

General Obligation Bond Measure

3.4

AUGUST 7, 2018

General Obligation Bond Discussion

- ▶ Background and Direction
- ▶ Survey Results
- ▶ Preliminary Project List
- ▶ Tax Rate Statement & Bond Accountability
- ▶ AB 195 Update & Challenges
- ▶ Next Steps

Survey Background

- ▶ First survey April/May 2018: Assess viability of a \$750 million GO bond measure to fund a wide variety of critical infrastructure needs.
- ▶ Second survey June 2018: Assess viability of a \$950 million GO bond; test focus areas (Street Repair + Public Safety, Street Repair, Public Safety).
- ▶ No significant differences in support at different funding levels; support just short of two-thirds threshold.
- ▶ Council directed further analysis of ballot language and funding priorities:
 - ▶ Public Safety + Street Repair
 - ▶ Public Safety + Street Repair + Housing
 - ▶ Additional analysis of Public Safety + Street Repair + Open Space

Methodology

Note:

This survey is a follow-up to similar surveys from April-May and of 2018.

*Conducted July 11-18, 2018.
Margin of sampling error of $\pm 2.8\%$ at the 95% confidence interval for the full sample*

Each respondent was only asked about one potential bond measure, a list of City projects that could be funded by the bond measure, and pro and con arguments.

Due to rounding, some percentages do not add up to 100%

| Research Aspect | Specifics |
|---------------------------|---|
| Number of Interviews | 1,205 |
| Sample | Likely November 2018 voters in San Jose |
| Data Collection Mode | Telephone (landline & cell phone) |
| Respondent Contact Method | Telephone |
| Languages | English, Spanish, and Vietnamese |

| Measure | Sample Size | Margin of Error |
|---|-------------|-----------------|
| Public Safety + Streets Bond | 403 | $\pm 4.9\%$ |
| Public Safety + Streets + Housing Bond | 401 | $\pm 4.9\%$ |
| Public Safety + Streets + Open Space Bond | 401 | $\pm 4.9\%$ |

