



CITY COUNCIL STAFF REPORT

TO: Honorable Mayor and City Council **DATE:** May 21, 2018
FROM: Matthew Bronson, City Manager
PREPARED BY: Matthew Bronson, City Manager
SUBJECT: City Positions on Statewide Ballot Initiatives

RECOMMENDATION

Adopt the Resolution to establish City positions on upcoming statewide ballot initiatives on the June 2018 primary election and prospective initiatives on the November 2018 general election.

BACKGROUND

On May 7, 2018, the Council received information from staff and the League of California Cities (League) on upcoming and potential statewide ballot initiatives for both the June and November 2018 elections. Attachment 3 includes the staff report from the May 7th meeting with more information on specific initiatives on the June ballot and potential initiatives on the November ballot that the League was either supporting or opposing. Of the five initiatives on the June ballot, the League has taken a support position on Propositions 68, 69, and 72 and encourages cities to also do so. The League has also urged cities to take positions on three prospective initiatives for the November 2018 ballot that impact cities. The League has information on these initiatives at the League's website at <https://www.cacities.org/2018BallotMeasures>.

After discussion, the Council reached consensus on City positions to take on particular initiatives and provided direction to staff to bring back a resolution to formalize these positions. Attachment 1 includes this resolution for the Council's consideration of City positions on the following initiatives on the June 2018 ballot and prospective initiatives on the November 2018 ballot as identified below:

June 2018 Primary Election

- Proposition 68 (\$4 billion bond for parks, water, and climate and environmental protection projects) *SUPPORT*
- Proposition 69 (constitutional protection for new vehicle license fees to be used for transportation projects) *SUPPORT*
- Proposition 70 (creation of Greenhouse Gas Reduction Reserve Fund) *NEUTRAL*
- Proposition 71 (effective date of statewide ballot measures) *NEUTRAL*
- Proposition 72 (exclusion of rain-capture systems from property-tax reassessment requirement) *SUPPORT*

November 2018 Primary Election

- Restriction of Local Tax Authority (requires 2/3 vote for all tax measures and 2/3 Council vote on all fees and applies retroactive to January 1, 2018) *OPPOSE*

- SB 1 Repeal (repeals SB 1 approved in 2017 by the Legislature that provides over \$15 billion in new transportation funding for local streets and roads over the next 10 years by increasing the gas tax and vehicle license fees) *OPPOSE*
- Housing Bond (provides \$4 billion in new funding for affordable housing and infill development projects) *SUPPORT*

A table listing these initiatives along with the League and City positions is shown in Attachment 2. The Council is requested to consider adoption of this resolution to convey the City's positions on these upcoming and prospective ballot initiatives. As other measures qualify for the November 2018 ballot, staff will bring an updated list of initiatives to the Council to consider taking positions on these additional initiatives.

FISCAL IMPACT

There is no specific fiscal impact from this item.

ALTERNATIVES

The Council has the following alternatives to consider:

1. Adopt the Resolution to establish City positions on upcoming State ballot initiatives on the June 2018 primary election and prospective initiatives on the November 2018 general election; or
2. Provide alternative direction to staff.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

ATTACHMENTS

1. Resolution
2. Chart – State Ballot Initiatives June 2018 and November 2018
3. May 7, 2018 Staff Report

RESOLUTION NO. 18-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GROVER BEACH, CALIFORNIA, TAKING CITY POSITIONS ON UPCOMING STATEWIDE BALLOT INITIATIVES ON THE JUNE 2018 PRIMARY ELECTION AND PROSPECTIVE STATE BALLOT INITIATIVES ON THE NOVEMBER 2018 GENERAL ELECTION

WHEREAS, the Grover Beach City Council has reviewed upcoming and prospective statewide ballot initiatives on the June 2018 and November 2018 elections in consultation with the League of California Cities to determine whether to take City positions on these initiatives; and

WHEREAS, the League of California Cities has taken a position on three of the five upcoming initiatives on the June 2018 ballot along with three prospective initiatives on the November 2018 ballot given the impact of these initiatives to local government; and

WHEREAS, the Grover Beach City Council has taken a position to support Proposition 68 (\$4 billion parks and water bond), Proposition 69 (constitutional protection for SB 1 transportation funding), and Proposition 72 (exclusion of rain-water capture systems from property tax assessment) on the June 2018 ballot; and

