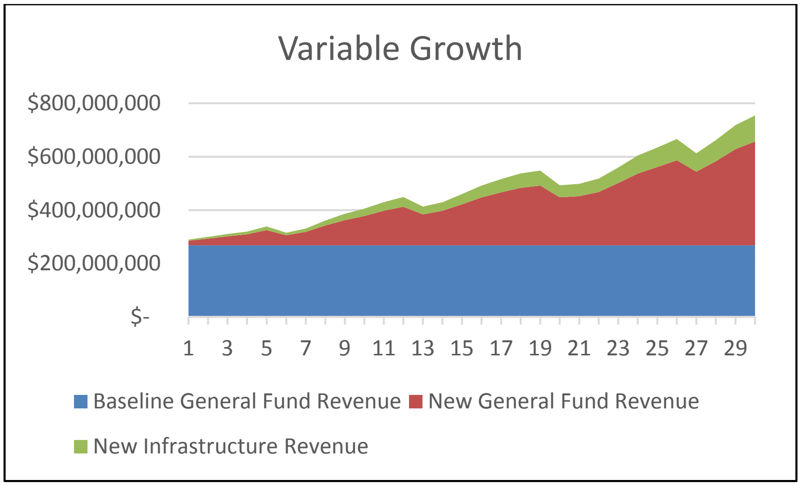
As with the other approaches, this option would still restrict a portion of funding that would otherwise be available for any General Fund use to an Infrastructure Fund, and thereby limit some financial flexibility.

C - Proportional Revenue

This approach does not use a growth-rate limit approach for future sales tax growth, but instead dedicates a percentage of any growth to both the General Fund and an Infrastructure Fund. Under this approach, the General Fund and Infrastructure Fund portions of sales tax growth will both be impacted by any growth or reduction in sales tax receipts. Using the assumed sales tax growth rates in the previously discussed scenarios and a proportional distribution of 80% of growth to the General Fund and 20% growth to the Infrastructure Fund, overall funding would break down as follows:



$ in millions	New $ - GF	New $ - Infra
10 Years	$ 566.9	$ 141.7
20 Years	$2,242.3	$ 560.6
30 Years	$5,486.0	$1,371.5



$ in millions	New $ - GF	New $ - Infra
10 Years	$ 542.5	$ 135.6
20 Years	$2,213.4	$ 553.4
30 Years	$5,051.8	$1,262.9

The porportional split could be adjusted in any given year of the proposal, which could allow for a larger or smaller amount of funding being dedicated to infrastructure in any particular year.

Pros and Cons of the "Proportional Revenue" Approach

This approach allows for a more predictable allocation of funding for both the General Fund and Infrastructure Fund, and also ensures that the General Fund would receive a portion of any unexpected or significant growth in sales-tax revenues either during an economic boom or during recovery from a recession.

However, this approach leaves the General Fund more vulnerable to contractions in the economy and reductions in sales tax receipts than the other approaches discussed. Because the General Fund and Infrastructure Fund portions of growth grow and contract at the same time, any reduction in overall sales tax receipts *will* result in a reduction in the General Fund portion, whereas in the other approaches, funding dedicated to infrastructure would likely absorb the initial reduction in overall sales-tax receipts.

Like the other approaches, this option limits financial flexibility by dedicating to the Infrastructure Fund dollars that would otherwise have been allocated to the General Fund.

2 - 50% of Year-over-Year Growth in Property Tax, TOT, and Franchise Fee Revenues

The Rebuild San Diego proposal would continue the Mayor's commitment to dedicate half of year-over-year growth in the other three major General Fund revenue sources to an Infrastructure Fund for ten years. Assuming growth rates included in the 2017-2021 Five Year Financial Outlook, and 3.5% growth thereafter, this would require contributions of $151.3 million to the Infrastructure Fund over that ten year period.

During discussion of the measure at its meeting on December 2, 2015, the Infrastructure Committee discussed reducing this commitment to five years instead of ten. Based on the Five Year Financial Outlook's projections, this would reduce the amount allocated to the Infrastructure Fund from $151.3 million over ten years to $77.4 million over five years.

3 – Dedicating Future Reductions in Retirement Costs to Infrastructure

Rebuild San Diego Proposed Approach

Using the baseline year of FY 2016, the proposal contemplates using reductions in estimated ADC (Actuarially Determined Contribution) expenditures to pay infrastructure costs. The proposed method for each year is to compare the annual ADC (which is the defined benefit pension payment) to the FY 2016 base year to determine amounts available for infrastructure. Additionally, a portion of these ADC decreases are offset with estimated SPSP-H expenditure increases. This offset is related to the Proposition B requirement that City employees hired on or after July 20, 2012 participate in a defined contribution plan, rather than the City's defined benefit pension. The increasing SPSP-H costs are those for new employees participating in the defined contribution plan. Because the defined contribution SPSP-H expenditure increases are offsetting to defined benefit reductions, the future ADC reductions are essentially due to the payoff of the $2.0 billion Unfunded Actuarial Liability, which was not a component of the Proposition B pension reforms.

Difficulties in Making Projections

Projecting pension cost reductions in the future is inherently difficult, due to the many existing variables regarding future occurrences. Assumptions that are built into the defined benefit pension's actuarial valuation can change in a future year, increasing or decreasing future projected ADC amounts by hundreds of millions of dollars. Investment results can also vary from assumptions, producing volatility in ADC amounts and future ADC projections. Additionally, changes to demographic assumptions that could increase ADCs in future valuations are expected to be discussed by the SDCERS Board this summer, after Cheiron's (SDCERS' actuary) pending experience study is completed.

Rebuild San Diego Projections

The $1.3 billion projection for pension payment reductions in the Rebuild San Diego proposal utilizes Cheiron's FY 2014 projected ADC amounts. These amounts are based on investment returns varying by year, rather than Cheiron's projections where investment returns always hit the FY 2014 assumed rate of return of 7.25%. (FY 2015 projections based on varying returns are not currently available.) However, Cheiron has indicated that the estimates based on varying returns are illustrative of volatility impacts and are not intended to reflect future expectations. Those results are not expected to happen; but hitting the assumed rate of return every year will also not happen.

