



Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: Councilmember Donald Rocha
SUBJECT: REVENUE BALLOT MEASURE
DATE: August 1, 2014

Approved

Don Rocha
PH

Date

8-1-14

RECOMMENDATION

That the Council approve the staff recommendation to place a general one-quarter percent retail sales and use tax on the November 4, 2014 ballot.

ANALYSIS

Allowing the voters an opportunity to decide on a ¼ percent general sales tax is our best option for ensuring that the deterioration of the City organization does not continue over the next two years, as it has over the last two. I'm puzzled at the contortions some of my colleagues have gone through to avoid supporting this option. In June the Marijuana Business Tax was the escape hatch, now it's a special public safety tax. Neither of these options is adequate to meet the challenges that face us. A general tax would allow us to finally realize the vision of the Fiscal Reform Plan to improve the entire range of services our residents deserve.

Policy Merits

In its editorial endorsing the special tax, the Mercury News Editorial Board makes the following argument: "We could not support [a general tax] in a mayoral election year when nobody knows who will control the purse strings come January. It would be all too easy for a labor-backed majority to slip back into unsustainable spending on pensions and benefits." To begin with, it's no mystery who will be our next Mayor: it will be the person who the voters of San Jose choose for the job. For the Mercury News to attempt to hold the voters' choice hostage because they might select a candidate endorsed by the "wrong people" is arrogant and irresponsible. As elected officials who hold office only by the grace of the voters, we should show a little bit more faith that they know what they're doing.

Furthermore, the editorial assumes that unlike a general tax, a special tax couldn't be spent on "pensions and benefits." That assumption is not true: a special public safety tax could be spent on benefits for public safety personnel. Even if the tax is set to expire if

unfunded benefits are granted, there doesn't seem to be any obstacle to granting fully funded benefits out of special tax revenue.

Viewed purely through the lens of fiscal sustainability, restricting revenue to public safety would actually be a problem, as it would prevent us from devoting at least a portion of the revenue to road maintenance. Our pavement maintenance backlog is growing every day, and is beginning to approach the magnitude of our unfunded pension liabilities. I understand that solving the unfunded pavement maintenance problem might not be as exciting for some of my colleagues as solving the unfunded pension problem as it does not present an opportunity to kick public employee unions along the way, but it is no less serious an issue. Pursuing a special public safety tax would completely ignore this problem.

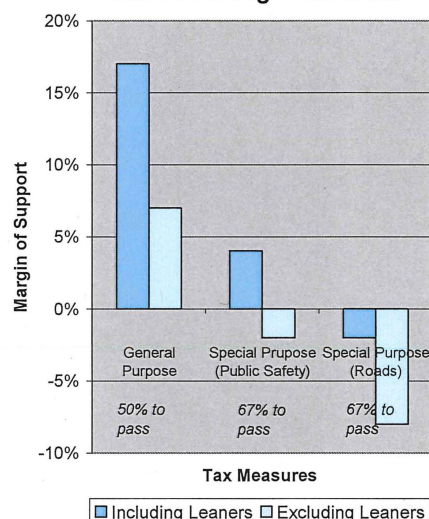
What's more, it's not clear that a special public safety tax would even solve our public safety problem. Much of our recruitment and retention challenges over the past few years have grown out of the flaws in Measure B, along with our needlessly aggressive and hostile approach to labor relations on a long list of other issues. The Council is contemplating changes to Measure B in another item on this agenda, but I think most of us know that those changes will be woefully inadequate. It doesn't make much sense to kick the can on fixing Measure B and throw tens of millions of dollars at the problem instead. More money on its own is not going to get us where we need to be.

At the end of the day, however, the best policy reason to support a general tax is that while public safety is important, it's not the only thing our residents care about. We all hear from residents about a wide range of issues—road maintenance, library service, community center hours, homeless encampments. Does anyone really believe we would be wasting money by spending on these priorities? The advantage of a general tax is not that it will allow a "labor-backed majority" to spend on benefits—that would be possible with the special tax too—but that it will allow the *elected representatives of the citizens of San Jose* to respond to all of the needs in our community.

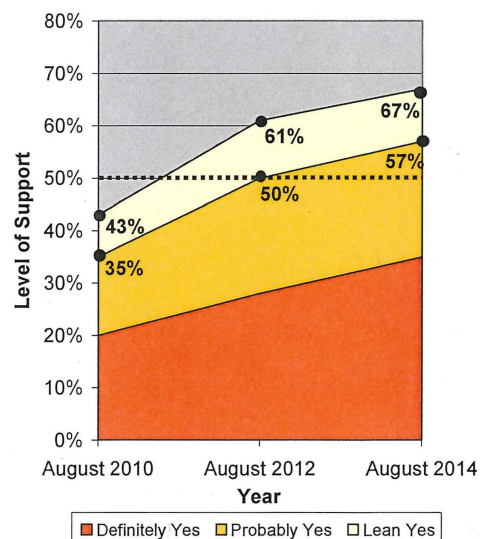
Public Support

Both a special tax and a general tax poll very highly, but the general tax polls better given the lower threshold for passage. Total support sits at an impressive 67%, and even excluding leaners it's still at 57%, well above the threshold for passage. If you exclude leaners from the

Tax Measure Margin of Support Above Passage Threshold



Voter Support for 1/4 Cent General Sales Tax Over Time



special public safety tax poll data, support actually falls below the 2/3rds threshold needed for passage. Perhaps the Mayor would need to run a campaign to get the special tax over the line, but I think it's very possible that a general tax could pass without his support.

Marijuana Business Tax

It seems the marijuana tax has fallen from favor, but let me speak to it briefly. I have no necessary objection to increasing the marijuana tax, but it would only generate \$6 million, compared to the \$34 million that would flow from a ¼ percent sales tax. Consider that street maintenance alone is underfunded by at least \$40 million annually. If we settle for \$6 million it'll be clear we're not serious about making real progress.

Leadership Style

According to the poll, the voters support a general tax. It is within our power to unite behind that option and let the voters decide. Why, then, are people scrambling to invent arguments to avoid a general tax? Sadly, I think the answer is that the clique that has managed this city for the past several years relies on division to attain and keep power. Just as they needlessly drove divisions by mishandling the pension reform process, they are now seeking out divisions on revenue measures. The prospect of consensus is objectionable to them in itself.

We should not put politics over the good of our residents. The consequences of that approach are staring us in the face, in the form of a badly damaged workforce. With a general tax, we have the opportunity to make progress on the entire range of problems that face us. I hope that all my colleagues, whether they're leaving the Council or staying on, will take this opportunity to leave a positive legacy for our residents.