

# 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	$\pm 4.9\%$

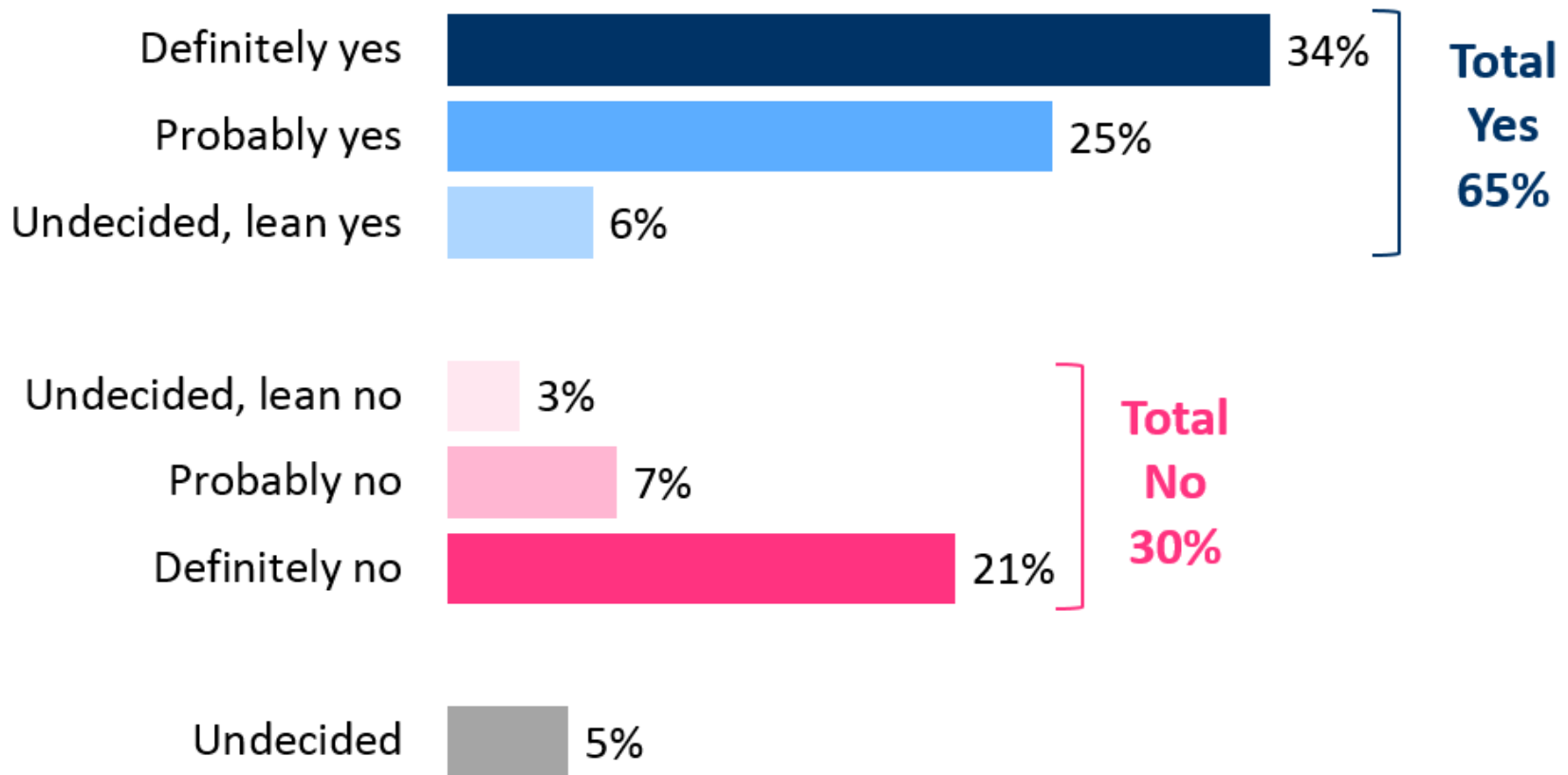
# Bond Measure “Yes” Votes Summary

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.