WHEREAS, the Grover Beach City Council has taken a position to oppose two prospective November 2018 initiatives that would require a 2/3 vote of the people for all tax measures and 2/3 vote of the Council for fees and repeal SB 1 transportation funding providing \$15 billion in new funding for local streets and roads over the next 10 years; and

WHEREAS, the Grover Beach City Council has also taken a position to support the prospective November 2018 initiative for a \$4 billion housing bond to support affordable housing and infill development projects; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Grover Beach, does hereby take these City positions on the upcoming statewide ballot initiatives on the June 2018 primary election and the prospective initiatives for the November 2018 general election.

On motion by Council Member, seconded by Council Member, and on the following roll-call vote, to wit:

AYES:	Council Member –
NOES:	Council Member –
ABSENT:	Council Member –
ABSTAIN:	Council Member –

the foregoing Resolution was **PASSED, APPROVED, and ADOPTED** at a regular meeting of the City Council of the City of Grover Beach, California this 21st day of May, 2018.

**** D R A F T ****

JOHN P. SHOALS, MAYOR

Attest:

DONNA L. McMAHON, CITY CLERK

**City of Grover Beach Positions on Upcoming June 2018 State Ballot Initiatives and
Prospective November 2018 State Ballot Initiatives**

Upcoming Initiatives on June 2018 Primary Election			
Initiative	Description	League Position	City Position
Proposition 68	\$4 billion bond for parks, water, and climate and environmental protection projects	Support	Support
Proposition 69	Constitutional protection for new vehicle license fees under SB 1 to only be used for transportation projects	Support	Support
Proposition 70	Creation of Greenhouse Gas Reduction Reserve Fund	Neutral	Neutral
Proposition 71	Effective date of statewide ballot measures	Neutral	Neutral
Proposition 72	Exclusion of rain-capture systems from property-tax reassessment requirement	Support	Support

Prospective Initiatives on November 2018 General Election			
Initiative	Description	League Position	City Position
Restriction of Local Tax Authority	Requires 2/3 vote for all tax measures and 2/3 Council vote on all fees and applies retroactive to January 1, 2018	Oppose	Oppose
SB 1 Repeal	Repeals SB 1 approved in 2017 by the Legislature that provides over \$15 billion in new transportation funding for local streets and roads over the next 10 years by increasing the gas tax and vehicle license fees	Oppose	Oppose
Housing Bond	Provides \$4 billion in new funding for affordable housing and infill development projects	Support	Support

least \$200,000 and be eligible to apply for millions of dollars in grants for parks and water infrastructure. Attachment 1 shows a breakdown of the funding categories for this initiative. Supporters of this proposition, in addition to the League, include labor and business groups such as the California Labor Federation and the California Chamber of Commerce. Opponents of this proposition include taxpayer groups such as the Howard Jarvis Taxpayer Association and the Central Coast Taxpayer Association.

Proposition 69

This initiative was placed on the ballot by the Legislature in 2017 as a result of passage of SB 1 (Road Repair and Accountability Act of 2017). Proposition 69 is a constitutional amendment that prohibits the State from taking or redirecting these new transportation revenues to non-transportation uses similar to protections for other transportation revenues. Attachment 2 (ACA 5 - Assembly Constitutional Amendment 5) provides a summary of this initiative and list of frequently asked questions. The League supports this initiative to ensure accountability by adding necessary protections to new revenues designated to fix streets, roads, and highways. The League has also taken a position to oppose a potential November ballot initiative to repeal SB 1 and eliminate the additional transportation revenue provided under the legislation. Additional information on this potential November ballot measure is provided later in this staff report. Supporters of Proposition 69, in addition to the League, include a broad coalition of labor, business, infrastructure, and other groups along with numerous local governments. Opponents of this proposition include Senator John Moorlach (37th Senate district, which includes portions of Orange County) and Assembly Member Frank Bigelow (5th Assembly district, encompassing Gold Country and the central Sierra Nevada).