In the absence of knowledge of the future, we cannot reliably estimate the pension reductions that will occur. With all of the potential for assumption changes and investment earnings and other assumptions not meeting the mark, we know that actual ADCs in the future will be different from those currently projected. Given these considerations and analysis of the various projections currently on hand, the Rebuild San Diego proposal's $1.3 billion (citywide) in estimated pension reductions is a relatively conservative amount. However, changes to assumptions in future actuarial valuations and potential lower than expected future investment earnings could significantly lower the amount available for infrastructure. Such changes that are expected to be discussed by the SDCERS Board in the future include an approach for further lowering the discount rate and modifications to assumptions relating to mortality. Despite the uncertainty of the scope and timing of pension payment reductions, if the current Rebuild San Diego proposal is implemented, actual pension payment reductions (ADC reductions offset by SPSP-H increases) would be used for infrastructure.

Considerations Based on FY 2015 ADC Projections

Based on Cheiron's recently presented FY 2017 ADC (in the FY 2015 valuation), there will be no pension payment reduction available to be used for infrastructure for FY 2017. Additionally, using the FY 2015 ADC projections that are based on the valuation's assumed rates of return, there are no projected pension payment reductions that can be used for infrastructure until 2026.

Additional Considerations

Impact of Rebuild San Diego on FY 2017-2021 General Fund Outlook and Other Funding Needs

The FY 2017-2021 Financial Outlook included significant funding increases for infrastructure and neighborhood investments, with new expenditures for that category totaling $352.4 million. This amount significantly exceeds the Mayor's pledge to dedicate 50% of year-over-year growth in major revenues to infrastructure. While implementing Rebuild San Diego will not require funding *above* that amount be dedicated to infrastructure over the next five years, increasing the amount of funding dedicated to infrastructure could impact other priorities that also need additional funding.

Future expanding public safety needs are good examples of other priorities that will likely require increased resources from the General Fund, which could be restricted to some degree by Rebuild San Diego. Council President Pro Tem Emerald requested the IBA to consider these needs in light of this proposal. For example, the Fire-Rescue Department's priorities include the construction of 19 new fire stations as recommended by the Citygate report. While the fire stations are infrastructure and therefore would be eligible for infrastructure funding under Rebuild San Diego, the staffing and operation of new stations will require significant ongoing General Fund support. The Department has indicated that $2.2 million is needed annually to operate each additional fire station. Should all 19 new Citygate-recommended stations be constructed, annual General Fund support for operations would total approximately $41.8 million. We will be able to better determine when the operating costs would hit the General Fund once the construction schedule has been established.

Councilmember Emerald has proposed a "Firehouse Bond" to fund the construction of all Citygate fire stations, which are discussed later in this report. If this ballot item is approved in November 2016, based on design and construction timetables and some limits on academy class size, we estimate the operating costs for the first several stations would likely be similar to the costs already included in the FY2017-2021 Outlook. (The Outlook includes operating costs for four Citygate stations and one additional station by FY 2021.) The operating costs for the remaining 15 Citygate stations, which would ramp up to $33 million over a number of years, could potentially be accommodated over a longer time period depending on other Mayoral, Council and community priorities.

For Police, the Department's Five-Year Plan calls for continued sworn and civilian staffing increases to reach FY 2009 budgeted levels. Based on estimates provided by the Department, $5.2 million would be required to reach a budgeted sworn staffing level of 2,218 officers (an increase of 92.00 positions from the FY 2016 Adopted Budget level of 2,036 officers). On the civilian side, $3.6 million would be required to reach a budgeted staffing level of 608.00 positions (an increase of 59.25 from the FY 2016 level of 548.75). The Outlook includes $3.0 million over five years to fund new personnel and equipment expenses for 25 additional sworn officers and 15 civilian positions. While this falls short of the five-year plan, the focus over the next year or two will be on filling numerous vacant positions before adding new positions. That being said, Public Safety is consistently a top funding priority, and Police and Fire-Rescue needs will be carefully considered each year in the annual budget process regardless of what is currently included in the Outlook.

Project Delivery Resources to Support Increased Infrastructure Investment

As the City continues to better assess the condition of its existing infrastructure assets, identify new infrastructure needs, and work to develop new funding sources to address an increasing array of priority needs, it will be critically important to continue to develop staff and external consultants/contractors to execute projects in a timely and efficient manner. The City notably increased project management capacity (personnel and related expenses) in FY 2015 and again in FY 2016; however, the volume of projects planned in the CIP Outlook continues to grow significantly, particularly in the Water and Wastewater areas. The Rebuild San Diego proposal will bring additional resources to the table for General Fund infrastructure, albeit gradually as shown in the scenarios.

Current staff capacity for project execution is $300-$350 million annually, which is expected to grow to $400 million over the next year as more new hires come on board and streamlining efforts improve process efficiency. Additionally, the Public Works Department plans to increase the use of contractual staff to augment City resources. Ramping up project capacity will need to continue over the next several years to carry out the updated CIP Outlook, which is programmed at roughly $560 million in projects annually, and to execute Rebuild San Diego projects. The gradual growth in Infrastructure Fund revenue that occurs over the next several years in the Rebuild San Diego proposal helps to address this issue. Continuous monitoring of progress in filling vacancies and improving cycle time through streamlining and other efficiencies is important.

Rating Agency Comments Related to this Proposal

The IBA asked the major rating agencies (Standard & Poor's, Moody's and Fitch) for comments on how they might evaluate the infrastructure funding proposal from a credit analysis perspective. The credit analysts we spoke with understandably caveated that their comments represented preliminary thoughts and not specific projections of credit rating implications for the City. However, the information we received was helpful and should be of interest to the Council in considering the infrastructure funding proposal.

The major takeaway was that the rating agencies were not overly concerned and believed there were positive aspects to the possible adoption of this Charter amendment. All of the analysts we spoke with indicated that there are potentially positive and negative elements associated with the proposal. Depending on other City credit-related factors at the time of the next rating and specific details of the contemplated Charter amendment, the infrastructure funding proposal could be evaluated to have a positive, neutral or negative impact on the City's rating.

