



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Adopt Positions on State and Local Ballot Measures for the November 6, 2018 Election

BACKGROUND

This report provides an opportunity for the Sunnyvale City Council to take positions on state and local measures on the November 6, 2018 Ballot. The report summarizes each measure, provides the City's adopted policy on the measure (if any), and a staff recommendation, when appropriate. Council Policy 7.4.16 *Ballot Measure Positions*, states that staff will provide analysis and a position recommendation on only those ballot measures that directly impact *City business*. *City business* is defined as all matters directly related to service delivery, or otherwise contributing to the City's operational success (Per Council Policy 7.4.14 *Legislative Advocacy Positions*).

As required by state law, no public funds have been or will be used to campaign for or against any of these measures. Public resources may be used to adopt a position on a measure, as long as that position is taken at an open and public meeting where all perspectives have the opportunity to be heard. Staff's recommendations are generally based on existing City policies from documents such as the General Plan, Legislative Advocacy Positions, and impact on City services and/or operations.

EXISTING POLICY

Council Policy 7.4.16 *Ballot Measure Positions*: As soon as possible following the release of the Secretary of State's *Official Voter Information Guide* or the Santa Clara County Registrar of Voter's *Voter Information Pamphlet*, staff will present to Council a report reviewing proposed ballot measures.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" with the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378 (a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

DISCUSSION

A brief analysis of each measure follows, including a measure summary and, for statewide measures only, the California Legislative Analyst's estimate of state and local government fiscal impact; for those measures deemed *City business*, City staff analysis by the appropriate department, existing City policy citation (if any), and, as appropriate, a staff recommendation are also identified.

Staff recommendation options are: Support, Oppose, No Staff Recommendation, or Take No Position. While the meaning of "Support" and "Oppose" recommendations are clear, "No Staff Recommendation" and "Take No Position" are clarified as follows:

No Staff Recommendation - Consistent with City policy, staff does not provide analysis or make recommendations on measures that do not impact *City business* as defined in Council Policy 7.4.14, *Legislative Advocacy Positions*.

Take No Position - Despite a measure's ability to impact *City business*, Staff may recommend that Council abstain from taking a position. This recommendation to remain neutral on an issue may be made for a variety of reasons (e.g., ballot language is not clear; the pros and cons of the business impact cancel each other out; etc.). The reason for recommending this position will be explained as part of the staff analysis.

State and local ballot measures deemed City business

Proposition 1 - Authorizes Bonds to Fund Specified Housing Assistance Programs. Legislative Statute.

Summary: Authorizes \$4 billion in general obligation bonds for existing affordable housing programs for low-income residents, veterans, farmworkers, manufactured and mobile homes, infill, and transit-oriented housing.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact: Increased state costs to repay bonds averaging about \$170 million annually over the next 35 years. These bond funds would be used to provide affordable housing.

City of Sunnyvale Staff Analysis: This measure would provide \$3 billion for various state housing programs such as affordable multifamily housing programs, infrastructure programs, homeownership programs, and farmworker programs. Proceeds from the bond sale would be awarded to program applicants, including local governments, through a competitive process administered by the state. This measure would also provide \$1 billion for home loan assistance to veterans. The passing of this measure would support the City's goals to facilitate the development of affordable housing.

Existing City Policy:

Policy HE-1.2 Facilitate the development of affordable housing through regulatory incentives and concessions, and/or financial assistance.

Policy HE-2.6 Preserve Sunnyvale's mobile home parks as an affordable housing option. Maintain at least 400 acres of mobile home park zoning.

Staff Recommendation: Support

Proposition 2 - Authorizes Bonds to Fund Existing Housing Program for Individuals with Mental Illness. Legislative Statute.

Summary: Amends the Mental Health Services Act to fund No Place Like Home Program, which finances housing for individuals with mental illness. Ratifies existing law establishing the No Place Like Home Program.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact: Allows

the state to use up to \$140 million per year of county mental health funds to repay up to \$2 billion in bonds. These bonds would fund housing for those with mental illness who are homeless.

City of Sunnyvale Staff Analysis: While these funds will NOT be administered by the City, if approved could support financing the development of new supportive housing and treatment for homeless people living with serious mental health conditions in Sunnyvale.

Existing City Policy:

Policy HE-5.5 Encourage the provision and distribution of residential care facilities throughout the community.