Proposition 72

This initiative was placed on the ballot by the Legislature in 2017 as a result of passage of SCA 9 and SB 558. Proposition 72 would provide a property tax exclusion for the construction or addition of a rainwater capture system. If approved by voters, Proposition 72 would exclude the construction or addition of a "a rain water capture system" completed on or after January 1, 2019, from being classified as "newly constructed" for the purposes of property tax assessment under Proposition 13A of the California Constitution. SB 558, the legislative companion measure, defines the exclusion to include the construction or addition of a rainwater capture system incorporated by the owner-builder in the initial construction of a new building that the owner-builder does not intend to occupy or use. Attachment 3 (Senate Constitutional Amendment No. 9) shows the language included in Proposition 72. Supporters of this proposition, in addition to the League, include environmental groups such as Save the Bay and the Planning and Conservation League. There are no known opponents at this time.

The Council is asked to consider whether to take a position on any of these three upcoming initiatives for the June ballot. If the Council wished to take a position through adoption of a formal resolution, staff would bring such a resolution to the Council for adoption at the May 21, 2018 meeting.

Potential November 2018 Ballot Initiatives

In addition, staff thought it prudent to bring information to the Council about prospective State ballot initiatives for the November 2018 general election and engage the Council about potentially taking positions on three potential initiatives highlighted by the League that impact local governments. The League's website (<https://www.cacities.org/2018BallotMeasures>) includes information on these potential initiatives which are briefly described below:

- Restriction of Local Tax Authority
- SB 1 Repeal
- Housing Bond

Restriction of Local Tax Authority

The “Tax Fairness, Transparency and Accountability Act” currently gathering signatures would significantly limit local revenue authority. In part, it eliminates local authority to impose a tax for general purposes by majority vote and instead requires all local proposed tax increases to be subject to a two-thirds vote threshold. Further, this proposal requires two-thirds approval of all members of the local legislative body before a tax can be placed on the ballot. It also requires that a tax contained in a regulation adopted by a state agency must be approved by two-third vote of the Legislature. For cities and other local agencies, it applies retroactively and may void some local measures approved by local voters on or after January 1, 2018. In addition, the proposed initiative restricts local fees other than those subject to Proposition 218 by narrowing the legal cost-recovery threshold for existing fees from “reasonable” to “actual” costs and requires a two-thirds vote of the governing body to adopt fees and authorizes a referendum with signatures from 5% of voters. This initiative is sponsored by the California Business Roundtable, an organization with numerous large businesses including Wells Fargo, Albertsons, Chevron, and others. The League is strongly opposed to this proposed initiative given the significant limitations it would place on local government taxing authority to address local needs.

SB 1 Repeal

Also gathering signatures is a potential initiative to repeal SB 1 which was approved by the Legislature in 2017. SB 1 (The Road Repair and Accountability Act of 2017) provides over \$5 billion in new transportation funding annually through increasing the gas tax and vehicle license fees for road repairs and other critical transportation funding needs. Grover Beach is anticipated to receive over \$200,000 annually in SB 1 funding which the Council has allocated along with other gas tax revenues for repairing major streets. Repealing SB 1 would eliminate \$7.5 billion in transportation funding to cities over the next 10 years including funding for approximately 4,000 transportation projects already underway throughout the state. The League is strongly opposed to this potential initiative given the significant loss of funding to support local transportation projects. Similar to the coalition supporting Proposition 69 on the June ballot, opponents of this potential proposition, in addition to the League, include a broad coalition of labor, business, infrastructure, and other groups along with numerous local governments.

Housing Bond

The “Veterans and Affordable Housing Bond” is a \$4 billion general obligation bond for affordable housing projects, infill infrastructure projects, and veterans home ownership programs. The Legislature placed the bond on the ballot through the passage of SB 3 in 2017 as part of a 15 bill legislative package designed to generate funds for affordable housing construction and streamline the housing construction process. If the Housing Bond passes, money will be available to invest in much-needed affordable housing for very-low and low-income households, veterans and agricultural workers. Funds will be geared toward multi-family housing construction, development and rehabilitation, transit-oriented development, infill development and other programs. The League supports this initiative to help fund affordable housing programs in the state.

In conclusion, the Council is asked to consider whether to take a position on any of these three potential initiatives for the November ballot at this time or consider such positions as we draw closer to the November election. If the Council wished to take a position through adoption of a resolution, staff would bring such a resolution to the Council for adoption at a later date.