On the positive side, rating agency credit analysts noted that they:

- Appreciate the effort to develop a plan and a dedicated funding source to address longstanding and critical infrastructure needs.
- See this as a concrete move to tackle the City's capital needs.
- Appreciate that it restricts a portion of budget growth to a significant need.
- Believe when the economy is strong, it is good to use revenue growth to deal with unaddressed priority needs.

On the other hand, rating agencies have some concern that the proposal restricts otherwise unrestricted General Fund revenue thereby potentially making it more difficult to balance the annual budget or address unexpected budgetary needs.

In discussing the potential negative elements of the proposal, the credit analysts acknowledged that an option allowing for temporary suspension of the funding requirement in times of declared fiscal need could help mitigate some of their concerns. One credit analyst also commented that 30 years was a long time to lockbox revenues for a particular purpose.

Other Pending Infrastructure Funding Proposals

While Rebuild San Diego is proposed by Councilmember Kersey for the June 2016 ballot, two other significant infrastructure funding proposals are being discussed for the November 2016 ballot – Councilmember Emerald's "Firehouse Bond" and SANDAG's "Quality of Life" proposal. Both of these measures will require 2/3rds voter approval. The Firehouse Bond as proposed calls for a $200 million general obligation bond supported by a property tax increase to fund design, land acquisition, construction and apparatus purchases for 17 new fire stations to address response times. This dedicated funding source would complete all Citygate-recommended new fire stations (two stations are anticipated to be fully funded by developer fees). As previously noted, the specific construction schedule has not yet been developed.

The Rebuild San Diego proposal could serve as a potential funding source for design and construction of some of the new fire stations, although it would compete with other significant priorities such as streets and sidewalks. Because Rebuild San Diego generates less revenue in the earlier years, it would likely not be able to accommodate the construction schedule desired for the Firehouse Bond.

SANDAG is working to put a one-quarter cent sales tax measure on the November 2016 ballot which would be used to fund open space, water infrastructure, widening of fire evacuation routes, new or expanded transit services, transit operations, local infrastructure, and operations for new and expanded services. This measure, if approved, would generate an estimated $65.43 million annually for local infrastructure projects for the City of San Diego or nearly $4.0 billion over the 40 years of the program. SANDAG can also issue bonds on behalf of cities, which would be backed by the sales tax revenue collected by SANDAG.

It may be useful to consider the other pending ballot proposals to provide further context for Rebuild San Diego, and determine if there are any conflicts or concerns among the three currently under discussion. With a $1.4 billion funding gap identified in the CIP Outlook, it is clear that additional funding is needed; however, there are other considerations. As discussed earlier in this report, one important consideration is the City's ability to ramp up staff capacity to execute projects beyond what is required for resources that are projected in the CIP Outlook. This is a concern that applies to all three proposals under discussion. Another consideration is voter confusion regarding the City's need for and/or ability to expend three separate funding proposals for infrastructure in an efficient and timely manner.

Conclusion

For several years our office has recognized the need to ensure that the City's infrastructure receives adequate funding. Councilmember Kersey's Rebuild San Diego ballot proposal could help ensure that infrastructure has a dedicated revenue source. We believe our analysis provides several potential adjustments that take into account the surrounding issues and still achieve Councilmember Kersey's goals of dedicating an increased amount of funding towards the City's infrastructure.

We believe Council should consider the following decisions if it chooses to place a Rebuild San Diego measure on the June 2016 ballot in order to provide guidance to the City Attorney's Office in crafting final ballot language. Our office's preferences, where they exist, are italicized and bolded.

1) How long should the measure be in effect for?
    a. 10 years, 20 years, or 30 years?
2) Is the Definition of Infrastructure on pages 3 and 4 appropriate?
    a. ***Yes*** or No?
3) Should Council be able to temporarily suspend the measure in future years by taking a two-thirds vote?
    a. ***Yes*** or No?
4) Which approach towards Sales Tax should be taken?
    a. Revenue above Baseline and Percentage Growth
        i. 1.0%/2.0% Growth for General Fund, or 2.0%/CPI Growth, or Other?
    b. Revenue Above Baseline with Cap Approach
        i. ***Between 2.0 and 3.5% Growth,*** or Other?
    c. Proportional Approach
        i. 80% General Fund/20% Infrastructure, or Other?
5) Should Growth in Sales Tax dedicated to an Infrastructure Fund gradually decrease over the last ten years of the proposal?
    a. ***Yes*** or No?
6) How long should half of year-over-year growth in Property Tax, TOT, and Franchise Fee receipts be dedicated to the Infrastructure Fund?
    a. ***Five Years*** or Ten Years?

Our office remains available to assist the Council and the City Attorney in developing and finalizing ballot language for the proposed Rebuild San Diego measure.

Charles E. Modica, Jr.
Fiscal & Policy Analyst

Lisa Byrne
Fiscal & Policy Analyst

Jeff Kawar
Deputy Director

Andrea Tevlin
Independent Budget Analyst

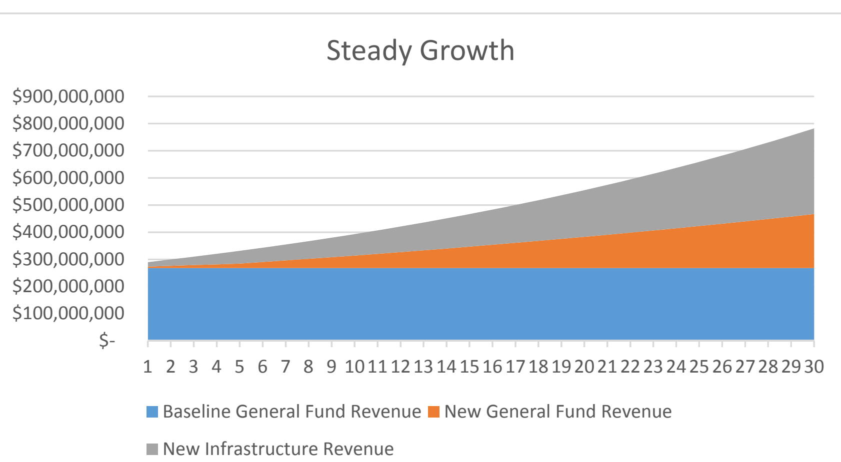
Attachment: Models for Rebuild San Diego Sales Tax Component