Policy HE-5.6 Participate in the County Collaborative on Affordable Housing and Homeless Issues to support its efforts to prevent and end homelessness. Facilitate and sponsor the provision of permanent supportive housing for homeless people. Support local service providers that offer facilities and support services to homeless individuals and families, and persons at risk of homelessness.

Staff Recommendation: Support

Proposition 3 - Authorizes Bonds to Fund Projects for Water Supply and Quality, Watershed, Fish, Wildlife, Water Conveyance, and Groundwater Sustainability and Storage. Initiative Statute.

Summary: Authorizes Bonds to Fund Projects for Water Supply and Quality, Watershed, Fish, Wildlife, Water Conveyance, and Groundwater Sustainability and Storage.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

Increased state costs to repay bonds averaging about \$430 million per year over the next 40 years. Savings to local governments, likely averaging a couple hundred million dollars annually over the next few decades.

City of Sunnyvale Staff Analysis: City staff supports this bond measure which will invest \$8.877 billion dollars in California water infrastructure, including key categories like: safe drinking water, sustainable groundwater management implementation, watershed restoration, fish and wildlife habitat conservation, infrastructure repair, and many other important water management programs. The initiative includes a variety of traditional water supply categories, which will be available to many state water contractors such as the Santa Clara Valley Water District which supplies Sunnyvale with 50% of its water. The City along with the San Francisco Public Utilities Commission (SFPUC), which supplies Sunnyvale with 53.9% of its water, will also have an opportunity to apply for funding under this measure. Programs to be funded include the following:

- Wastewater recycling: \$400,000,000
- Desalting inland supplies: \$400,000,000
- Urban Water Conservation: \$300,000,000

As with all General Obligation bonds, if approved, this bond will add to the state's debt load. The annual cost of repaying bonds depends primarily on the interest rate and the time over which the

bonds must be repaid. The state often makes bond payments over a 30-year period. Assuming an interest rate of 5 percent, for each \$1 borrowed the state would pay close to \$2 over a typical 30-year repayment period. Currently California devotes less than five percent of its general fund budget to servicing general obligation bonds. This is well within the prudent limit for bond expenditures.

Existing City Policy:

EM 1- Adequate Water Supply. Acquire and manage water supplies to meet the 20-year projected water demands.

EM 2- Water Conservation. Promote efficient use of the City's water resources.

Staff Recommendation: Support

Proposition 5 - Changes Requirements for Certain Property Owners to Transfer Their Property Tax Base to Replacement Property. Initiative Constitutional Amendment and Statute.

Summary: Removes certain transfer requirements for homeowners over 55, severely disabled homeowners, and contaminated or disaster-destroyed property.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact: Fiscal Impact: Schools and local governments each would lose over \$100 million in annual property taxes early on, growing to about \$1 billion per year. Similar increase in state costs to backfill school property tax losses.

City of Sunnyvale Staff Analysis: Property taxes are a major source of funding for the City. Prop 5 would expand a homeowner's ability to transfer current assessed value to a new home, which reduces property tax revenue to local agencies. Statewide estimates are that it could be as much as \$1 billion per year for schools and local government. It is also not anticipated to improve the state's housing situation as there are already tax benefits provided to seniors who choose to downsize. Staff cannot quantify the impact directly to Sunnyvale, however it is anticipated it would potentially erode Sunnyvale's property tax base.

Existing City Policy:

7.0 B(3) Long Term Advocacy Positions- Oppose any legislation that reduces or erodes local revenues or local control.

Staff Recommendation: Oppose

Proposition 6 - Eliminates Certain Road Repair and Transportation Funding. Requires Certain Fuel Taxes and Vehicle Fees Be Approved by the Electorate. Initiative Constitutional Amendment.

Summary: Repeals a 2017 transportation law's taxes and fees designated for road repairs and public transportation.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact: Reduced ongoing state revenues of \$5.1 billion from the elimination of fuel and vehicle taxes passed

by the Legislature in 2017. These revenues mainly would have paid for highway and road maintenance and repairs, as well as transit programs.

The requirement that voters approve new or increased fuel and vehicle taxes passed by the Legislature in the future could result in lower revenues from such taxes than otherwise would have been available.

City of Sunnyvale Staff Analysis: The City of Sunnyvale has a pavement condition index (PCI) goal of 80, and currently maintains an average PCI of 75. Sunnyvale performs 20-year financial planning and has factored in the SB-1 funding (nominal \$2.6M per year) into its plan to achieve the pavement condition goals. In addition, Sunnyvale has recently completed its first project utilizing the FY2017/18 partial increment of SB-1 funds of approximately \$875K; expenditure reports are currently being prepared as required by the bill. Without this funding source, Sunnyvale will be in deficit situation for street pavement repair activity.

