



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Councilmember Johnny Khamis
District 10

SUBJECT: POTENTIAL GENERAL
OBLIGATION BOND
BALLOT MEASURE

DATE: August 6, 2018

Approved by:

Date:

8/6/18

RECOMMENDATION:

Make the following changes to the proposed General Obligation Bond Ballot Measure:

1. Reduce the amount of the bond to \$500 million
2. Reduce the focus of the bond to three items:
 - a. Street Repairs/Resurfacing
 - b. Public Safety Infrastructure
 - c. Parks Infrastructure such as sprinkler systems in parks and other facilities
3. Specify the amounts to be spent in each focus area in the ballot language:
 - a. Street Repairs/Resurfacing - \$300 million
 - b. Public Safety Infrastructure such as 9-1-1 center, training center, fire stations - \$100 million
 - c. Parks Infrastructure - \$100 million

ANALYSIS:

When we began a discussion of placing a bond before the voters, I was anticipating it would be smaller, less expensive, more focused, and more specific in order to ensure accountability. The \$950 million OmniBond that the City Council is now considering fails on all counts.

The OmniBond is too big and costly

A \$950 million OmniBond is far too big and costly. In item 3.7 on this week's City Council agenda, we set the tax rate on existing City general obligation bonds. The existing obligations result in a tax of \$178 per household, for a property that has the average assessed value of about \$500,000. A new, \$950 million bond will add a MINIMUM of \$110 to this annual tax bill – a 60% increase in the City portion of a homeowner's property tax.

Renters will also see the impact of higher taxes when their monthly rent goes up because of the new tax, and with housing affordability already an area of big concern to policymakers, why would we want to make it even more expensive to live here?

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One of the items in the OmniBond proposes to spend money on is “affordable housing”, yet the voters are already paying for a \$950 million County Housing bond (2016’s Measure A) and the State has a \$4 billion housing bond on the November ballot. When added to the Housing Impact Fee – a tax on builders of new market-rate apartments – the OmniBond would be the FOURTH tax intended to tackle the Housing problem. With County Measure A, the County promised 4,800 new units of housing and so far they’ve funded only 804 units* – less than 17% - a FIFTH - of the units promised. Why would we want to impose even more taxes to tackle the same issue when government has yet to spend the money it already has for building affordable housing?

The OmniBond lacks focus and accountability

Without specifics spelled out in the ballot measure, there will be nothing to hold the City Council accountable if the spending is directed to things outside of what the public is expecting in the ballot language. At the extremes, the City could spend \$1 on streets and say that it met its obligation to spend money on street repairs.

Like with the 2016 Measure B, where the public was told that a new tax of \$40 million would be used “to fund essential City services such as: improving police response to reduce violent crimes and burglaries; improving 911/emergency medical/fire response times; repairing potholes and streets; expanding gang prevention; and maintaining the City’s long-term financial stability,” without specifics, there is no guarantee that the money would go to all of the areas the voters were told about. As an example, as of the start of 2019, when the pay increase will be fully implemented, the 22% pay increase for our police officers will cost the City \$49 million per year, on an ongoing basis. While providing good, competitive compensation to our police officers is certainly a top priority, this one budget item exceeds the full amount that was expected each year from the new ¼-cent sales tax. As for the promised pavement maintenance goes, we’re spending only \$1.5 million of General Fund money on pavement maintenance this year – which is actually LESS General Fund money than was spent on our streets in each of the last two years.

An alternative to the OmniBond – a bond that’s focused, more affordable, and accountable

I propose, as an alternative, that we place before the voters a more focused bond that spells out the dollars to be spent in each focus area, so that there is accountability and transparency built into the expenditure of the bond money. A \$500 million bond will cost taxpayers about half of what the \$950 million bond will cost. Plus, by specifying how it will be spent, residents gain a higher level of transparency and dollar targets to which they can hold their Councilmembers to account. My proposal focuses on the things we originally discussed when considering whether to place a bond before the voters – streets, and public safety and parks infrastructure.

I encourage my colleagues to approve my alternative and, for spending within each of the specific areas, to ensure that there is geographic equity in spending, public input, and that the most-in-need facilities are prioritized, as requested by my colleague Sergio Jimenez, in his memo.

* <https://www.paloaltoonline.com/news/2018/07/11/county-makes-significant-progress-in-homeless-housing>