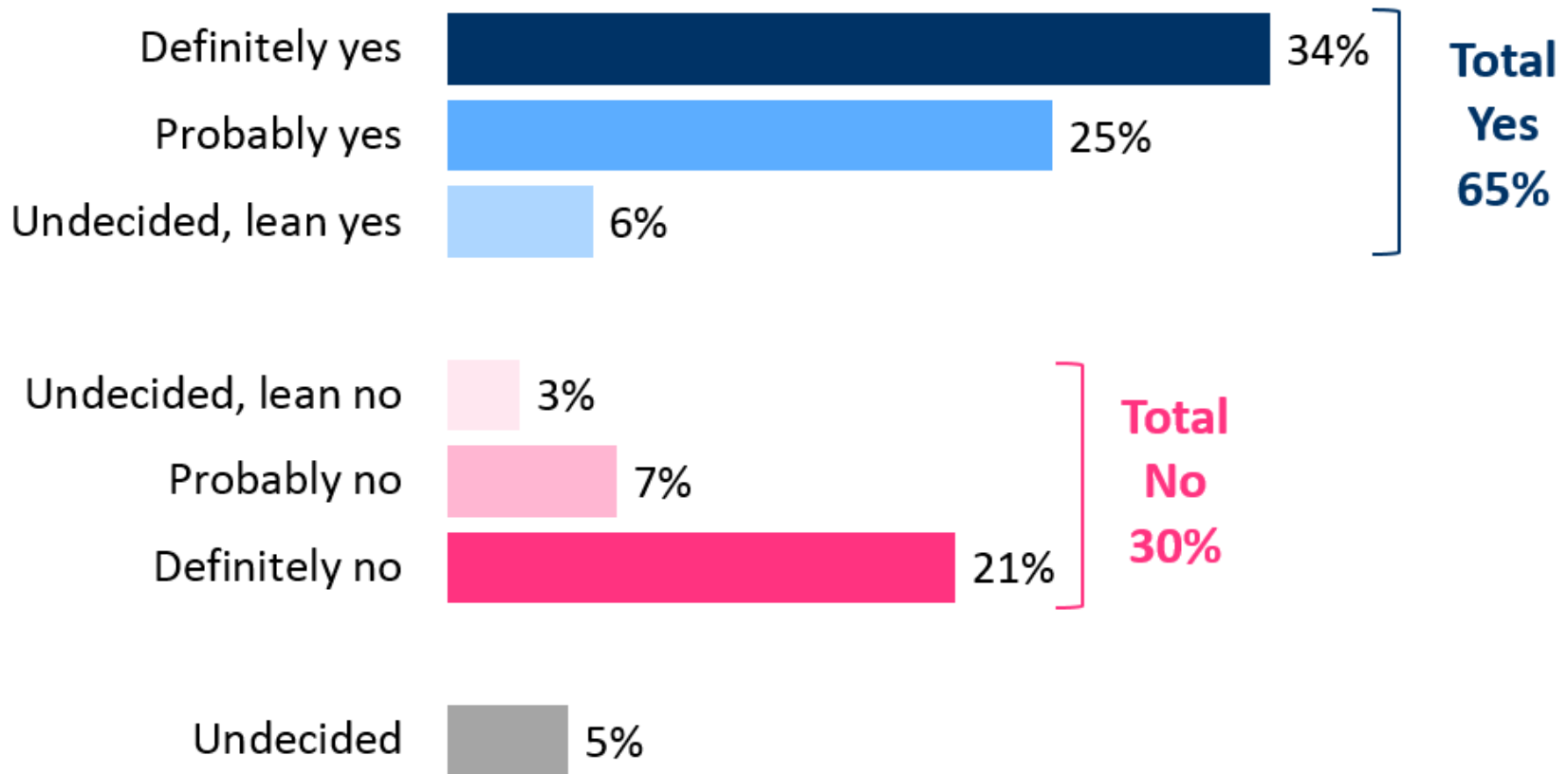
Bond Measure “Yes” Votes Summary

| Bond | Initial Vote | Post-Arguments | |
|--------------------------------------|--------------|--------------------------|--------------------------|
| | | After Positive Arguments | After Negative Arguments |
| Public Safety + Streets | 65% | 69% | 60% |
| Public Safety + Streets + Housing | 63% | 69% | 65% |
| Public Safety + Streets + Open Space | 61% | 63% | 56% |

Red “yes” totals reached the two-thirds vote threshold

A public safety and streets bond begins with support from nearly two-thirds of voters.

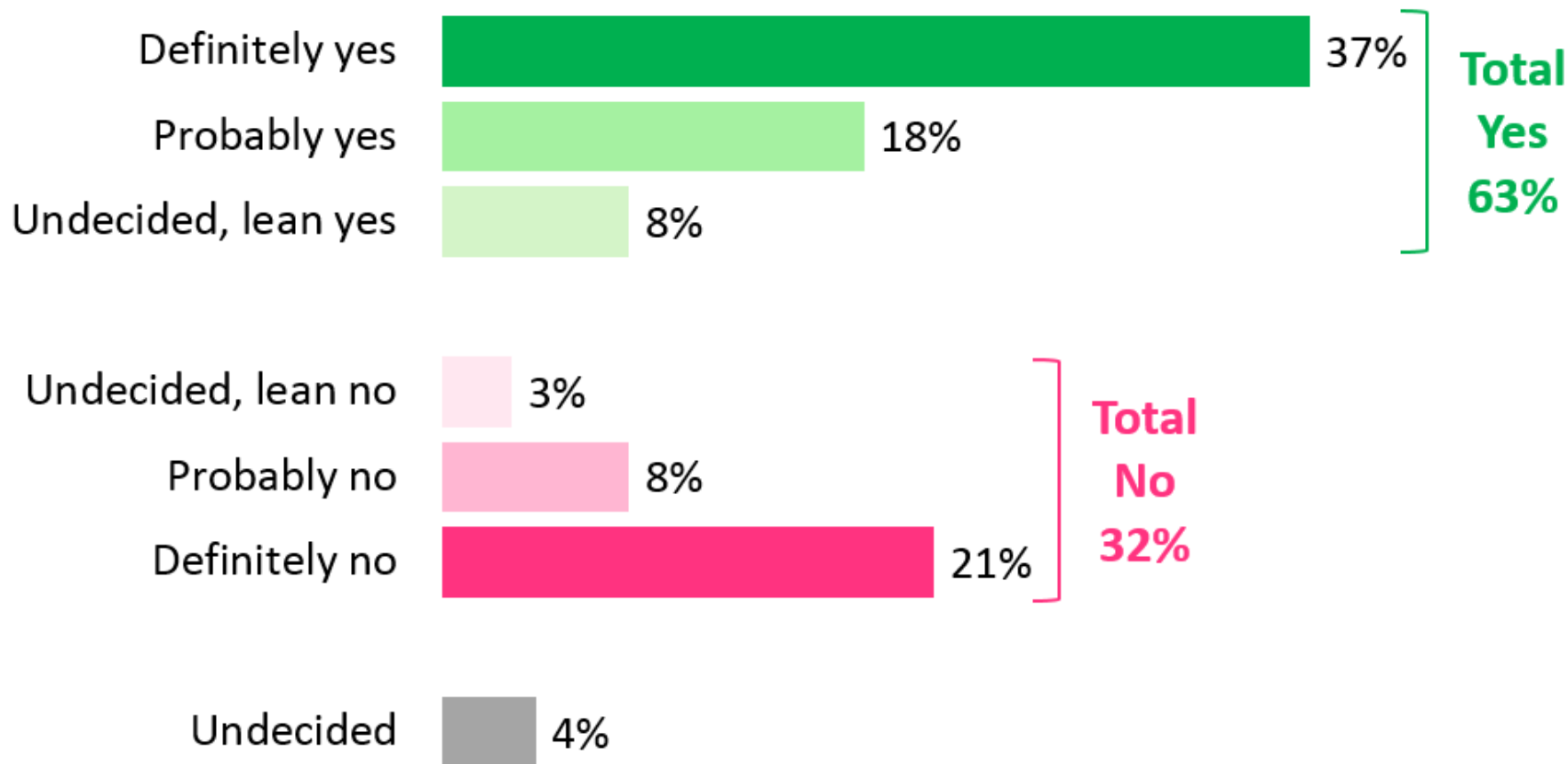
Public Safety and Streets Bond, MOE $\pm 4.9\%$