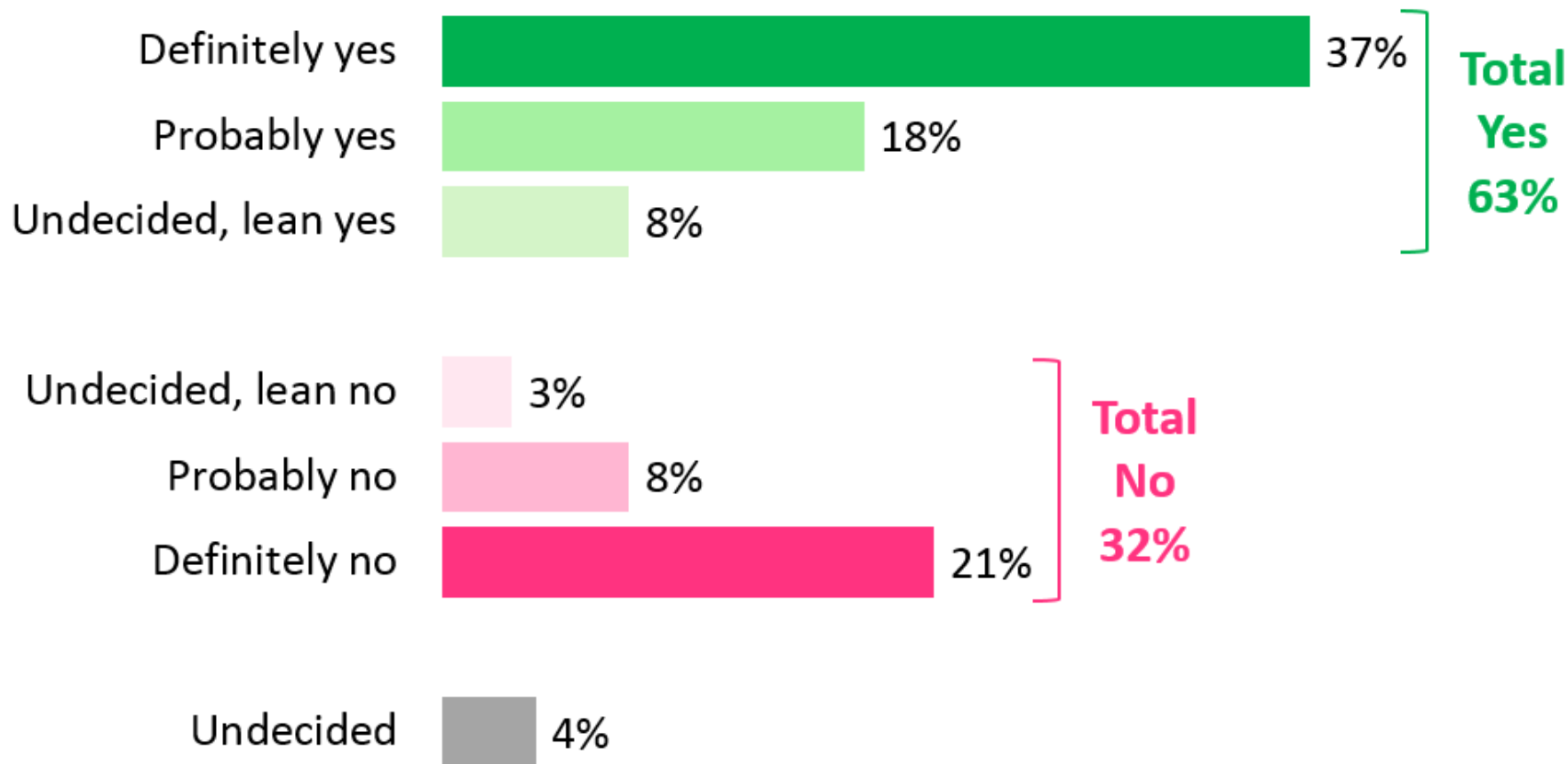
*Public Safety and Streets Bond, MOE  $\pm 4.9\%$*



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.