FISCAL IMPACT

There is no specific fiscal impact from this item.

ALTERNATIVES

The Council has the following alternatives to consider:

1. Receive information on upcoming and potential State ballot initiatives and consider taking positions at the City of Grover Beach on specific initiatives; or
2. Provide alternative direction to staff.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

ATTACHMENTS

1. Proposition 68 Information - SB 5 (de Leon) California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018
2. Proposition 69 Information - ACA 5
3. Proposition 72 Information - Senate Constitutional Amendment No. 9

**SB 5 (de Leon) California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018
Chapter 852, Statutes of 2017 (Urgency)**

SB 5 (De Leon) places a \$4 billion bond on the June 2018 statewide ballot for parks, water, and climate and environmental programs. If the voters approve SB 5, local governments will receive funding for local park improvements and will be eligible for numerous grants to fund water, local parks, coastal and climate resiliency projects. The following is breakdown of funding in bond:

Parks Funding (Total \$1.283 billion)

- \$725 million for competitive grants for safe neighborhood parks
- \$200 million for per capita grants to cities, counties, and parks districts for local park improvement and rehabilitation
- \$15 million for competitive grants to urbanized counties
- \$30 million for competitive grants for state park facilities in regional parks districts
- \$40 million for per capita grants to local agencies that obtained voter approval for revenue measures between November 1, 2012 and November 30, 2016
- \$218 million for restoration of existing state park facilities, including \$5 million for urgent needs of local agencies that operate a unit of the state park system
- \$30 million for competitive grants for non-motorized infrastructure development
- \$25 million for competitive grants through the Roberti-Z'berg-Harris (RZH) Urban Open Space and Recreation Program

Water Funding (Total \$1.19 billion)

- \$250 million for competitive grants for clean drinking water programs
- \$550 million for flood protection and repair, including \$100 million for stormwater, mudslide and flash-flood-related protections and \$100 million for multibenefit flood management projects and storm water capture in urbanized areas
- \$290 million for competitive grants and loans for drought and groundwater regional sustainability
- \$100 million for grants or loans for water recycling programs

Climate and Environmental Programs Funding (Total \$1.547 billion)

- \$443 million for competitive grants for climate adaptation and resiliency programs
- \$162 million for the California River Parkways Program for grants to enhance urban creeks
- \$567 million for state conservancies and the Wildlife Conservation Board
- \$200 million for Salton Sea restoration activities and habitat
- \$175 million for coastal and ocean protection resources, including \$30 million for grants for lower cost coastal accommodations

ACA 5 June 2018 Statewide General Election

In April, 2017, the Legislature adopted **SB 1 – The Road Repair and Accountability Act of 2017** and **Assembly Constitutional Amendment 5**. Among its many provisions, SB 1 increases the sales and use tax on diesel fuel and imposes a new transportation improvement fee. ACA 5 is a ballot measure that would amend the Constitution to protect revenues from the increased tax and new fee for transportation purposes only. Other revenue increases found in SB 1 are already protected for transportation purposes by Article XIX of the California Constitution.

The Public Transportation Account: This is a trust account in the State Transportation Fund currently protected by the State Constitution. Funds in the Public Transportation Account may only be used for transportation planning and mass transportation purposes. Funds cannot be loaned or transferred to the State General Fund or any other fund or account in the State Treasury. The state sales tax on motor vehicle fuel is deposited into the Public Transportation Account.

New Revenues from SB 1: SB 1 – the Road Repair and Accountability Act of 2017 increased the state sales tax on diesel fuel by 4%; and the state use tax on diesel fuel by 1.75%.

SB 1 also imposed a transportation improvement fee payable with an automobile registration. The fee ranges from \$25 for an automobile with a market value of \$4,999 to \$175 for an automobile with a market value of \$60,000. The fee is \$100 for an automobile with a market value between \$25,000 and \$34,999.

Protecting New Revenues from SB 1: ACA 5 is a measure on the June 2018 statewide ballot to amend the California Constitution. Majority voter approval is required to amend the Constitution. The amendment makes two changes to the Constitution:

- **New diesel fuel sales and use tax** must be deposited into the Public Transportation Account where their use is restricted for public transit services and capital improvements.
- **New transportation improvement fee** must be deposited into the Public Transportation Account where they can be used only for research, planning, construction, improvement, maintenance and operation of public streets and highways and public transportation systems.

