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 ±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	±4.9%
Public Safety + Streets + Housing Bond	401	±4.9%
Public Safety + Streets + Open Space Bond	401	±4.9%

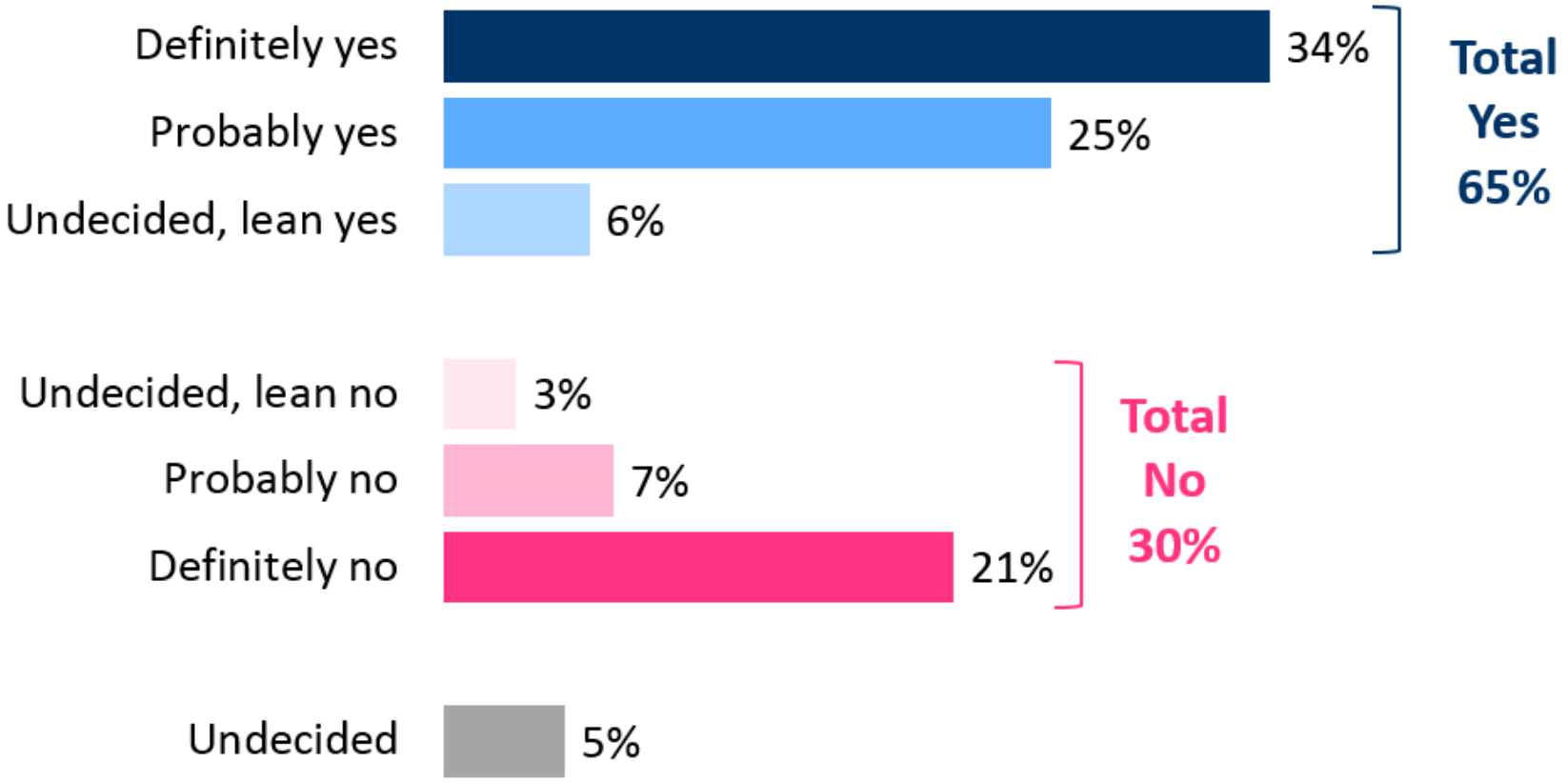
Bond Measure "Yes" Votes Summary

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.