KERSEY PROPOSAL (1&2% BASELINE)
STEADY GROWTH

Attachment 1

Baseline GF Growth - Years 1-5	1.00%
Baseline GF Growth - Years 6-30	2.00%

Year	Baseline General Fund Revenue	New General Fund Revenue	New Infrastructure Revenue
1	$ 268,065,610	$ 5,388,119	$ 16,486,036
2	$ 268,065,610	$ 8,122,656	$ 23,899,391
3	$ 268,065,610	$ 10,884,539	$ 31,640,576
4	$ 268,065,610	$ 13,674,040	$ 38,168,796
5	$ 268,065,610	$ 16,491,437	$ 46,548,195
6	$ 268,065,610	$ 22,182,578	$ 52,445,738
7	$ 268,065,610	$ 27,987,541	$ 58,635,061
8	$ 268,065,610	$ 33,908,604	$ 65,128,086
9	$ 268,065,610	$ 39,948,089	$ 71,937,182
10	$ 268,065,610	$ 46,108,363	$ 79,075,189
11	$ 268,065,610	$ 52,391,842	$ 86,555,430
12	$ 268,065,610	$ 58,800,991	$ 94,391,732
13	$ 268,065,610	$ 65,338,323	$ 102,598,442
14	$ 268,065,610	$ 72,006,402	$ 111,190,446
15	$ 268,065,610	$ 78,807,842	$ 120,183,192
16	$ 268,065,610	$ 85,745,311	$ 129,592,705
17	$ 268,065,610	$ 92,821,530	$ 139,435,614
18	$ 268,065,610	$ 100,039,272	$ 149,729,167
19	$ 268,065,610	$ 107,401,370	$ 160,491,261
20	$ 268,065,610	$ 114,910,710	$ 171,740,460
21	$ 268,065,610	$ 122,570,236	$ 183,496,021
22	$ 268,065,610	$ 130,382,953	$ 195,777,920
23	$ 268,065,610	$ 138,351,924	$ 208,606,875
24	$ 268,065,610	$ 146,480,275	$ 222,004,379
25	$ 268,065,610	$ 154,771,193	$ 235,992,720
26	$ 268,065,610	$ 163,227,929	$ 250,595,018
27	$ 268,065,610	$ 171,853,799	$ 265,835,246
28	$ 268,065,610	$ 180,652,188	$ 281,738,271
29	$ 268,065,610	$ 189,626,544	$ 298,329,878
30	$ 268,065,610	$ 198,780,387	$ 315,636,806
TOTAL	$ 8,041,968,300	$ 2,649,656,984	$ 4,207,885,834

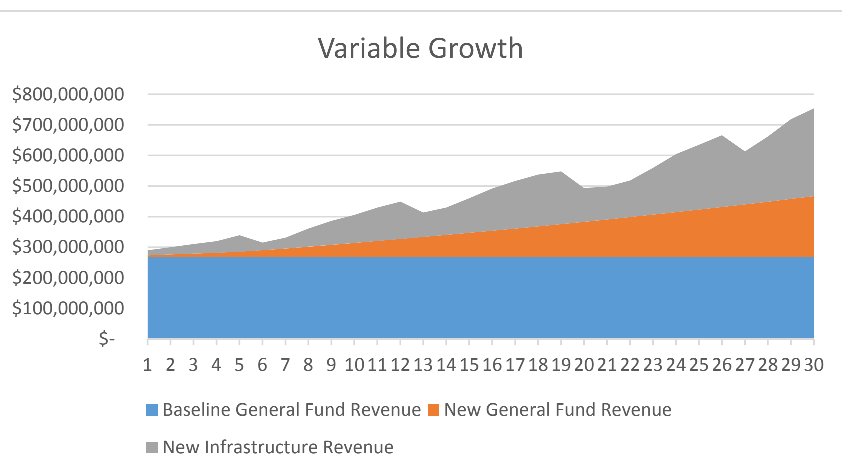


KERSEY PROPOSAL (1&2% BASELINE)
VARIABLE GROWTH

Attachment 1

Baseline GF Growth - Years 1-5 1.00%
Baseline GF Growth - Years 6-30 2.00%

Year	Baseline General Fund Revenue	New General Fund Revenue	New Infrastructure Revenue
$ 1	$ 268,065,610	$ 5,388,119	$ 16,486,036
$ 2	$ 268,065,610	$ 8,122,656	$ 23,899,391
$ 3	$ 268,065,610	$ 10,884,539	$ 31,640,576
$ 4	$ 268,065,610	$ 13,674,040	$ 38,168,796
$ 5	$ 268,065,610	$ 16,491,437	$ 54,545,906
$ 6	$ 268,065,610	$ 22,182,578	$ 25,117,559
$ 7	$ 268,065,610	$ 27,987,541	$ 35,080,882
$ 8	$ 268,065,610	$ 33,908,604	$ 58,961,882
$ 9	$ 268,065,610	$ 39,948,089	$ 78,187,925
$ 10	$ 268,065,610	$ 46,108,363	$ 91,337,732
$ 11	$ 268,065,610	$ 52,391,842	$ 109,384,955
$ 12	$ 268,065,610	$ 58,800,991	$ 122,318,714
$ 13	$ 268,065,610	$ 65,338,323	$ 79,846,557
$ 14	$ 268,065,610	$ 72,006,402	$ 89,708,498
$ 15	$ 268,065,610	$ 78,807,842	$ 112,991,693
$ 16	$ 268,065,610	$ 85,745,311	$ 138,244,784
$ 17	$ 268,065,610	$ 92,821,530	$ 155,771,351
$ 18	$ 268,065,610	$ 100,039,272	$ 169,219,948
$ 19	$ 268,065,610	$ 107,401,370	$ 172,604,347
$ 20	$ 268,065,610	$ 114,910,710	$ 110,287,875
$ 21	$ 268,065,610	$ 122,570,236	$ 107,560,990
$ 22	$ 268,065,610	$ 130,382,953	$ 119,676,147
$ 23	$ 268,065,610	$ 138,351,924	$ 153,157,152
$ 24	$ 268,065,610	$ 146,480,275	$ 189,794,777
$ 25	$ 268,065,610	$ 154,771,193	$ 211,720,892
$ 26	$ 268,065,610	$ 163,227,929	$ 234,992,041
$ 27	$ 268,065,610	$ 171,853,799	$ 173,063,323
$ 28	$ 268,065,610	$ 180,652,188	$ 213,303,554
$ 29	$ 268,065,610	$ 189,626,544	$ 260,601,013
$ 30	$ 268,065,610	$ 198,780,387	$ 287,361,828
TOTAL	$ 8,041,968,300	$ 2,649,656,984	$ 3,665,037,124