Q3. If there were an election today, do you think you would vote "yes" in favor of this measure or "no" to oppose it? Split Sample

Just over three in five support a bond that includes housing as well.

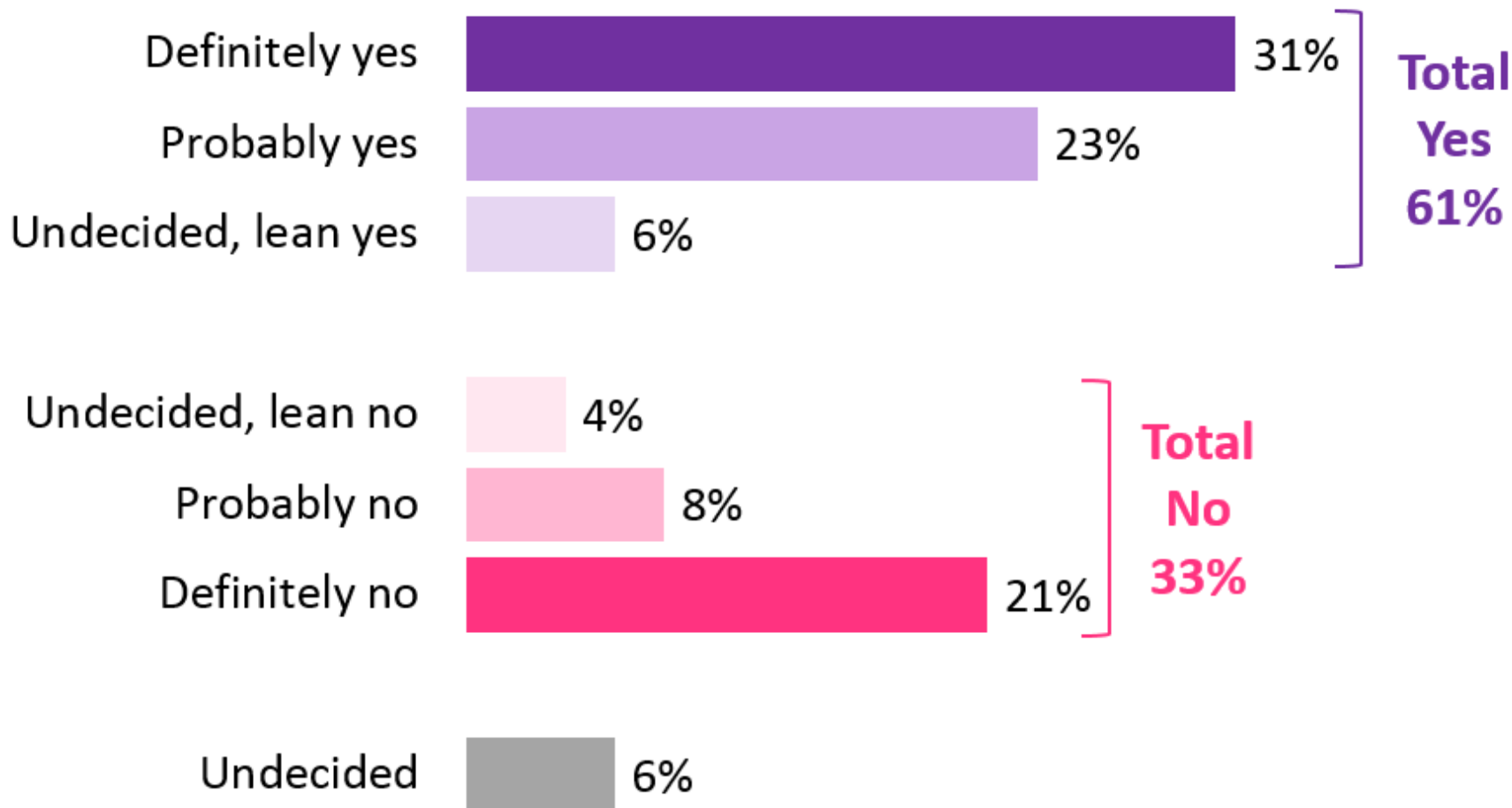
Public Safety, Streets and Housing Bond, MOE $\pm 4.9\%$



