

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Mayor Chuck Reed
Councilmember Sam Liccardo
Councilmember Pete Constant
Councilmember Rose Herrera

SUBJECT: SEE BELOW

DATE: August 1, 2014

Approved

Rose Herrera
Chuck Reed

Date

5/1/14

SUBJECT : POTENTIAL GENERAL AND SPECIAL SALES AND USE TAXES
BALLOT MEASURES

RECOMMENDATION

Direction:

1. Adopt a resolution of the City Council calling and giving notice, on its own motion, a Special Municipal Election to be held on November 4, 2014, to submit to the electors of the City of San José the following measure:

To exclusively fund public safety improvements, including increasing the number of police officers on patrol; improving 911 response; expanding neighborhood safety, gang prevention programs; and equipping police with innovative crime-fighting technologies, shall the City of San José enact a ¼-cent (.25%) sales tax, requiring an Independent Citizens Oversight Committee to publicly review all spending, and which shall expire after nine years, or upon any unfunded increase of pension or other retirement benefits, whichever comes sooner?

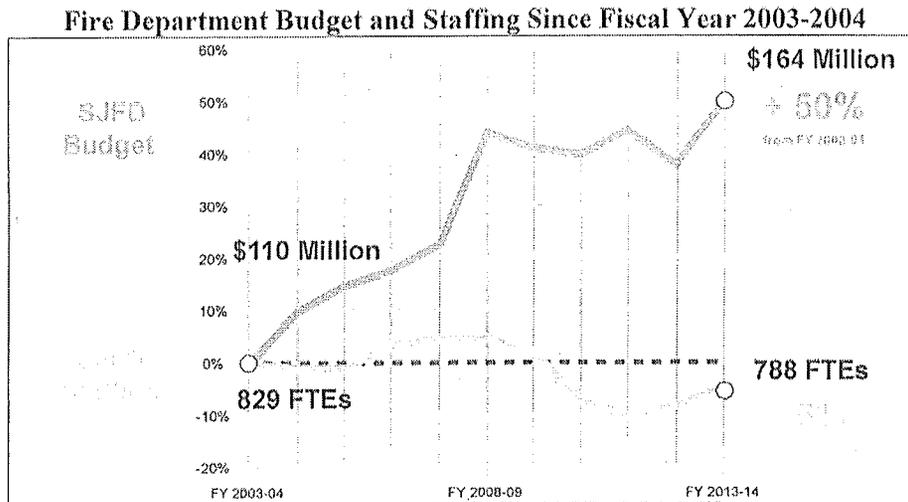
2. Direct that the full text of the proposed ordinance should be printed in the November 4, 2014, Voter's Sample Ballot, pursuant to Elections Code 12111, to be incorporated in the resolution calling the election;
3. Permit rebuttal arguments and authorize the City Council or any member or members of the City Council to submit a rebuttal argument in favor of the City measure on the November 4, 2014, Voter's Sample Ballot, pursuant to Elections Code Section 9285, to be incorporated in the resolution calling the election;

DISCUSSION

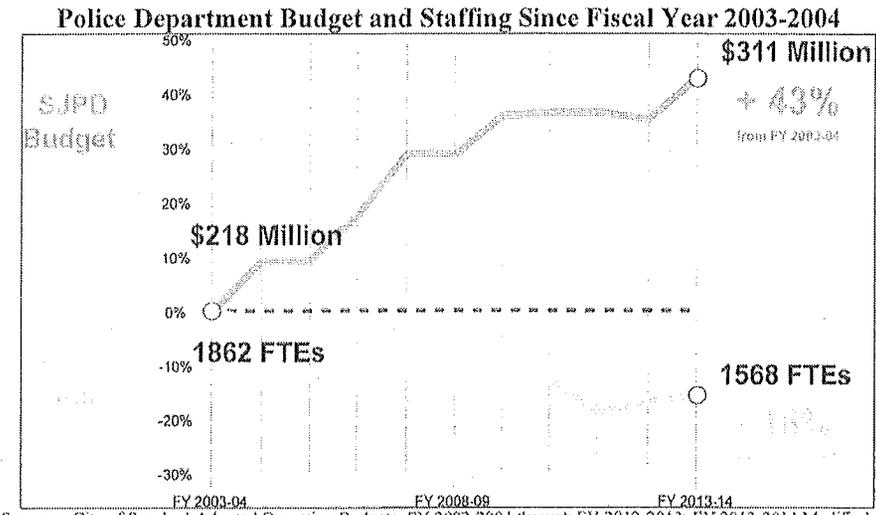
Public safety constitutes our residents’ top concern, and our top priority.

Nonetheless, if we expect our residents to vote to pay more, they should get more in services – more police, more gang prevention services, faster emergency medical response, more neighborhood patrols.

Passage of a general tax does little to address our residents’ needs. Our taxpayers have no assurance that any of the additional revenue from a general tax will actually improve police or fire services, as opposed to paying for more government bureaucracy. For that reason, we opt for a specific tax for public safety, so residents will know what services they’re paying for. Second, we refuse to authorize any potential “bait and switch” on voters by having them impose a higher sales tax on themselves, only to see the new revenues used to justify a rollback of pension reform. Simply, we can’t raise taxes fast enough to catch up with growing retirement costs, so we need to fix what’s broken. “What’s broken” is illustrated by the following two graphs, depicting the budgetary increases and staffing declines over the last decade:



Sources: City of San José Adopted Operating Budgets, FY 2003-2004 through FY 2012-2013; FY 2013-2014 Modified Operating Budget.



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We urge the expiration of any sales tax increase upon the expansion of pensions or other retirement benefits that result in increasing our \$3 billion unfunded liability. Moving forward, we need to restore public safety by spending smarter, and that means ensuring that any new tax revenues actually support an improvement of police, fire, and other public safety services. Restoring compensation must come through transparent, publicly-approved increases in salary, not in back-room gimmicks that boost pensions and other benefits at a long-term cost to our children.

This measure achieves that goal. Consistent with the police restoration plan that Council approved in September of 2013, increasing our number of authorized police officers from 1,109 to 1,250, at a rough estimate of approximately \$ 150,000 for a new hire (lower than the average \$190,000 per officer cost), will cost approximately \$21 million. With over \$34 million in anticipated revenue, this measure would fully fund the restoration plan, which had been only partially funded with pension and fiscal reform savings. It would also provide sufficient additional dollars for other critical public safety needs, such as improving officer retention with higher pay, addressing critical shortfalls in our Fire Department, and supplementing gang prevention and truancy abatement programs.