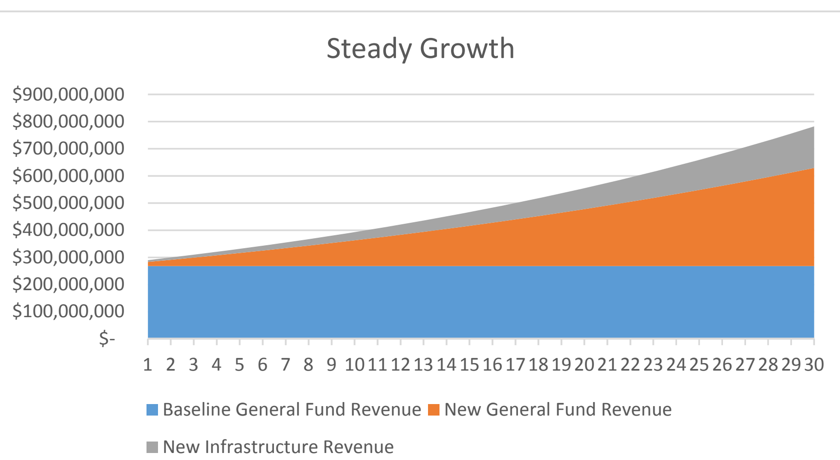


CPI BASELINE GROWTH
STEADY GROWTH

Attachment 1

Baseline GF Growth 2.79%

Year	Baseline General Fund Revenue	New General Fund Revenue	New Infrastructure Revenue
1	$ 268,065,610	$ 15,166,726	$ 6,707,429
2	$ 268,065,610	$ 23,068,908	$ 8,953,138
3	$ 268,065,610	$ 31,191,561	$ 11,333,553
4	$ 268,065,610	$ 39,540,836	$ 12,302,000
5	$ 268,065,610	$ 48,123,056	$ 14,916,576
6	$ 268,065,610	$ 56,944,720	$ 17,683,595
7	$ 268,065,610	$ 66,012,508	$ 20,610,095
8	$ 268,065,610	$ 75,333,288	$ 23,703,403
9	$ 268,065,610	$ 84,914,117	$ 26,971,154
10	$ 268,065,610	$ 94,762,251	$ 30,421,300
11	$ 268,065,610	$ 104,885,149	$ 34,062,124
12	$ 268,065,610	$ 115,290,475	$ 37,902,248
13	$ 268,065,610	$ 125,986,110	$ 41,950,655
14	$ 268,065,610	$ 136,980,152	$ 46,216,695
15	$ 268,065,610	$ 148,280,929	$ 50,710,105
16	$ 268,065,610	$ 159,896,998	$ 55,441,019
17	$ 268,065,610	$ 171,837,154	$ 60,419,989
18	$ 268,065,610	$ 184,110,442	$ 65,657,998
19	$ 268,065,610	$ 196,726,153	$ 71,166,478
20	$ 268,065,610	$ 209,693,844	$ 76,957,326
21	$ 268,065,610	$ 223,023,332	$ 83,042,925
22	$ 268,065,610	$ 236,724,714	$ 89,436,159
23	$ 268,065,610	$ 250,808,364	$ 96,150,436
24	$ 268,065,610	$ 265,284,948	$ 103,199,706
25	$ 268,065,610	$ 280,165,428	$ 110,598,485
26	$ 268,065,610	$ 295,461,074	$ 118,361,872
27	$ 268,065,610	$ 311,183,469	$ 126,505,577
28	$ 268,065,610	$ 327,344,518	$ 135,045,941
29	$ 268,065,610	$ 343,956,461	$ 143,999,960
30	$ 268,065,610	$ 361,031,876	$ 153,385,316
TOTAL	$ 8,041,968,300	$ 4,983,729,562	$ 1,873,813,257