Q4. If there were an election today, do you think you would vote "yes" in favor of this measure or "no" to oppose it? Split Sample

Three in five support a measure package that includes open space.

Public Safety, Streets and Open Space Bond, MOE $\pm 4.9\%$



Q5.. If there were an election today, do you think you would vote "yes" in favor of this measure or "no" to oppose it? Split Sample

Bond Measure “Yes” Votes Summary

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Category Importance Level

Public Safety

| | |
|------------------------------|-----|
| Upgrading 911 communications | 76% |
| Emergency Operations Center | 67% |

Streets & Roads

| | |
|-------------------------------------|-----|
| Repairing deteriorating bridges | 72% |
| Repaving streets in worst condition | 71% |

Flooding & Pollution

| | |
|--|-----|
| Repairing storm drains to keep pollution from local creeks & Bay | 68% |
| Protecting open space and natural areas to reduce flooding | 65% |

Providing Housing

| | |
|---|-----|
| affordable to: | |
| ... working families | 76% |
| ...veterans | 76% |
| ...families with children | 75% |
| ...to help homeless residents get off local streets, out of creeks and parks, and out from under freeways | 70% |
| ...for most vulnerable community members | 68% |

Conclusions

The past three surveys suggest:

- Passing an infrastructure bond measure in San José will be challenging, but is feasible.
- Across all surveys, support improved with arguments in favor and diminished after arguments against.
- When housing was included, support stayed within reach, even after negative arguments.
- Passage likely will hinge on:
 - Clear ballot language
 - Robust community campaign

