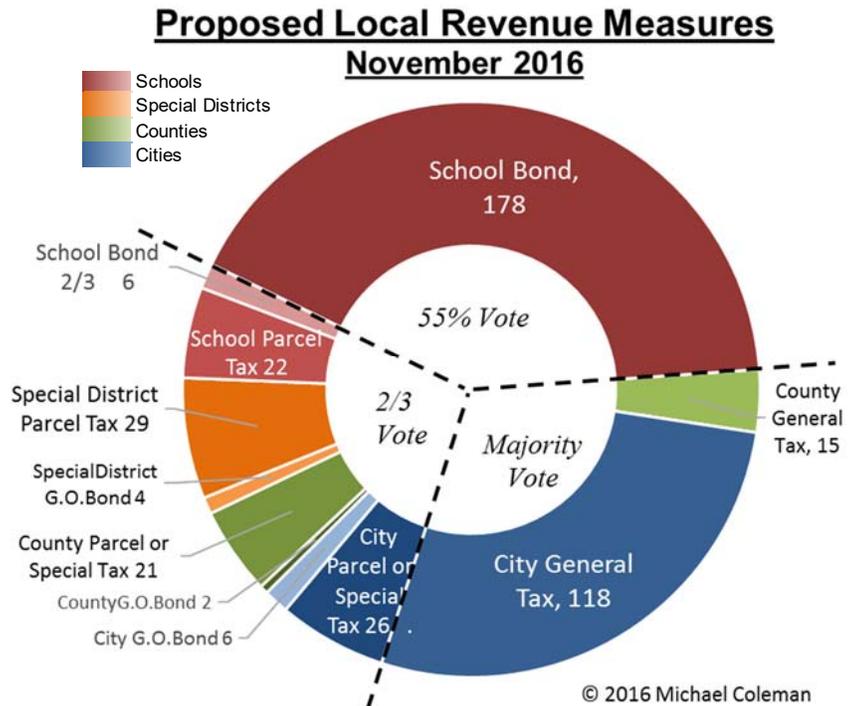


Local Tax and Bond Measures in California November 2016 a statewide preview

The November 8, 2016 California presidential election includes some 650 local measures including 427 seeking approval for taxes or bonds.

School bonds and parcel tax measures make nearly half of the number. K-12 schools districts and community colleges are requesting a total of \$25.314 billion in 184 separate authorizations for bonds to construct facilities, acquire equipment and make repairs and upgrades. Six of these school bonds exceed the limits to qualify for a 55% vote and require two-thirds approval. There are 22 measures to increase or extend (renew) school parcel taxes.



Among the 221 non-school local revenue measures are twelve measures asking for a total of \$7.266 billion in bonds including the \$3.5 billion Bay Area Rapid Transit (BART) Measure RR covering three San Francisco Bay area counties, the \$1.2 billion Los Angeles homeless housing and services Measure HHH and Santa Clara County's \$950 million affordable housing Measure A.

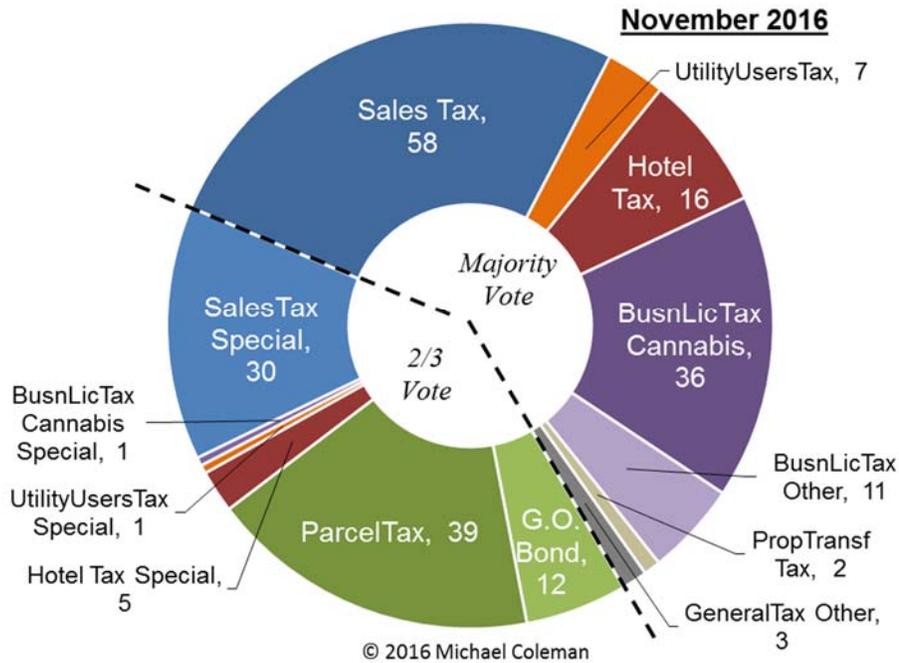
There are 88 measures to increase or extend Transactions and Use Tax (Sales Tax) rates. Thirty of these are special (earmarked) taxes requiring two-thirds voter approval. These include 13 countywide measures for transportation improvements. There are 58 city and county majority vote general purpose tax proposals ranging from ¼ percent to one percent.