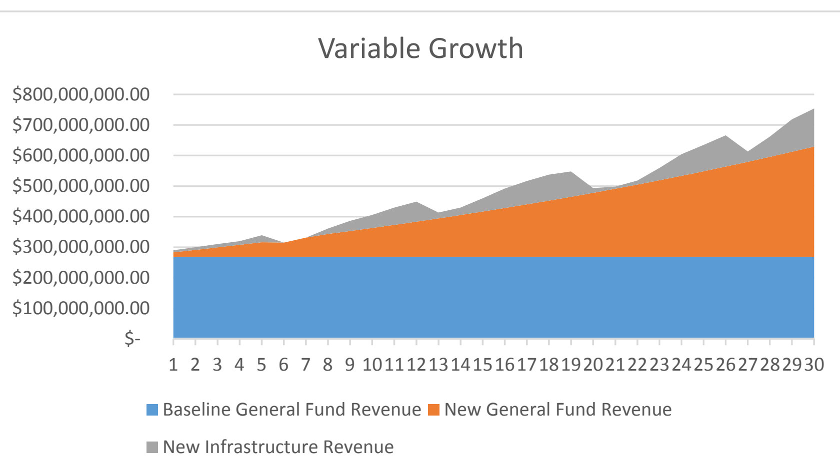


CPI BASELINE GROWTH
VARIABLE GROWTH

Attachment 1

Baseline GF Growth 2.79%

Year	Baseline General Fund Revenue	New General Fund Revenue	New Infrastructure Revenue
1	$ 268,065,610.00	$ 15,166,725.99	$ 6,707,428.84
2	$ 268,065,610.00	$ 23,068,908.16	$ 8,953,138.44
3	$ 268,065,610.00	$ 31,191,561.22	$ 11,333,553.36
4	$ 268,065,610.00	$ 39,540,836.30	$ 12,302,000.02
5	$ 268,065,610.00	$ 48,123,056.15	$ 22,914,286.95
6	$ 268,065,610.00	$ 47,300,136.38	$ -
7	$ 268,065,610.00	$ 63,068,423.70	$ -
8	$ 268,065,610.00	$ 75,333,287.64	$ 17,537,199.10
9	$ 268,065,610.00	$ 84,914,116.88	$ 33,221,896.62
10	$ 268,065,610.00	$ 94,762,251.26	$ 42,683,843.42
11	$ 268,065,610.00	$ 104,885,148.59	$ 56,891,648.37
12	$ 268,065,610.00	$ 115,290,474.75	$ 65,829,230.52
13	$ 268,065,610.00	$ 125,986,109.52	$ 19,198,770.53
14	$ 268,065,610.00	$ 136,980,152.49	$ 24,734,747.16
15	$ 268,065,610.00	$ 148,280,929.27	$ 43,518,606.06
16	$ 268,065,610.00	$ 159,896,997.71	$ 64,093,097.79
17	$ 268,065,610.00	$ 171,837,154.47	$ 76,755,726.31
18	$ 268,065,610.00	$ 184,110,441.60	$ 85,148,778.81
19	$ 268,065,610.00	$ 196,726,153.44	$ 83,279,563.58
20	$ 268,065,610.00	$ 209,693,843.64	$ 15,504,740.68
21	$ 268,065,610.00	$ 223,023,332.39	$ 7,107,893.86
22	$ 268,065,610.00	$ 236,724,713.88	$ 13,334,385.82
23	$ 268,065,610.00	$ 250,808,363.92	$ 40,700,712.56
24	$ 268,065,610.00	$ 265,284,947.79	$ 70,990,103.61
25	$ 268,065,610.00	$ 280,165,428.36	$ 86,326,656.12
26	$ 268,065,610.00	$ 295,461,074.33	$ 102,758,894.87
27	$ 268,065,610.00	$ 311,183,468.82	$ 33,733,654.04
28	$ 268,065,610.00	$ 327,344,518.12	$ 66,611,223.37
29	$ 268,065,610.00	$ 343,956,460.69	$ 106,271,095.67
30	$ 268,065,610.00	$ 361,031,876.46	$ 125,110,338.22
TOTAL	$ 8,041,968,300.00	$ 4,971,140,893.90	$ 1,343,553,214.67



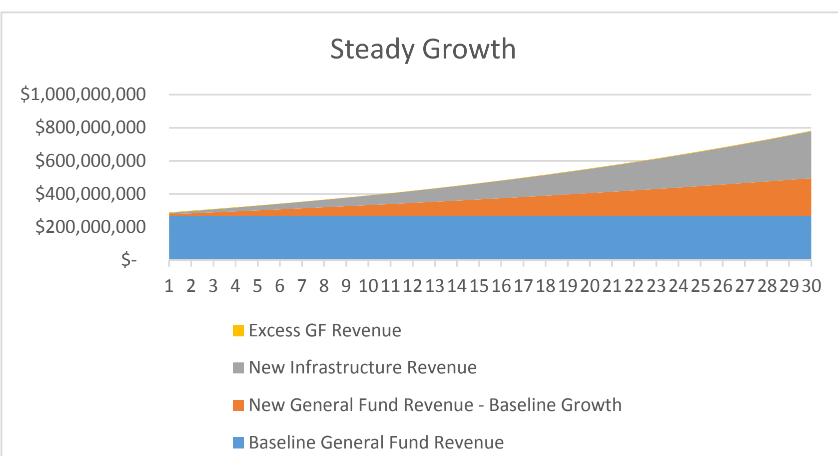
BASELINE + CAP
STEADY GROWTH

Attachment 1

Baseline GF Growth 2.00%
Infrastructure Cap 3.50%

Year		Baseline General Fun		New General Fund Re		New Infrastructure Revenue		Excess GF Revenue
1	$	268,065,610	$	10,829,851	$	8,263,122	$	2,781,182
2	$	268,065,610	$	16,407,760	$	12,735,764	$	2,878,523
3	$	268,065,610	$	22,097,227	$	17,448,616	$	2,979,271
4	$	268,065,610	$	27,900,484	$	22,411,760	$	1,530,592
5	$	268,065,610	$	33,819,806	$	27,635,663	$	1,584,163
6	$	268,065,610	$	39,857,514	$	33,131,192	$	1,639,609
7	$	268,065,610	$	46,015,977	$	38,909,631	$	1,696,995
8	$	268,065,610	$	52,297,608	$	44,982,692	$	1,756,390
9	$	268,065,610	$	58,704,873	$	51,362,534	$	1,817,864
10	$	268,065,610	$	65,240,282	$	58,061,780	$	1,881,489
11	$	268,065,610	$	71,906,400	$	65,093,531	$	1,947,341
12	$	268,065,610	$	78,705,840	$	72,471,385	$	2,015,498
13	$	268,065,610	$	85,641,270	$	80,209,455	$	2,086,040
14	$	268,065,610	$	92,715,407	$	88,322,389	$	2,159,052
15	$	268,065,610	$	99,931,027	$	96,825,388	$	2,234,618
16	$	268,065,610	$	107,290,960	$	105,734,226	$	2,312,830
17	$	268,065,610	$	114,798,092	$	115,065,273	$	2,393,779
18	$	268,065,610	$	122,455,366	$	124,835,513	$	2,477,561
19	$	268,065,610	$	130,265,785	$	135,062,570	$	2,564,276
20	$	268,065,610	$	138,232,413	$	145,764,731	$	2,654,026
21	$	268,065,610	$	146,358,373	$	156,960,967	$	2,746,917
22	$	268,065,610	$	154,646,853	$	168,670,961	$	2,843,059
23	$	268,065,610	$	163,101,102	$	180,915,131	$	2,942,566
24	$	268,065,610	$	171,724,437	$	193,714,662	$	3,045,556
25	$	268,065,610	$	180,520,238	$	207,091,525	$	3,152,150
26	$	268,065,610	$	189,491,955	$	221,068,517	$	3,262,475
27	$	268,065,610	$	198,643,106	$	235,669,278	$	3,376,662
28	$	268,065,610	$	207,977,280	$	250,918,334	$	3,494,845
29	$	268,065,610	$	217,498,138	$	266,841,119	$	3,617,165
30	$	268,065,610	$	227,209,413	$	283,464,014	$	3,743,765
TOTAL	$	8,041,968,300	$	3,272,284,837	$	3,509,641,724	$	75,616,257