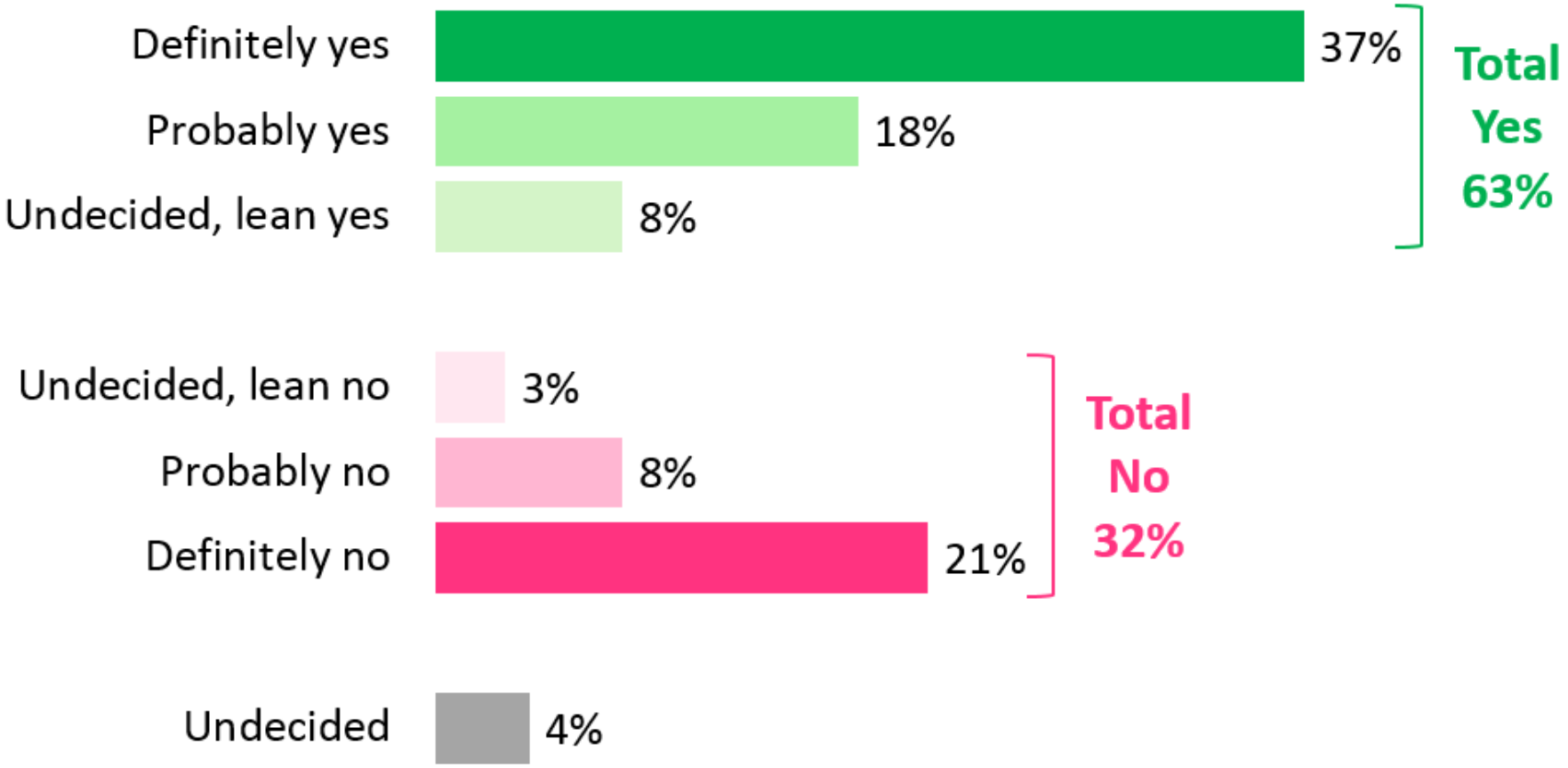
Public Safety and Streets Bond, MOE ±4.9%



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.