There are 39 city, county and special district parcel taxes requiring two-thirds voter approval, including five street/road improvement measures, eight for parks /recreation /open space, 14 for fire /emergency medical response, four for hospitals, and four for police.

Coinciding with the statewide Proposition 64 which would legalize recreational marijuana in California, there are 37 measures to tax cannabis and three to tax sugary beverages (in Albany, Oakland and San Francisco).

Voters in nineteen cities and two counties will consider increasing hotel occupancy taxes.

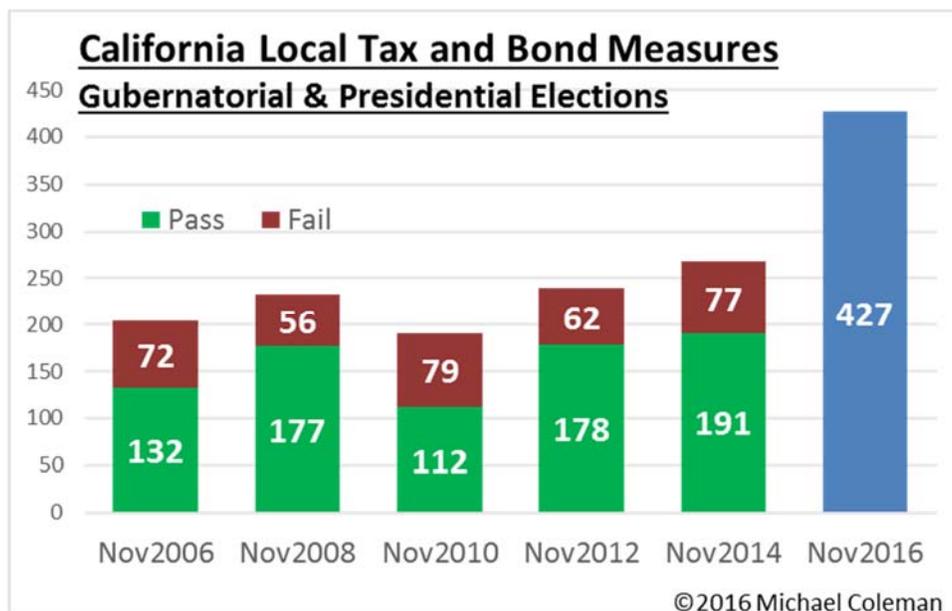
Types of Non-School Local Tax Measures



This is a Record Number of Local Measures

There are more local revenue measures on California ballots this November than any of the five prior gubernatorial or presidential elections. There are multiple possible reasons for this including:

- With the Proposition 51 statewide school bond measure on the ballot, school districts and their advisors see this election as good timing for a local bond measure to go in concert with the statewide bond, which provides matching local funds. This may be similarly fueled by Proposition 55, which extends upper income tax rates for school funding that would otherwise phase out.