$ 6,857,542,818.50



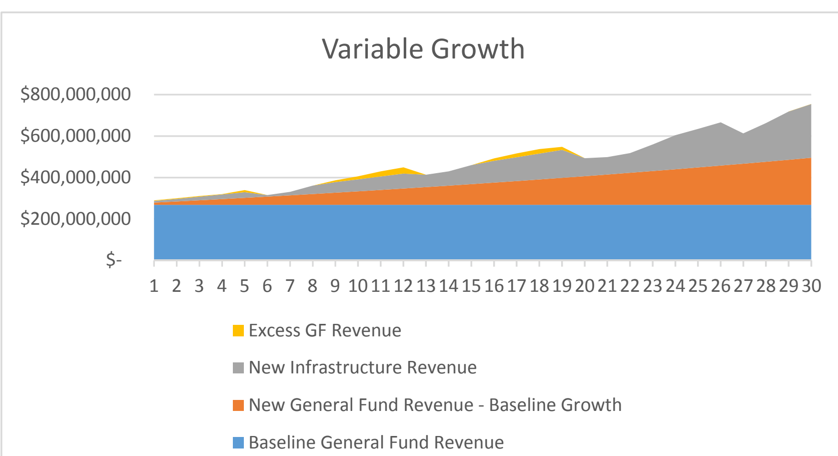
BASELINE + CAP VARIABLE GROWTH

Attachment 1

Baseline GF Growth	2.00%
Infrastructure Cap	3.50%

Year	Baseline General Fun	New General Fund Re	New Infrastructure Revenue	Excess GF Revenue
1	$ 268,065,610	$ 10,829,851	$ 8,263,122	$ 2,781,182
2	$ 268,065,610	$ 16,407,760	$ 12,735,764	$ 2,878,523
3	$ 268,065,610	$ 22,097,227	$ 17,448,616	$ 2,979,271
4	$ 268,065,610	$ 27,900,484	$ 22,411,760	$ 1,530,592
5	$ 268,065,610	$ 33,819,806	$ 27,635,663	$ 9,581,874
6	$ 268,065,610	$ 39,857,514	$ 7,442,622	$ -
7	$ 268,065,610	$ 46,015,977	$ 17,052,447	$ -
8	$ 268,065,610	$ 52,297,608	$ 40,572,878	$ -
9	$ 268,065,610	$ 58,704,873	$ 51,362,534	$ 8,068,606
10	$ 268,065,610	$ 65,240,282	$ 58,061,780	$ 14,144,032
11	$ 268,065,610	$ 71,906,400	$ 65,093,531	$ 24,776,866
12	$ 268,065,610	$ 78,705,840	$ 72,471,385	$ 29,942,480
13	$ 268,065,610	$ 85,641,270	$ 59,543,611	$ -
14	$ 268,065,610	$ 92,715,407	$ 68,999,493	$ -
15	$ 268,065,610	$ 99,931,027	$ 91,868,508	$ -
16	$ 268,065,610	$ 107,290,960	$ 105,734,226	$ 10,964,909
17	$ 268,065,610	$ 114,798,092	$ 115,065,273	$ 18,729,517
18	$ 268,065,610	$ 122,455,366	$ 124,835,513	$ 21,968,342
19	$ 268,065,610	$ 130,265,785	$ 135,062,570	$ 14,677,362
20	$ 268,065,610	$ 138,232,413	$ 86,966,171	$ -
21	$ 268,065,610	$ 146,358,373	$ 83,772,853	$ -
22	$ 268,065,610	$ 154,646,853	$ 95,412,247	$ -
23	$ 268,065,610	$ 163,101,102	$ 128,407,974	$ -
24	$ 268,065,610	$ 171,724,437	$ 164,550,615	$ -
25	$ 268,065,610	$ 180,520,238	$ 185,971,847	$ -
26	$ 268,065,610	$ 189,491,955	$ 208,728,015	$ -
27	$ 268,065,610	$ 198,643,106	$ 146,274,017	$ -
28	$ 268,065,610	$ 207,977,280	$ 185,978,461	$ -
29	$ 268,065,610	$ 217,498,138	$ 232,729,418	$ -
30	$ 268,065,610	$ 227,209,413	$ 258,932,802	$ -
TOTAL	$ 8,041,968,300	$ 3,272,284,837	$ 2,879,385,716	$ 163,023,556

