

## Legislation Text

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**DATE OF MEETING:** 06/04/18

**SUBJECT:**

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN PABLO IN SUPPORT OF THE LEAGUE OF CALIFORNIA CITIES' REQUEST TO SUPPORT PROPOSITION 68 (SB 5) - THE CALIFORNIA DROUGHT, WATER, PARKS, CLIMATE, COASTAL PROTECTION AND OUTDOOR ACCESS FOR ALL ACT OF 2018 ON THE STATE-WIDE JUNE 5, 2018 BALLOT

**CITY MANAGER RECOMMENDATION**

Adopt Resolution

**COMPLIANCE STATEMENTS**

*Develop public facilities for active living (parks, open space, sidewalks, trails, bike lanes, etc.)* is a major strategic policy initiative, and a policy category contained in the adopted FY 2018-21 Council Priority Workplan, effective November 1, 2017.

**CEQA Compliance Statement**

This is not a project under CEQA.

**BACKGROUND**

The League of California Cities is requesting local cities adopt a resolution of support for Proposition 68 - SB 5 (Chapter 852, Statutes of 2017), De León; the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 on the June 5, 2018 State-wide ballot. Proposition 68 has qualified for the State-wide ballot following its legislative adoption under SB 5 (De Leon) passed by the State Legislature and signed by the Governor in October 2017 (See attachment).

If this measure is adopted by State-wide voters, the State of California could sell \$4.1 billion in general obligation bonds to fund various natural resources-related programs such as for habitat conservation, parks, and water-related projects. The State-wide fiscal impact includes:

- Increased state bond repayment costs averaging \$200 million annually over 40 years.
- Local government savings for natural resources-related projects, likely averaging several tens of millions of dollars annually over the next few decades.

**State Spending on Natural Resources Programs**

The State operates various programs to protect the environment, conserve natural resources, provide flood protection, improve water quality, and offer recreational opportunities for the public. The State also provides grants and loans to local governments, non-profits, and other organizations for similar purposes. In recent years, the State has spent about \$5 billion annually to support these types

of programs. The State primarily relies on a combination of general obligation (GO) bonds, fee revenue, and the State's General Fund to support these programs. (The General Fund is the State's main operating account, which pays for education, prisons, health care, and other services.) State and local natural resources programs support a variety of purposes, including:

- **Natural Resource Conservation:** The State provides funds to purchase, protect, and improve natural areas-including wilderness and open-space areas; forests; wildlife habitats; rivers, lakes, and streams; and coastal habitats. State conservation programs often are administered by state conservancies and other departments. These programs often provide grants to local governments or other organizations that carry out projects.
- **State and Local Parks:** The State operates the State park system, which includes 280 parks. Additionally, the State provides funds to local governments to purchase and maintain local and regional parks, trails, and other recreation areas.
- **Flood Protection:** The State funds the construction and repair of flood protection projects as part of the State's Central Valley flood management system. This includes the repair and strengthening of levees and projects designed to divert water away from populated areas during large storms. The State also provides funds to local governments to complete similar types of projects throughout the State.
- **Safe Drinking Water:** The State makes loans and grants for local projects designed to improve access to clean drinking water. This includes projects to install equipment that remove unhealthy pollutants from local water supplies.
- **Other Water-Related Projects:** The State provides funds for various other projects throughout the State that improve water quality or the reliability of water supplies. For example, the State provides loans and grants to local agencies to construct water recycling and reuse projects, store more water underground (referred to as "groundwater recharge"), and clean up polluted groundwater.

### **Past Bond Funding for Natural Resources Programs**

Since 2000, voters have authorized about \$27 billion in GO bonds in Statewide elections to fund various natural resources projects. Of this amount, approximately \$9 billion remained available for new projects as of June 2017. (Most of the bond funds still available are for water-related purposes authorized by Proposition 1, which was approved in 2014.) The State repays GO bonds over time, with interest, using the State's General Fund.

### **\$4.1 Billion GO Bond for Natural Resources Programs**

Proposition 68 allows the State to sell a total of \$4.1 billion in GO bonds for various natural resources-related programs. This total includes \$4 billion in new bonds. It also includes a redirection of \$100 million in unsold bonds that voters previously approved for specific natural resources uses.