Existing City Policy:

1.0 Long-Term Advocacy Positions - Land Use and Transportation

1.1 The Region- Support efforts to provide a permanent direct percentage of federal transportation funds to local government transportation departments for priority work in urban areas.

Staff Recommendation: Oppose

Measure K - City of Sunnyvale Transient Occupancy Tax Majority Vote

Summary: The following is the ballot question for Measure K:

To protect and maintain essential city services, including:

- Police/fire/911 emergency response;
- Pothole, streets, sidewalks, and neighborhood park maintenance/repairs;
- Senior/youth/library programs; and
- Other services,

Shall the City of Sunnyvale adopt an ordinance increasing the transient occupancy tax paid only by hotel guests from 10.5% to 12.5%, providing approximately \$2,900,000 additional revenue annually until ended by voters, with independent audits, and all funds used locally?

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact: N/A

City of Sunnyvale Staff Analysis: Increasing the Transient Occupancy Tax (TOT) rate will bring the City's tax rate into line with the County-wide average and serve to improve Sunnyvale's financial stability and maintain funding for essential services. This measure is part of a broader look at all revenues in an effort to stabilize Sunnyvale's long-term financial plan, particularly in the General Fund. All funds generated by the new TOT revenue will support services that maintain the community's quality of life by supporting local services like public safety, park maintenance and street repair.

Existing City Policy: Long-term Advocacy Position 7.0 Fiscal Management (5) Ensure local

governments' revenue sources are protected and predictable.

Staff Recommendation: Support

Measure L - City of Sunnyvale Charter Amendment Majority Vote

Summary: The following is the ballot question for Measure L:

Shall Sunnyvale City Charter section 604 be amended to allow the City Council to decide whether to fill a City Council vacancy by calling a special election, or by making an appointment, with the person appointed to fill the vacancy holding the office until a successor is elected at the next regularly scheduled municipal or statewide election that can be consolidated?

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact: N/A

City of Sunnyvale Staff Analysis: In late 2017, the City Council established a Charter Review Committee (CRC) to analyze alternatives and propose a recommendation to the Council for amending City Charter Section 604 related to vacancies in Council seats. The CRC met eight times between January and April 2018. It developed proposed language amending Charter Section 604 over the course of those meetings and prepared a report explaining the recommended amendment. On May 22, 2018, the CRC presented its recommendation for amending Section 604. Amending Charter Section 604 requires voter approval. The Council approved the CRC's recommendation and directed staff to return with appropriate actions to place the measure on the November 2018 ballot.

Currently, to fill a vacancy on the City Council, existing City Charter Section 604 requires that the City call a special municipal election within 120 days of the date the vacancy is declared, with two limited exceptions: (1) the special election may be consolidated when a general or statewide election is scheduled within 180 days from the date that the vacancy is declared; and (2) if the vacancy is due to death or involuntary removal of a councilmember and the unexpired term of the vacant seat is less than 180 days, the Council may fill the vacancy by appointment.

The proposed provisions would apply regardless of the reason for the vacancy, eliminating the current distinction between involuntary and voluntary vacancies. The City Council would be required to declare the seat vacant within thirty days of the vacancy, and within sixty days of that declaration choose to either (1) appoint someone or (2) call a special election to fill the vacancy. An individual appointed would hold office until a successor is elected and qualified through the next general municipal election or a special municipal election consolidated with the next statewide election, whichever occurs earlier. The Councilmember then elected would serve out the unexpired term, and until a successor is elected and qualified. No more than two appointed members could serve at one time.

Existing City Policy: Sunnyvale Charter- Section 604 Vacancies.

Staff Recommendation: Support

Measure BB - Santa Clara Unified School District School Bond

Summary: The following is the ballot question for Measure BB:

To construct classrooms, labs, and school libraries to support student achievement, college readiness, and career training in math, science, engineering, technology, and arts; acquire, renovate, construct and equip facilities to improve older schools; to fix deteriorating roofs, plumbing and electrical systems, shall Santa Clara Unified School District issue \$720 million in bonds, raising approximately 5 cents/\$100 of assessed value (\$45 million annually) for 32 years to improve local schools, with independent citizen oversight, and all money staying local?