$ 6,314,694,108.58

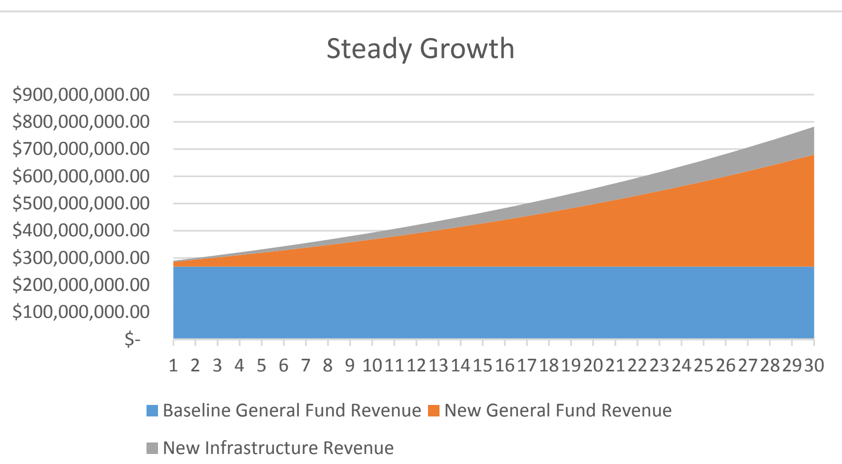


PROPORTIONAL
STEADY GROWTH

Attachment 1

Proportion for GF 80.00%
Proportion for Infrastructure 20.00%

Year	Baseline General Fund Revenue	New General Fund Revenue	New Infrastructure Revenue
1	$ 268,065,610.00	$ 17,499,323.86	$ 4,374,830.97
2	$ 268,065,610.00	$ 25,617,637.28	$ 6,404,409.32
3	$ 268,065,610.00	$ 34,020,091.66	$ 8,505,022.92
4	$ 268,065,610.00	$ 41,474,269.05	$ 10,368,567.26
5	$ 268,065,610.00	$ 50,431,705.55	$ 12,607,926.39
6	$ 268,065,610.00	$ 59,702,652.32	$ 14,925,663.08
7	$ 268,065,610.00	$ 69,298,082.24	$ 17,324,520.56
8	$ 268,065,610.00	$ 79,229,352.19	$ 19,807,338.05
9	$ 268,065,610.00	$ 89,508,216.60	$ 22,377,054.15
10	$ 268,065,610.00	$ 100,146,841.26	$ 25,036,710.32
11	$ 268,065,610.00	$ 111,157,817.79	$ 27,789,454.45
12	$ 268,065,610.00	$ 122,554,178.49	$ 30,638,544.62
13	$ 268,065,610.00	$ 134,349,411.82	$ 33,587,352.95
14	$ 268,065,610.00	$ 146,557,478.31	$ 36,639,369.58
15	$ 268,065,610.00	$ 159,192,827.13	$ 39,798,206.78
16	$ 268,065,610.00	$ 172,270,413.16	$ 43,067,603.29
17	$ 268,065,610.00	$ 185,805,714.70	$ 46,451,428.68
18	$ 268,065,610.00	$ 199,814,751.80	$ 49,953,687.95
19	$ 268,065,610.00	$ 214,314,105.19	$ 53,578,526.30
20	$ 268,065,610.00	$ 229,320,935.95	$ 57,330,233.99
21	$ 268,065,610.00	$ 244,853,005.79	$ 61,213,251.45
22	$ 268,065,610.00	$ 260,928,698.07	$ 65,232,174.52
23	$ 268,065,610.00	$ 277,567,039.58	$ 69,391,759.90
24	$ 268,065,610.00	$ 294,787,723.05	$ 73,696,930.76
25	$ 268,065,610.00	$ 312,611,130.43	$ 78,152,782.61
26	$ 268,065,610.00	$ 331,058,357.08	$ 82,764,589.27
27	$ 268,065,610.00	$ 350,151,236.66	$ 87,537,809.16
28	$ 268,065,610.00	$ 369,912,367.02	$ 92,478,091.76
29	$ 268,065,610.00	$ 390,365,136.95	$ 97,591,284.24
30	$ 268,065,610.00	$ 411,533,753.82	$ 102,883,438.45
TOTAL	$ 8,041,968,300.00	$ 5,486,034,254.80	$ 1,371,508,563.70



PROPORTIONAL VARIABLE GROWTH

Attachment 1

Proportion for GF	80.00%
Proportion for Infrastructure	20.00%

Year	Baseline General Fund Revenue	New General Fund Revenue	New Infrastructure Revenue
1	$ 268,065,610	$ 17,499,324	$ 4,374,831
2	$ 268,065,610	$ 25,617,637	$ 6,404,409
3	$ 268,065,610	$ 34,020,092	$ 8,505,023
4	$ 268,065,610	$ 41,474,269	$ 10,368,567
5	$ 268,065,610	$ 56,829,874	$ 14,207,469
6	$ 268,065,610	$ 37,840,109	$ 9,460,027
7	$ 268,065,610	$ 50,454,739	$ 12,613,685
8	$ 268,065,610	$ 74,296,389	$ 18,574,097
9	$ 268,065,610	$ 94,508,811	$ 23,627,203
10	$ 268,065,610	$ 109,956,876	$ 27,489,219
11	$ 268,065,610	$ 129,421,438	$ 32,355,359
12	$ 268,065,610	$ 144,895,764	$ 36,223,941
13	$ 268,065,610	$ 116,147,904	$ 29,036,976
14	$ 268,065,610	$ 129,371,920	$ 32,342,980
15	$ 268,065,610	$ 153,439,628	$ 38,359,907
16	$ 268,065,610	$ 179,192,076	$ 44,798,019
17	$ 268,065,610	$ 198,874,305	$ 49,718,576
18	$ 268,065,610	$ 215,407,376	$ 53,851,844
19	$ 268,065,610	$ 224,004,574	$ 56,001,143
20	$ 268,065,610	$ 180,158,867	$ 45,039,717
21	$ 268,065,610	$ 184,104,981	$ 46,026,245
22	$ 268,065,610	$ 200,047,280	$ 50,011,820
23	$ 268,065,610	$ 233,207,261	$ 58,301,815
24	$ 268,065,610	$ 269,020,041	$ 67,255,010
25	$ 268,065,610	$ 293,193,668	$ 73,298,417
26	$ 268,065,610	$ 318,575,975	$ 79,643,994
27	$ 268,065,610	$ 275,933,698	$ 68,983,425
28	$ 268,065,610	$ 315,164,593	$ 78,791,148
29	$ 268,065,610	$ 360,182,045	$ 90,045,511
30	$ 268,065,610	$ 388,913,772	$ 97,228,443
TOTAL	$ 8,041,968,300	$ 5,051,755,287	$ 1,262,938,822