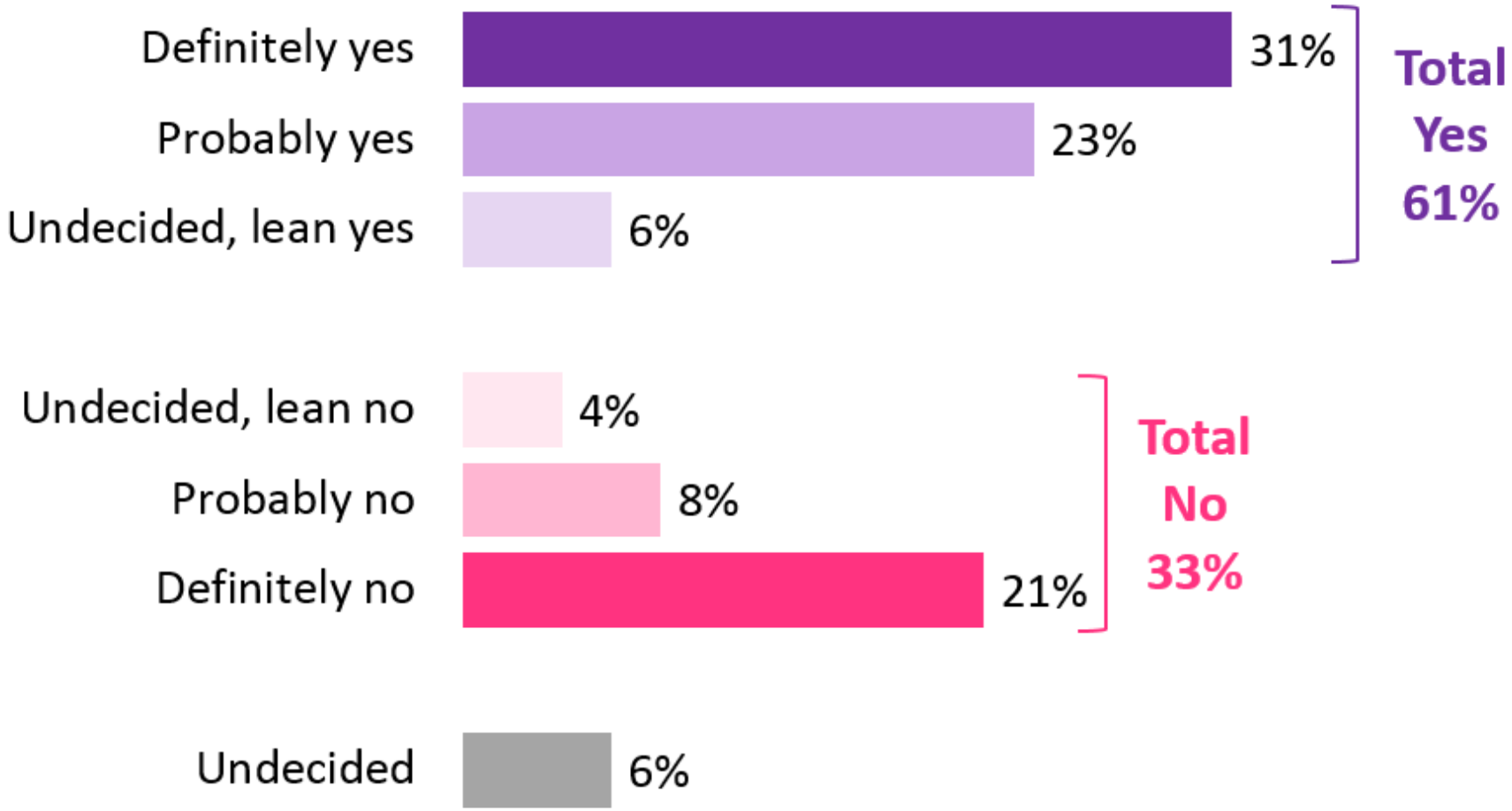
Public Safety, Streets and Housing Bond, MOE ±4.9%



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 ±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 …veterans …families with children	 76% 76% 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