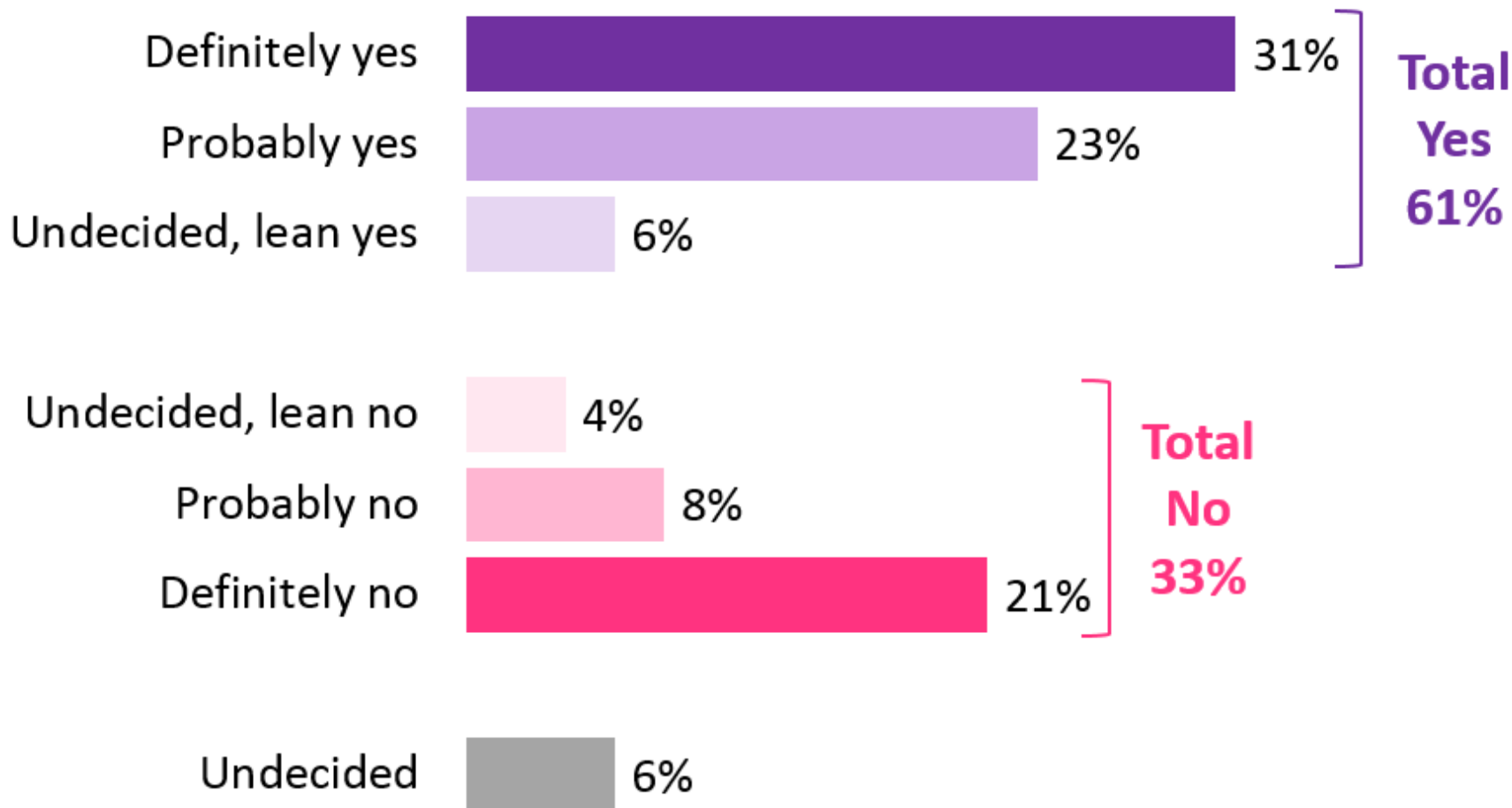
*Public Safety, Streets and Housing Bond, MOE  $\pm 4.9\%$*