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact: N/A

City of Sunnyvale Staff Analysis: This measure is in alignment with Sunnyvale's goal of supporting efforts to improve quality education. Funding from this measure would be dedicated to the upgrade of existing and construction of new classrooms, labs and libraries thereby providing a safe and welcoming learning environment for our students.

Existing City Policy: Policy 5.1.1 Goal 5.1E Support efforts to improve the availability and quality of education made available in Sunnyvale.

Staff Recommendation: Support

Measure CC - Fremont Union High School District School Bond 55% Vote

Summary: The following is the ballot question for Measure CC:

To upgrade school safety and security systems; repair leaky roofs and windows, support programs in science, technology, English, arts, and math with 21st century infrastructure; provide essential seismic upgrades, and acquire, construct, repair sites, facilities and equipment; shall Fremont Union High School District issue \$275 million in bonds at legal rates, raising an estimated \$17.5 million annually until approximately 2050 at projected rates of 1.6 cents per \$100 of assessed valuation, with citizens' oversight and all funds staying local?

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact: N/A

City of Sunnyvale Staff Analysis: This measure is in alignment with Sunnyvale's goal of supporting efforts to improve quality education. Funding from this measure would be dedicated to upgrade existing facilities thereby providing a safe and welcoming learning environment for our students. Funding would also support educational programs in science, technology, English, arts and math.

Existing City Policy: Policy 5.1.1 Goal 5.1E Support efforts to improve the availability and quality of education made available in Sunnyvale.

Staff Recommendation: Support

Measure GG - Sunnyvale School District School Bond 55% Vote

Summary: The following is the ballot question for Measure GG:

To continue critical renovation and modernization at District schools, improve energy efficiency,

upgrade safety and technology to provide high quality classrooms and maintain facilities for students and the community, shall Sunnyvale School District issue \$100 million in bonds at legal interest rates, raising an average of \$6 million annually for 32 years, at a rate of one cent per \$100 of assessed value, with independent oversight, accountability and all funds benefitting local elementary and middle schools?

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact: N/A

City of Sunnyvale Staff Analysis: This measure is in alignment with Sunnyvale's goal of supporting efforts to improve quality education. Funding from this measure would be dedicated to upgrade existing facilities thereby providing a safe and welcoming learning environment for our students. Facility upgrades also include energy efficiency improvements, which are also consistent with our sustainability goals and green building program policies.

Existing City Policy: Policy 5.1.1 Goal 5.1E Support efforts to improve the availability and quality of education made available in Sunnyvale.

EC-2 Require green building practices in new residential and commercial development and remodels.

Staff Recommendation: Support

State and local ballot measures deemed City business with staff not recommending a specific position

Proposition 10 - Expands Local Governments' Authority to Enact Rent Control on Residential Property. Initiative Statute.

Summary: Repeals state law that currently restricts the scope of rent control policies that cities and other local jurisdictions may impose on residential property.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact: Potential net reduction in state and local revenues of tens of millions of dollars per year in the long term. Depending on actions by local communities, revenue losses could be less or considerably more.

City of Sunnyvale Staff: Costa-Hawkins contains some basic rules concerning the enactment by cities of local rent control, and in particular, no local rent control law can interfere with an owner's ability to set the rental rate of his or her property where:

- (a) New Construction. The unit is constructed and issued a certificate of occupancy after February 1, 1995.
- (b) Previously Exempt. The unit was already exempt from local residential rent control on or before February 1, 1995, pursuant to a local exemption for newly constructed units.
- (c) Single-Family Homes; Condominiums. Where the title to the unit is separate from the title of other connected, dwelling units, such as condominiums and townhouses.
- (d) Vacancy Decontrol. The unit is vacated voluntarily by the tenant. In that instance, the landlord has a right to increase rent prices to market rates.

This measure will allow, not require, local governments to adopt rent control ordinances. The City currently does not have a rent control policy; however, if the City studies rent control in the future and would like to adopt a rent stabilization policy, this measure will create a more straightforward process and more units would be qualified for rent stabilizing ordinances. This measure's intent is consistent with the City's goal to enhance housing affordability. However, there are concerns that unintended consequences of implementing rent control programs could affect the availability and construction of new housing, including multifamily. Staff recommends that Council abstain from taking a position due to the uncertainty that the outcome of implementing rent control will result in more affordable housing options.

Existing City Policy:

HE 1.2 Facilitate the development of affordable housing through regulatory incentives and concessions, and/or financial assistance.