- A number of previously approved local sales tax and parcel tax measures are set to expire soon. Many agencies see this large turnout general election as the best opportunity to garner approval for renewals and extensions.
- The statewide initiative to legalize marijuana is a major factor in the large crop of local measures to regulate and tax medical and recreational cannabis. These measures are coming both by initiative from citizen groups and from cities and counties in an effort to manage this emerging field.
- Changes to local laws are often needed for a community to stay in sync with technological and social change: Online hotel bookings, wireless telecommunications, fuel efficient transportation technologies, changes in retail purchasing habits. Most changes to a local tax, even to revise it to accommodate changing society, require a vote, and the decline in revenue generating ability of some existing taxes creates pressure for new ones.
- The growing gap between transportation infrastructure and maintenance funding needs and the level of revenues provided by state and federal tax systems is a major factor in the high number of countywide and local transportation measures. Despite numerous consensus proposals by interest groups and some legislators and a special session called for this purpose, no substantial transportation funding package has been agreed upon.
- The costs of funding already agreed to public pensions and public employee retiree healthcare, especially for police and fire, are projected to increase in the coming years far in excess of the revenue growth most local agencies expect. Many localities are reforming their pension and benefit programs and many are also seeking new funding sources to bring their budgets into sustainability.
- Sales taxes, second only to property taxes in importance for funding general services such as police, fire, parks, senior services, and libraries, are threatened by the new economy – but not in the way most people think. Despite the continuing moderate recovery, local sales tax revenues are not keeping up in many locations. As more and more retail sales transactions are moving on-line, local sales and use tax allocations are shifting to warehouse and sales office locations with hundreds of millions of dollars of tax revenues diverted from funding services and instead rebated to online companies through out-of-state consultants.
- A temporary ¼ percent statewide sales and use tax increase adopted with Proposition 30 in 2012 will expire on December 31, 2016. This may create a perceived opportunity to get a local sales tax (transactions and use tax) increase that would be effective next year. Most are not aware of it but these transactions and use taxes (add-on sales tax rates) are generally not impacted by online sales the way the regular one percent local sales tax is.

What can we expect in November?

The passage of measures in any given election is affected by multiple factors including:

- Voter turnout. Conventional wisdom holds that higher turnout bodes well for measures, especially those with a more general constituency, for example, transportation, public safety, schools.
- Vote threshold. Majority vote measures generally have higher success rates.
- The type of measure. School bonds do better than other bond measures, school parcel taxes do better than other parcel taxes, sales taxes do better than utility taxes.

- Local political and economic climate. Success of a measure may be affected by a local or nearby government scandal, turmoil over a property development proposal, etc.
- Community confidence in the financial management of the local government. Open, inclusive budget processes. Sincere efforts to manage within limits. Agreement with priorities.
- Mobilization of support and opposition. The presence or absence of active support or opposition for a measure.

Local Revenue Measures in California Passed/Proposed **Gubernatorial and Presidential Elections**

<i>pass/total</i>	<u>Nov2006</u>	<u>Nov2008</u>	<u>Nov2010</u>	<u>Nov2012</u>	<u>Nov2014</u>	<i>Proposed</i> <u>Nov2016</u>
City General Tax (Majority Vote)	31/43	40/56	44/67	48/60	62/88	118
County General Tax (Majority Vote)	2/5	5/9	6/12	4/6	2/6	15
City SpecialTax, GObond (2/3 Vote)	18/34	11/21	7/11	5/15	14/23	32
County SpecialTax, GObond (2/3 Vote)	5/13	7/12	0/3	7/12	4/9	23
Special District (2/3)	19/35	10/19	6/17	7/16	10/21	33
School ParcelTax2/3	2/7	17/21	2/18	16/25	8/8	22
School Bond 2/3	0/0	2/3	0/0	1/1	0/1	6
School Bond 55%	55/67	85/92	47/63	90/105	91/112	178
Total	132/204	177/233	112/191	178/240	191/268	427

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Other Measures of Note

- There are ten measures that would impose or alter term limits for councilmembers or school board members.
- Voters in eight cities will decide whether to have their council members elected from districts rather than at-large. A special district measure (North Tahoe Public Utility District) would move away from district to at-large elections.
- A measure to revise the problematic city charter and assist in the financial recovery of San Bernardino is on the ballot there.
- San Jose voters will consider a change to employee pensions and benefits, important to that city's financial health.
- Voters in over 20 localities will consider restricting urban growth by various means including requiring voter approval of major developments.
- Nine cities and a county will consider adopting some form of new or additional rent control.
- Voters in Stanton will decide whether they should repeal a one-percent sales tax approved by 54% of voters in November 2014. Oxnard voters will decide whether to overturn recently approved wastewater rates.
- Voters in Anaheim and Newport Beach will decide if it should require no less than two-thirds of the City Council to agree to place a tax proposal before those voters.
- Eight small cities are considering measures to make the currently elected office of city clerk or city treasurer appointed positions.

- Voters in the happy enclave of Isla Vista in Santa Barbara County will decide if they should become a community services special district (by majority vote) and impose (by two-thirds vote) an eight-percent utility user tax on gas, water, electricity, sewage, and garbage disposal services to fund better public safety services.

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Sources: County elections offices, local governing board agendas and minutes.
Thanks to Rick Sklarz of FM3 for election insights.

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