### **Bond Funds Specific Purposes**

Proposition 68 provides funding for various State departments and local governments to use for specific natural resources-related purposes, which are summarized in Figure 1. This includes \$1.5 billion for a variety of programs generally intended to conserve natural habitats; improve coastal,

river, and other ecosystems; and increase the resiliency of the environment to withstand the effects of climate change (such as sea level rise and more frequent droughts and forest fires). The bond also provides \$1.3 billion for parks and recreation projects, most of which would be used to build or improve local parks. Lastly, the bond provides \$1.3 billion for various water-related projects, including to increase flood protection, recharge and clean up groundwater, and provide safe drinking water.

**Figure 1****Uses of Proposition 68 Bond Funds***(In Millions)*

<b>Natural Resource Conservation and Resiliency</b>	<b>\$1,547</b>
State conservancies and wildlife conservation	767
Climate preparedness and habitat resiliency	443
Ocean and coastal protection	175
River and waterway improvements	162
<b>Parks and Recreation</b>	<b>\$1,283</b>
Parks in neighborhoods with few parks	725
Local and regional parks	285
State park restoration, preservation, and protection	218
Trails, greenways, and rural recreation	55
<b>Water</b>	<b>\$1,270</b>
Flood protection	550
Groundwater recharge and cleanup	370
Safe drinking water	250
Water recycling	100
<b>Total</b>	<b>\$4,100</b>

**Administrative Provisions**

Proposition 68 includes a number of provisions designed to control how the bond funds are administered and overseen by State agencies. The proposition requires regular public reporting of how the bond funds have been spent, as well as authorizes financial audits by State oversight agencies. In addition, for several of the programs funded by this bond, recipients—mostly local governments—would only be eligible to receive the funding if they provide some funding to support the projects. This local cost-share requirement, where it applies, is at least 20 percent of the bond funding awarded. As an example, a city receiving a \$100,000 grant to build a new park trail would need to provide at least \$20,000 towards the project.

Proposition 68 also includes several provisions designed to assist “disadvantaged communities” and very disadvantaged communities (generally, communities with lower average incomes). For example, the local cost-share requirement would not apply to most of the grants provided to these communities. In addition, the proposition requires that for each use specified in the bond, at least 15 percent of the funds benefit very disadvantaged communities.

**State Bond Costs**

Proposition 68 would allow the State to borrow \$4 billion by selling additional GO bonds to investors,

who would be repaid with interest using the State's General Fund tax revenues. The cost to the State of repaying these new bonds would depend on various factors-such as the interest rates in effect at the time they are sold, the timing of bond sales, and the time period over which they are repaid. The State Legislative Analyst Office estimates that the cost to taxpayers to repay this bond would total \$7.8 billion to pay off both principal (\$4.0 billion) and interest (\$3.8 billion). This would result in average repayment costs of **about \$200 million annually over the next 40 years**. This amount is about one-fifth of a percent of the State's current General Fund budget.

### **Local Costs and Savings to Complete Projects**

Much of the bond funding would be used for local government projects. Providing state bond funds for local projects would affect how much local funding is spent on these projects. In many cases, the availability of state bonds could reduce local spending. For example, this would occur in cases where the state bond funds replaced monies that local governments would have spent on projects anyway.

In some cases, however, state bond funds could increase total spending on projects by local governments. For example, the availability of bond funds might encourage some local governments to build additional or substantially larger projects than they would otherwise. For some of these projects-such as when the bond requires a local cost share-local governments would bear some of the additional costs.

On balance, the State estimate that Proposition 68 would result in savings to local governments to complete the projects funded by this bond. These savings could average several tens of millions of dollars annually over the next few decades. The exact amount would vary depending on the specific projects undertaken by local governments, how much local cost sharing is required by State agencies, and the amount of additional funding local governments provide to support the projects.

### **FISCAL IMPACT**

There is no fiscal impact for taking this action.

#### **Attachments:**

- 1). Resolution
- 2). Fact Sheet on Proposition 68 (SB 5 - De Leon)
- 3). Proposition 68 (SB 5 - De Leon) - Adopted Legislation