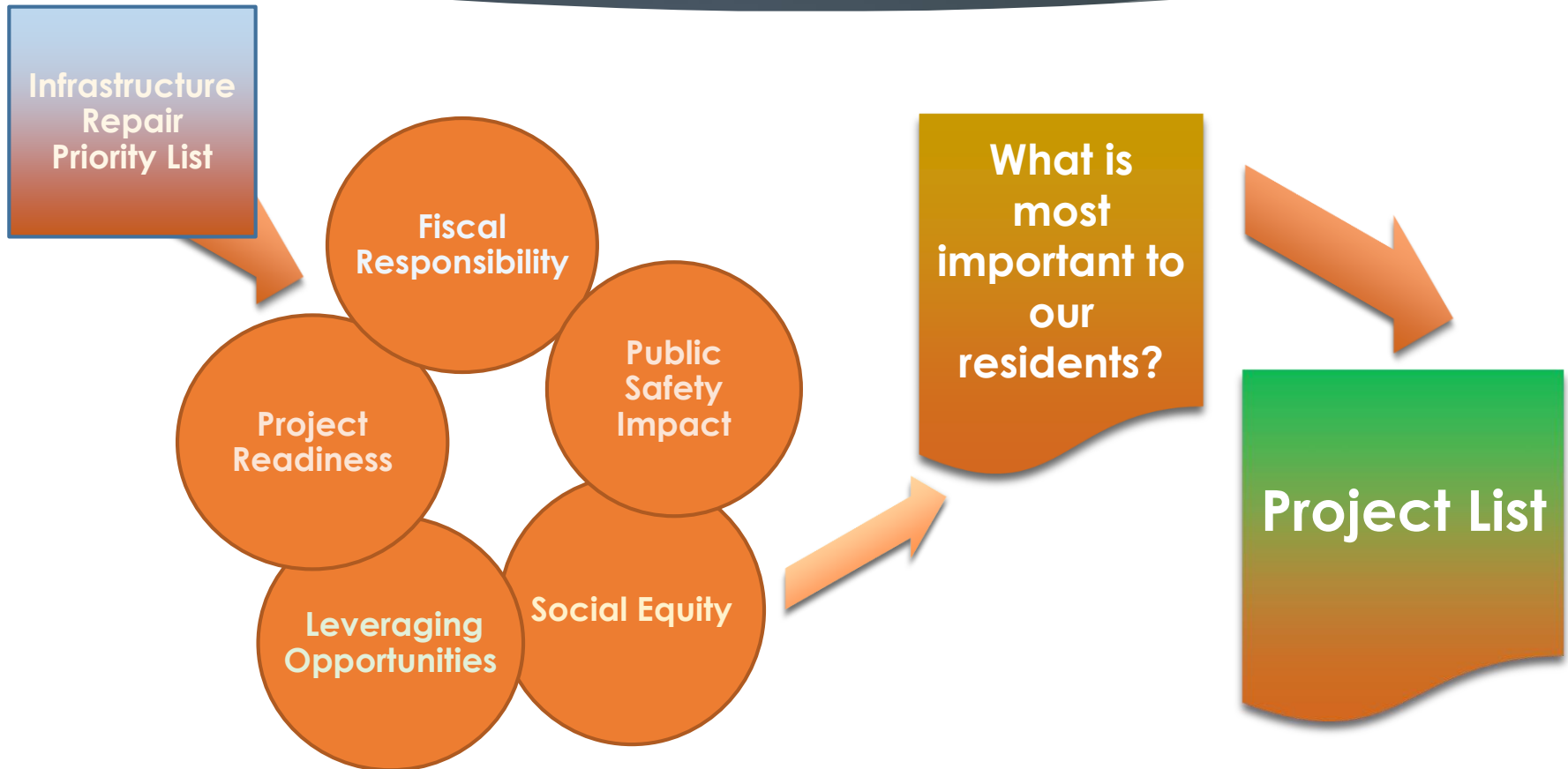
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Potential GO Bond Projects

A solid blue square located in the top right corner of the slide.

PRELIMINARY PROJECT CATEGORY LIST

Project Category and List Selection



Summary Project Categories

Potential Categories & Possible Costs

Streets & Roads

Rehabilitate & resurface local and neighborhood streets in poor condition (currently 388 miles).

\$300M

Housing

Build & rehabilitate housing affordable for working families and individuals earning up to 80% of the area median income with 20% for households earning 120%. Includes homeless, seniors, veterans, working families.

\$250M

Public Safety, Flood/Pollution Protection, Emergency Response, Infrastructure

Repair deteriorating bridges; modern 911 communications/dispatch center; storm drain repairs; Fire station (including Station 37); crime scene/DNA evidence storage facilities; Emergency Operations Center; Community Center rehabilitation for disaster response; urgent infrastructure needs.

