

CITY OF SAN DIEGO

Proposition B

(This proposition will appear on the ballot in the following form.)

PROP B AMENDS THE CITY CHARTER TO CHANGE THE APPROVAL PROCESS FOR INCREASES IN CITY EMPLOYEES' RETIREMENT SYSTEM BENEFITS.

Shall the Charter be amended to require voter approval for any increases in retirement system benefits for public employees?

This proposition requires approval by a simple majority (over 50%) of the voters.

Full text of this proposition follows the arguments

CITY ATTORNEY'S IMPARTIAL ANALYSIS

The City Council has authorized the placement of a proposition on the ballot seeking voter approval to amend Article IX, section 143.1 of the San Diego City Charter. The amendment would require that voters approve certain increases in retirement system benefits for public employees. In particular, the proposition provides that any ordinance that amends the City's retirement system by increasing the benefits of any employee, legislative officer or elected official shall not be adopted without approval of a majority of the qualified electors voting on the matter.

The ballot question states that voter approval is required for "any increases." The text of the measure states that increases in benefits due to cost of living adjustments would not require a vote of the electorate.

This measure also provides that, prior to placement on the ballot of a proposed increase in retirement benefits, the retirement system will prepare an actuarial study of costs due to the benefit changes. A summary of the actuarial study will be published in the ballot pamphlet issued to voters.

This measure further provides that City officials and employee organizations may negotiate tentative agreements that would increase retirement benefits. However, the agreements will not become final or binding unless a majority of San Diego's qualified voters approve of the increases.

If this measure is approved, it will become operative on January 1, 2007 for all proposed increases in retirement system benefits tentatively agreed upon by the City on or after that date. This measure provides that the requirement of voter approval for retirement benefit increases will remain in effect for 15 years from that date, at which time the requirement will automatically be repealed and removed from the Charter.

This ballot measure will take effect if passed by a majority of the City's voters.

FISCAL IMPACT STATEMENT

As recent as June 30, 2000, the valuation of the Plan assets was \$2.46 billion and the projected Plan liabilities were \$2.53 billion. This represented a funding ratio (Plan assets to Plan liabilities) of 97.3%. As June 30, 2005, the most recent data available, the Plan assets were \$2.98 billion, while the projected Plan liabilities have grown to \$4.38 billion. This represents a funding ratio of 68.2% and an unfunded liability of \$1.4 billion. In addition, the unfunded liability as a percentage of payroll went from 15.4% in fiscal year 2000 to 216.9% in fiscal year 2003.

While a portion of the increase to the unfunded liability was the result of poor investment performance, the significant cause of the City's current dilemma resulted from the City's decision to grant increased employee retirement benefits while at the same time not making the necessary contributions to fund these benefits. During this same time period, the City's annual required contribution to the System grew from \$47.5 million in fiscal year 2000 to \$162 million in fiscal year 2007, taking valuable resources away from critical services and capital needs.

Proposition B requires that City employee benefit increases approved by the City Council be subject to approval by San Diego voters. It also requires public disclosure of the full cost and impact of the proposed benefit increases on the financial stability of the City's retirement system, along with a clear explanation of the proposed source of funding for these benefits.

Costs associated with public votes on proposed benefit increases would be limited, with the expectation if Proposition B is approved that City employee contracts would be synchronized with regularly scheduled elections, and such votes would be consolidated with regular primary or general elections.

ARGUMENT IN FAVOR OF PROPOSITION B

TAXPAYERS HAVE BEEN LEFT HOLDING THE BAG

The City of San Diego's employee pension system is under-funded by over \$1.4 billion. This shortfall represents a potential obligation owed by every taxpayer in the city.

PROPOSITION B PROTECTS TAXPAYERS

Proposition B gives voters the final say over future pension increases for elected officials and city employees. It eliminates the backroom deals that created the city's current pension fund crisis.

IT WORKS EFFECTIVELY IN SAN FRANCISCO

Public employee unions in San Francisco have even more political clout than they do in San Diego. Over a decade ago, facing a pension crisis, voters in San Francisco approved a requirement similar to Proposition B. Since then, San Francisco has avoided the pension under-funding problems that afflict San Diego and other public agencies in California and across the nation.

WON'T IMPACT LEGITIMATE PENSION INCREASES

If it can be shown that pension benefits paid San Diego workers aren't adequate to attract or retain workers in highly-competitive fields like public safety, voters will approve reasonable benefit increases. But voters should and will require elected officials to demonstrate in advance how they intend to pay for enhanced benefits.