The proposed constitutional amendment will ensure that the revenues from the increase in the diesel fuel sales and use tax and from the new transportation improvement fee will be deposited into the Public Transportation Account. The

Legislature cannot change how these funds are used once they are protected by the Constitution.

Frequently Asked Questions

Q1. When did the increase in sales tax on diesel fuel go into effect?

A1. November 1, 2017

Q2. When did the new transportation improvement fee go into effect?

A2. January 1, 2018

Q3. Does SB 1 require that the sales tax increase on diesel fuel be used for certain purposes?

A3. Yes. The Road Repair and Accountability Act of 2017 requires that:

- All but 0.5% of the total sales and use tax paid on diesel fuel be allocated to the State Transit Assistance Program for use by transportation planning agencies, county transportation commissions and the San Diego Metropolitan transit Development Board; and
- The remaining tax revenues (generated from 0.5%) be allocated for intercity rail and commuter rail for the state's three intercity rail corridors and for commuter rail services.

Q4. Does SB 1 require that the new transportation improvement fee be used for certain purposes?

A4. Yes. SB 1 - The Road Repair and Accountability Act of 2017 allocated these revenues for the following programs:

- State Transit Assistance Program
- Congested Corridor Program
- Road Maintenance and Rehabilitation Account for local street and road maintenance

Q5. Why was ACA 5 adopted by the Legislature when it passed SB 1?

A5: To ask the voters to amend the Constitution to ensure that the revenues from the diesel tax and the transportation improvement fee would be used for transportation planning, public transit, and transportation capital improvements.

Q6. What happens if ACA 5 does not pass on the June 2018 ballot?

A6. The Legislature can decide to use revenues from the sales tax increase on diesel fuel and the new transportation improvement fee for purposes other than research, planning, construction, improvement, maintenance, and operation of public streets and highways and public transportation systems.

RC 1

FILED
In the office of the Secretary of State
of the State of California

JAN 30 2018
By Nikhil Panchari
Deputy Secretary of State

Senate Constitutional Amendment No. 9

Adopted in Senate September 6, 2017

[Signature]
Secretary of the Senate

Adopted in Assembly January 29, 2018

[Signature]
Chief Clerk of the Assembly

Attest:

Alex Kroll
Secretary of State

This resolution was received by the Secretary of State this
30th day of January, 2018, at 9:30 o'clock a.m.

Nikhil Panchari
Deputy Secretary of State

RESOLUTION CHAPTER _____

Senate Constitutional Amendment No. 9—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending subdivision (c) of Section 2 of Article XIII A thereof, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SCA 9, Glazer. Property tax: new construction exclusion: rain water capture system.

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, "full cash value" is defined as the assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value" or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred.

This measure would authorize the Legislature to exclude from classification as "newly constructed" the construction or addition, completed on or after January 1, 2019, of a rain water capture system.

Resolved by the Senate, the Assembly concurring. That the Legislature of the State of California at its 2017-18 Regular Session commencing on the fifth day of December 2016, two-thirds of the membership of each house concurring, hereby proposes to the people of the State of California, that the Constitution of the State be amended by amending subdivision (c) of Section 2 of Article XIII A thereof, to read:

That subdivision (c) of Section 2 of Article XIII A thereof is amended to read:

(c) For purposes of subdivision (a), the Legislature may provide that the term "newly constructed" does not include any of the following:

(1) The construction or addition of any active solar energy system.

(2) The construction or installation of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related

egress improvement, as defined by the Legislature, that is constructed or installed after the effective date of this paragraph.

(3) The construction, installation, or modification on or after the effective date of this paragraph of any portion or structural component of a single- or multiple-family dwelling that is eligible for the homeowner's exemption if the construction, installation, or modification is for the purpose of making the dwelling more accessible to a severely disabled person.

(4) The construction, installation, removal, or modification on or after the effective date of this paragraph of any portion or structural component of an existing building or structure if the construction, installation, removal, or modification is for the purpose of making the building more accessible to, or more usable by, a disabled person.

(5) The construction or addition, completed on or after January 1, 2019, of a rain water capture system, as defined by the Legislature.