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

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

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

# 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

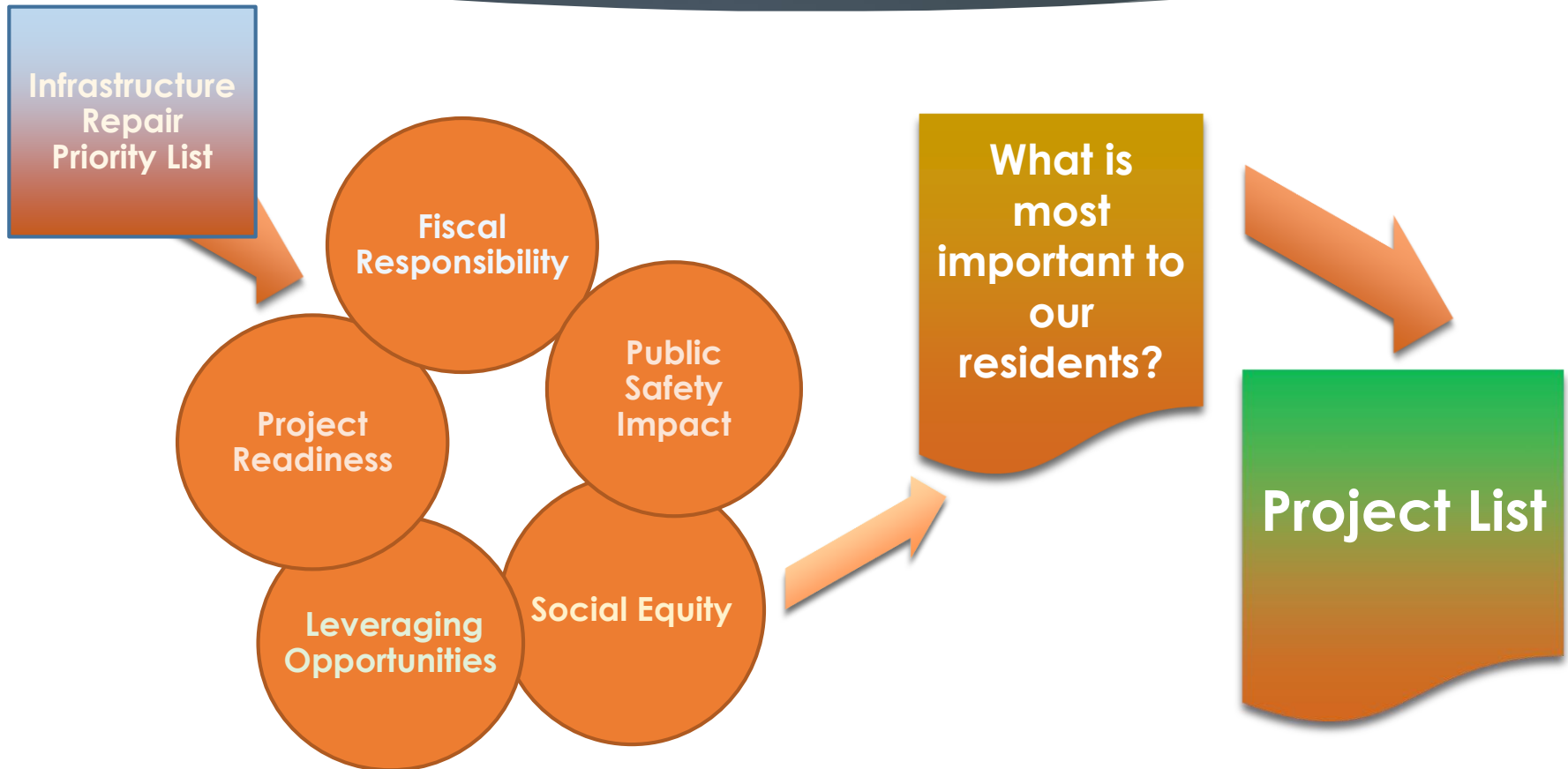
The past three surveys suggest:

- 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

# Potential GO Bond Projects

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



# Tax Rate Statement

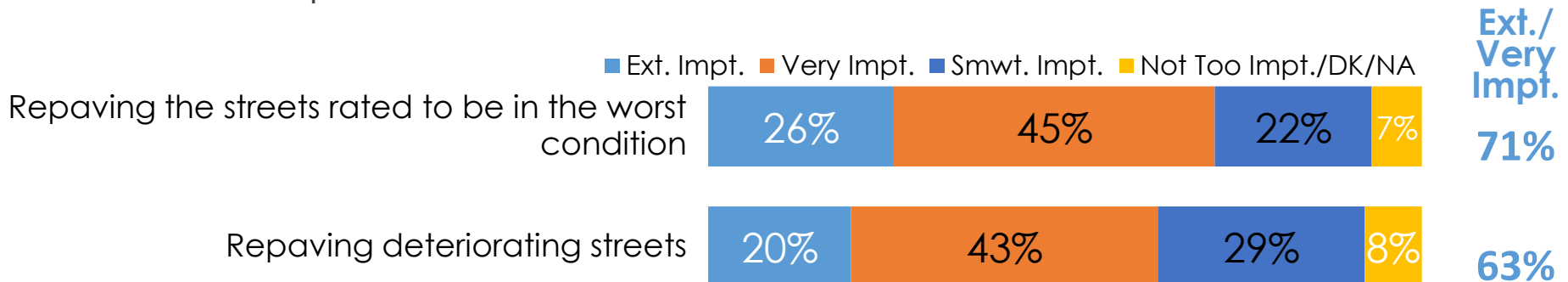
Item	Rate data (best estimate)
Average Annual Tax Rate	<ul style="list-style-type: none"><li>▪ 1.62 cents per \$100 of assessed valuation</li></ul> OR <ul style="list-style-type: none"><li>▪ \$16.18 per \$100,000 of assessed valuation</li></ul>
San José Average Assessed Valuation	\$500,000 for single-family 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