IMPLEMENTATION COST WILL BE SMALL

If Proposition B is approved, employee labor contracts can be synchronized to coincide with regularly scheduled state and federal elections, so that if and when pension increases are recommended, the cost of placing them before voters will be minimal.

INSURANCE POLICY FOR OUR FUTURE

Some say the city's pension problems are so widely known that there's little chance the same mistake will be repeated in the future. But memories are short, and the pressure to increase benefits never lets up. Proposition B provides insurance that once the current crisis fades, safeguards will still be in place.

www.YesOnBandC.com

JERRY SANDERS
Mayor of San Diego

MICHAEL J. AGUIRRE
San Diego City Attorney

JON COUPAL, President
Howard Jarvis
Taxpayers Association

CARL DE MAIO, Chairman
San Diego Citizens
for Accountable Government

DONNA FRYE
City Councilmember

ARGUMENT AGAINST PROPOSITION B

**Protect Your Family's Safety.
Vote NO on Proposition B!**

Proposition B will make it harder to hire highly qualified police officers and firefighters. San Diego's own independent budget analyst expects our city to lose more than 100 police officers this fiscal year alone. We can not attract new officers because of the low wages and benefits the city pays them. Proposition B will only make this problem worse.

Proposition B will COST us money, not save it. Proposition B will mean more and more police officers and firefighters continue to leave San Diego for other cities with better pay and benefits—AFTER we have spent hundreds of thousands of our tax dollars to train them! That's a really bad deal for San Diego!

Proposition B will guarantee we get what we pay for! Low pay and benefits for police and firefighters mean low standards for our public safety. When we call 911, we want to ensure the best trained and most experienced emergency medical personnel work in our city—not another one with better pay and benefits.

Proposition B sets the bar for our safety even lower. San Diego already has one of the lowest ratios of police officers and firefighters per population in the state. Proposition B will only make that problem worse.

Proposition B will take away our flexibility to make badly needed public safety improvements. If Proposition B passes, it won't matter how badly we need to change public safety compensation. We will have to wait years to put it to a vote.

**Join the police officers, firefighters, EMTs
and paramedics who serve San Diego and
VOTE NO ON PROPOSITION B!**

FRANK DE CLERCQ
Vice-President
San Diego Firefighters

BILL NEMEC
President
SDPOA

PROPOSED CHARTER AMENDMENT

The portions of the charter to be added are underlined
and the portions to be deleted are printed in ~~strike-out~~ type.

143.1 Approval of ~~Amendments by Members~~ Retirement System Benefits

(a) No ordinance amending the retirement system which affects the benefits of any employee under such retirement system shall be adopted without the approval of a majority vote of the members of said system. No ordinance amending the retirement system which affects ~~the vested defined benefits of any retiree of such retirement system~~ increases the benefits of any employee, legislative officer or elected official under such retirement system, with the exception of Cost of Living Adjustments, shall be adopted without the approval of a majority vote of the affected retirees of said retirement system, of those qualified electors voting on the matter. No ordinance amending the retirement system which affects the vested defined benefits of any retiree of such retirement system shall be adopted without the approval of a majority vote of the affected retirees of said retirement system.

(b) Prior to any proposed amendment of the retirement system which increases benefits of any employee, legislative officer or elected official under such retirement system being placed on the ballot, the retirement system shall prepare an actuarial study of the cost due to the benefit changes proposed based upon the amortization schedules established by Charter Section 143. A summary of the actuarial study shall be published in the ballot pamphlet.

(c) Nothing in subsection (a) of this section shall prevent City officials from negotiating tentative agreements with employee organizations incorporating benefit changes to the extent permitted by state law, provided, however that no amendment of the retirement system which increases benefits, with the exception of Cost of Living Adjustments, of any employee, legislative officer or elected official under such retirement system, shall become binding or effective until approved by a majority of those qualified electors voting on the matter, and shall not have any force or effect if rejected by said voters. The City Council shall have no authority to enter into final or binding agreements regarding retirement system benefits increases until and unless those increases to retirement system benefits are approved by a majority of those qualified electors voting on the matter.

(d) The requirement for voter approval of retirement system benefit increases shall become operative on January 1, 2007, for all proposed increases in retirement system benefits tentatively agreed upon by the City on or after that date. This requirement shall remain in effect for a period of fifteen (15) years from that date, at which time this requirement shall be automatically repealed and removed from the Charter.