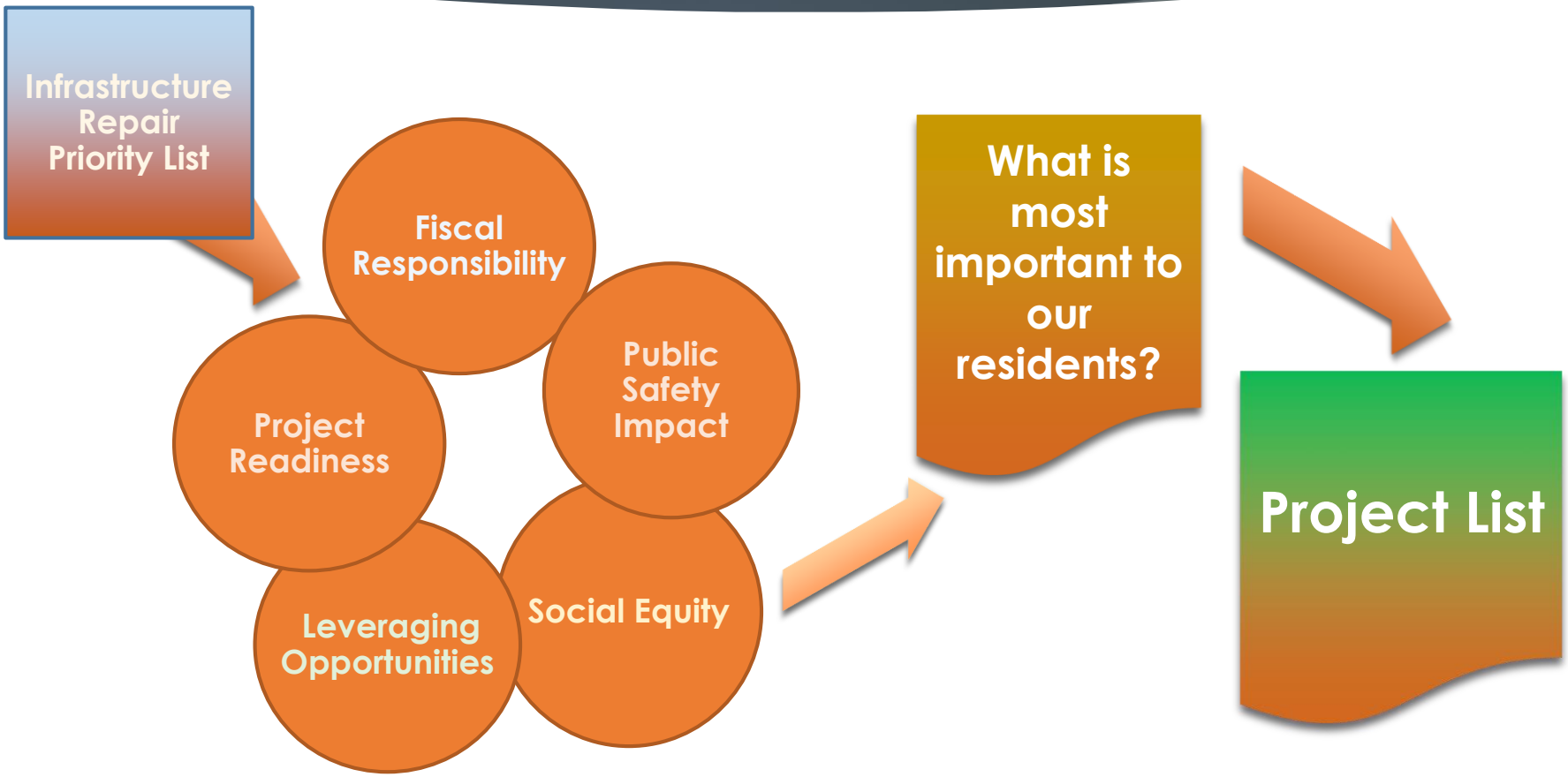
The past three surveys suggest:

- 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	
Total GO Authorization **Tax-exempt $700,000,000** **Taxable $250,000,000**	$950,000,000
Number of Bond Issuances (Sales)	5
Years of Bond Issuance *Taxable bonds issued only in 2019 & 2023*	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

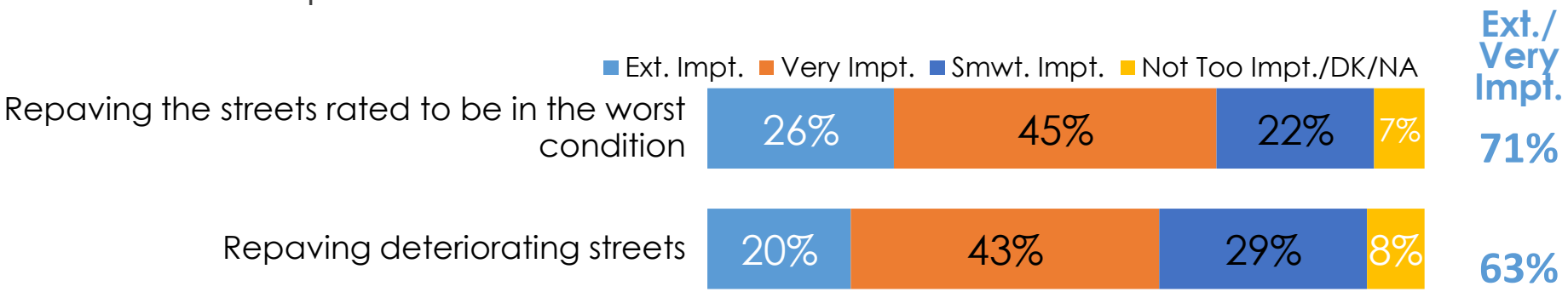
Item	Rate data (best estimate)
Average Annual Tax Rate	▪ 1.62 cents per $100 of assessed valuation OR ▪ $16.18 per $100,000 of assessed valuation
San José Average Assessed Valuation	$500,000 for single-family home
Average Annual Tax	$110.79/year
Maximum Annual Tax	$160.53
Final fiscal year for tax collection	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

<u>If Council places measure on ballot:</u>

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

<u>If measure passes:</u>

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