Staff Recommendation: Take No Position

State and local ballot measures deemed not City business

All measures deemed not City business are presented for potential Council action; however, do not include staff analysis or recommendation

Proposition 4 - Authorizes Bonds Funding Construction at Hospitals Providing Children's Health Care. Initiative Statute.

Summary: Authorizes \$1.5 billion in bonds, to be repaid from state's General Fund, to fund grants for construction, expansion, renovation, and equipping of qualifying children's hospitals. Fiscal Impact: Increased state costs to repay bonds averaging about \$80 million annually over the next 35 years.

Proposition 7 - Conforms California Daylight Saving Time to Federal Law. Allows Legislature to Change Daylight Saving Time Period. Legislative Statute.

Summary: Gives Legislature ability to change daylight saving time period by two-thirds vote, if changes are consistent with federal law. Fiscal Impact: This measure has no direct fiscal effect because changes to daylight saving time would depend on future actions by the Legislature and potentially the federal government.

Proposition 8 - Regulates Amounts Outpatient Kidney Dialysis Clinics Charge for Dialysis Treatment. Initiative Statute.

Summary: Requires rebates and penalties if charges exceed limit. Requires annual reporting to the state. Prohibits clinics from refusing to treat patients based on payment source. Fiscal Impact: Overall annual effect on state and local governments ranging from net positive impact in the low tens of millions of dollars to net negative impact in the tens of millions of dollars.

Proposition 11 - Requires Private-Sector Emergency Ambulance Employees to Remain On-Call During Work Breaks. Eliminates Certain Employer Liability. Initiative Statute.

Summary: Law entitling hourly employees to breaks without being on-call would not apply to private-

sector ambulance employees. Fiscal Impact: Likely fiscal benefit to local governments (in the form of lower costs and higher revenues), potentially in the tens of millions of dollars each year.

Proposition 12 - Establishes New Standards for Confinement of Specified Farm Animals; Bans Sale of Noncomplying Products. Initiative Statute.

Summary: Establishes minimum requirements for confining certain farm animals. Prohibits sales of meat and egg products from animals confined in noncomplying manner. Fiscal Impact: Potential decrease in state income tax revenues from farm businesses, likely not more than several million dollars annually. State costs up to \$10 million annually to enforce the measure.

FISCAL IMPACT

As required by state law, no public funds have been or will be used to campaign for or against any of these measures and therefore there is no fiscal impact to this report.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Adopt the following staff-recommended positions on the ballot measures deemed *City business*, including any items where staff recommends Council remain neutral (take no position).

Support- Prop 1 Bonds for Housing Assistance Programs.

Support- Prop 2 Bonds for Housing Programs for the Mentally Ill

Support- Prop 3 Bonds for Water Supply, Watershed, Fish, Wildlife, Water Conveyance, and Groundwater Sustainability.

Oppose- Prop 5 Property Tax Base Transfer to Replacement Property

Oppose- Prop 6 Road Repair and Transportation Funding

Take No Position- Prop 10 Rent Control on Residential Property

Support- Measure K City of Sunnyvale Transit Occupation Tax

Support- Measure L City of Sunnyvale Charter Amendment Majority Vote

Support- Measure BB Santa Clara Unified School District School Bond

Support- Measure CC Fremont Union High School District School Bond 55% Vote

Support- Measure GG Sunnyvale School District School Bond 55% Vote

2. Adopt alternative positions on the ballot measures.
3. Other action as directed by Council.

STAFF RECOMMENDATION

Alternative 1:

1. Adopt the following staff-recommended positions on the ballot measures deemed *City business*, including any items where staff recommends Council remain neutral (take no position).

Support- Prop 1 Bonds for Housing Assistance Programs.

Support- Prop 2 Bonds for Housing Programs for the Mentally Ill

Support- Prop 3 Bonds for Water Supply, Watershed, Fish, Wildlife, Water Conveyance, and Groundwater Sustainability.

Oppose- Prop 5 Property Tax Base Transfer to Replacement Property

Oppose- Prop 6 Road Repair and Transportation Funding

Take No Position- Prop 10 Rent Control on Residential Property

Support- Measure K City of Sunnyvale Transit Occupation Tax

Support- Measure L City of Sunnyvale Charter Amendment Majority Vote

Support- Measure BB Santa Clara Unified School District School Bond

Support- Measure CC Fremont Union High School District School Bond 55% Vote

Support- Measure GG Sunnyvale School District School Bond 55% Vote

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