



Santa Clara Valley Water District

File No.: 16-0723

Agenda Date: 9/27/2016

Item No.: 7.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Recommended Position on Proposition 53 - Voter Approval Requirement for Revenue Bonds above \$2 Billion.

RECOMMENDATION:

Adopt a position of "Oppose" on Proposition 53 - Voter Approval Requirement for Revenue Bonds above \$2 Billion.

SUMMARY:

Proposition 53 - Voter Approval Requirement for Revenue Bonds above \$2 Billion

Recommended Position: Oppose

Proposition 53 will appear on the Nov. 8, 2016 ballot. The measure, if approved by voters, would amend the California Constitution to require statewide voter approval of infrastructure projects financed, owned, operated, or managed by the State. The measure would prohibit dividing projects into multiple separate projects to avoid statewide voter approval requirement.

While bonds that are repaid through the state general revenues appear on California ballots for voter approval, bonds repaid from specific funds or through fees, taxes, rates, etc., are not required to be voter-approved. If Prop 53 is approved, it will require (1) full disclosure of the total cost of any state revenue bond project greater than \$2 billion, and (2) statewide voter approval before any revenue bonds are issued or sold by the state for certain projects that use over \$2 billion in state revenue bonds.

The measure would apply to a broad range of projects including: water storage facilities, desalination plants, water treatments facilities, roads and highways, hospitals and healthcare facilities, UC and CSU facilities, ports, and bridges.

Importance to the District

The Board has approved Legislative Guiding Principles which provide that the District support legislative efforts to both (1) support innovative funding proposals which leverage government dollars, and (2) support state and federal funding for key infrastructure efforts, including funding for local projects and a Bay-Delta solution.

Although the main justification offered for Proposition 53 is the need of statewide approval for large projects in the state, the measure has raised many questions as to how it would affect the large infrastructure projects where the state is involved as a partner. For example, the measure would require statewide voter approval for projects that are financed, owned, operated, or managed by the state or any joint powers authority created by or including the state, if the revenue bond amount exceeds \$2 billion.

Most of the projects that involve a JPA and the State are local projects that are paid for by the local communities that benefit from those projects through fees and rates, not statewide taxpayers. In these instances, the ballot measure would result in requiring unaffected communities around the state to approve projects by which they will not be affected.

An additional concern and consideration for the Board is the fact that the measure, as written, does not contain an exemption for cases where earthquakes or other natural disasters have damaged infrastructure. The District owns numerous capital infrastructure projects that could be damaged in the event of an earthquake or other natural disaster which could lead to hundreds of millions of dollars in liabilities. If this initiative is approved, the state would be unable to provide financing without first securing voter approval.

Regarding specific projects that may be of interest to the District that could be impacted:

- The proposed Sites Reservoir is projected to cost \$4.4 billion. The 1.8 MAF reservoir would collect winter flood flows from the Sacramento River for later delivery both north and south of the Delta. The preliminary estimated water supply yield is 500 TAF, with 130 TAF before conveyance losses available for conveyance south of the Delta. The District has submitted a proposal to participate and hopes to secure up to 24,000 AF of supply from the project.
- The measure would supersede the District's decision making authority and that of other potential participants regarding participation in the California WaterFix.
- Other storage projects such as raising Shasta could exceed \$2 billion in costs.

Staff recommends that the Board adopt a position of "Oppose" on Proposition 53.

Pros

- Supporters claim that the initiative is required in order to provide voters the opportunity to approve large state investments.
- Supporters claim that the initiative provides additional transparency to state spending by requiring an accounting of the total cost of any state revenue bonded project greater than \$2 billion.

Cons

- Language in the initiative is poorly written and creates uncertainties about which projects would be affected by the measure.
- Diminishes local control by requiring statewide voter approval for local infrastructure projects funded by a mix of local and state funds.
- Would jeopardize much needed repairs to water supply, bridges, and other critical infrastructure, including threatening water projects voters envisioned when they passed Proposition 1.
- Does not include an exemption for projects undertaken in response to an emergency or disaster.

FINANCIAL IMPACT:

There is no financial impact associated with this item.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

- Attachment 1: Proposition 53 Summary
- Attachment 2: Proposition 53 Text
- Attachment 3: Proposition 53 Pros and Cons

UNCLASSIFIED MANAGER:

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