\$390.85M

Cost of Bond Issuances

\$9.15M



Tax Rate Statement & Accountability

REQUIRED BALLOT
INFORMATION

GO Bond Assumptions

| General Obligation Bond Assumptions | |
|--|---------------------------------|
| Total GO Authorization | \$950,000,000 |
| Tax-exempt \$700,000,000 | |
| Taxable \$250,000,000 | |
| Number of Bond Issuances (Sales) | 5 |
| Years of Bond Issuance <i>Taxable bonds issued only in 2019 & 2023</i> | 2019, 2021, 2023, 2025 and 2027 |
| Annual Assessed Valuation Growth | 3.50% |
| Average Interest Rate on Tax-exempt Bonds | 5.00% |
| Average Interest Rate on Taxable Bonds | 6.00% |
| Aggregate Cost of Issuance (5 bond issuances) | \$9,150,000 |
| Net Bond Proceeds Available for Projects | \$940,850,000 |
| Amortization Period for each Series | 30 years |

Tax Rate Statement

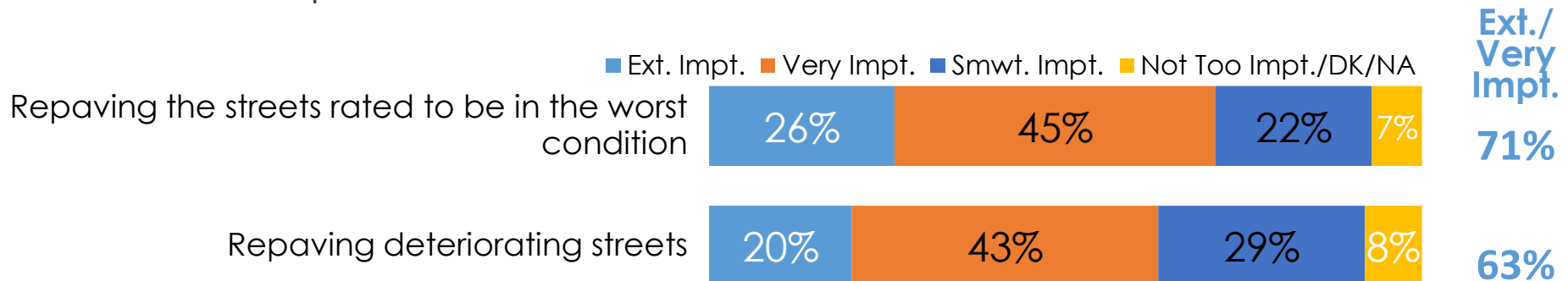
| Item | Rate data (best estimate) |
|--------------------------------------|---|
| Average Annual Tax Rate | <ul style="list-style-type: none">▪ 1.62 cents per \$100 of assessed valuation OR <ul style="list-style-type: none">▪ \$16.18 per \$100,000 of assessed valuation |
| San José Average Assessed Valuation | \$500,000 for single-family home |
| Average Annual Tax | \$110.79/year |
| Maximum Annual Tax | \$160.53 |
| Final fiscal year for tax collection | 2056-2057 (bonds paid off 2057) |
| Total debt service | \$1.941 billion |

Note: Estimated tax rates are based on the **assessed value** of taxable property, not on market value. Property owners should consult their property tax bills to determine assessed value and any applicable tax exemptions.

AB 195 Update & Challenges

- ▶ No remedy to AB 195 feasible
- ▶ 75-word ballot statement is really 50-word
- ▶ As measure broadens, providing voters context is difficult.

- ▶ Example:



General Obligation Bond Measure (ballot language)

To:

- Upgrade 911 communications/ police/ fire facilities to improve public safety and emergency/ disaster response;
- Repair deteriorating bridges;
- Repave worst streets/potholes;
- Repair storm drain system/ protect open space to prevent creek pollution;
- Provide housing affordable for families/ homeless/ veterans; and
- Address urgent infrastructure needs,

Shall San José issue \$950,000,000 in general obligation bonds with an average levy of 16¢ per \$1,000 of assessed value, averaging \$51,075,000 annually while bonds are outstanding, requiring community oversight/ audits?

Next Steps

- ▶ August 7, 2018 – Council decision on ballot measure & language
- ▶ August 10, 2018 – Registrar of Voters ballot measure deadline

If Council places measure on ballot:

- ▶ Fall 2018 – Develop a GO bond project category list to guide development of projects, outreach, and education
- ▶ November 6, 2018 – Election Day

If measure passes:

- ▶ Finalize the GO Bond project list and work plan
- ▶ Issue bonds and begin projects