



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Edward K. Shikada

**SUBJECT: RETAIL SALES AND USE TAX &
GENERAL OBLIGATION BOND
BALLOT MEASURES**

DATE: July 24, 2012

RECOMMENDATION

- a) Council discussion of survey results for potential November ballot revenue measures including consideration of a one-half percent retail sales and use tax measure (recommended), and a general obligation bond measure for street infrastructure (not recommended); and
- b) If the Council wishes to proceed with the Retail Sales and Use Tax Measure, adoption of a resolution of the City Council calling and giving notice, on its own motion, a Special Municipal Election to be held on November 6, 2012, to submit to the electors of the City of San José the following measure:

MEASURE ____ **San José Sales Tax**

In order to provide funding for City services such as police, fire, emergency response, street maintenance, pothole repair, parks, libraries, and youth and senior programs, shall an ordinance be adopted to enact a ½% retail sales and use tax in San José, for a period of 15 years, subject to existing independent financial audits, with all revenue controlled by the City.	YES	
	NO	

- c) Council discussion and consideration of whether the full text of the proposed ordinance should be printed in the sample ballot pursuant to Elections Code Section 12111.
- d) Council discussion and consideration of adopting provisions to permit any member or members of the City Council to submit arguments, pursuant to Elections Code Section 9282.
- e) Council discussion and consideration of adopting provisions to permit rebuttal arguments, pursuant to Elections Code Section 9285, and if rebuttal arguments are permitted, then permitting any member or members of the City Council to submit a rebuttal argument.

July 24, 2012

Subject: Retail Sales and Use Tax & General Obligation Bond Ballot Measure

Page 2

OUTCOME

Adoption of a resolution calling a Special Municipal Election would result in voter consideration of the above recommended ballot measure at the November 6, 2012 General Election.

If the ballot measure is approved by voters, the City would be authorized to impose a retail sales and use tax in the amount of one-half percent, effective April 1, 2013. Based on current projections, this new tax could potentially result in additional annual revenues of approximately \$56-\$64 million.

BACKGROUND

On February 28, 2012, the City Council approved a memo by Mayor Reed and Councilmember Pyle, dated February 24, 2012, which directed staff to: 1) conduct polling on a one-quarter percent and a one-half percent retail sales and use tax for general revenue purposes, and a General Obligation (G.O.) Bond to support street improvements and 2) to conduct outreach to various stakeholders including, but not limited to, business groups, neighborhood groups, taxpayer associations, and labor organizations. On March 20, the Council adopted the Mayor's March Budget Message which directed the Administration to report back to Council on the feasibility of a G.O. Bond Measure to rehabilitate streets in poor condition, with a specific focus on the neighborhood streets.

Although polling for various revenue measures was planned for July, staff recommended and Council approved preliminary polling in May since an infrastructure bond measure had not been previously polled. Staff included the general purposed retail sales and use tax measure in the May survey to test changes to the ballot language consistent with the court's decision on the wording of the pension modification measure on the upcoming June 2012 ballot.

On May 30, 2012, staff presented MBA #43 which provided the results of the survey conducted May 10-17. Those survey results indicated that approximately 68% of likely voters would support a \$195 million G.O. bond measure. This support was slightly higher than the two-thirds threshold necessary for passage of a G.O. bond but not outside the +/- 4 percent margin of error. In addition, the May survey indicated that 58% of likely voters would support a one-half percent sales tax increase, while 63% would support a one-quarter percent sales tax increase, both higher than the 50% +1 threshold necessary for passage of a general tax.

Council approved the Mayor's June Budget message that directed the City Manager to conduct additional polling during July and bring a resolution to place a revenue measure on the November 2012 ballot for Council consideration at the August 7 City Council meeting. The polling for this measure would test the impact of other possible state and local sales tax measures on support for a potential City of San José retail sales and use tax and/or bond measure.

ANALYSIS

July 24, 2012

Subject: Retail Sales and Use Tax & General Obligation Bond Ballot Measure

Page 3

General Fund Needs

A one-half percent increase in the retail sales and use tax rate can greatly benefit City service levels and infrastructure conditions across a number of service areas.

As part of the August 7, 2012 City Council agenda, the Administration will submit a report providing an initial prioritization of selected General Fund service restorations for fire, police, library, parks, and transportation services to baseline January 1, 2011, service levels consistent with the Fiscal Reform Plan. It is estimated that funding of at least \$33 million would be necessary to restore these key services to the January 1, 2011, baseline level as outlined in the 2013-2017 General Fund Forecast, which was issued in February 2012. It is important to note that the Fiscal Reform Plan service goals still fall well below the ideal service levels for the community. Many services such as enhanced library services, park rangers, gang prevention services, code enforcement services, traffic calming as well as strategic support functions such as finance, information technology, human resources, and facility maintenance are not covered by these service goals.

In addition to the potential restoration of services, a general fund sales tax increase could help the City reduce the increasing backlog of capital needs. On April 10, 2012, the Council received the Status Report on Deferred Maintenance and Infrastructure Backlog that described an estimated \$811 million in unfunded costs (\$475 million in the General Fund), with an additional \$127 million needed annually (\$97 million in the General Fund) to maintain the City's infrastructure in a sustained functional condition. The annual unfunded amount includes approximately \$4.6 million for building facilities, \$28 million for parks, pools, and open space, \$6 million for information technology, and \$88 million for transportation infrastructure, including \$80 million for pavement maintenance, which continues to be the largest portion of unfunded need.

State Sales Tax Law

Per state law, the City can impose a retail sales and use tax of up to one percent. The tax incorporates provisions of the California sales tax law and is administered and collected by the State Board of Equalization in a similar manner as the state sales tax. To the retail consumer, it appears to be an increased sales tax and is commonly referred to as an increased sales tax. There are, however, technical differences between the general sales tax and the proposed retail sales and use tax. Generally, a sales tax is allocated where the sales take place (retailers' place of business), while the retail sales and use tax is destination-based and follows the merchandise (where the merchandise is delivered and presumably used).

A retail sales and use tax may be adopted as either a general tax or a special tax. A general tax requires a simple majority (50% + 1) approval and a special purpose tax requires a two-thirds majority (66 2/3% + 1) approval. Based on current and projected sales tax revenues in San José, a one-half percent tax is projected to generate approximately \$56-\$64 million in annual revenue for general City services. A one-quarter percent tax increase is projected to generate

July 24, 2012

Subject: Retail Sales and Use Tax & General Obligation Bond Ballot Measure

Page 4

approximately \$28-\$32 million in annual general revenue. The revenue estimates are presented as a range given the uncertainty regarding how the technical differences between the general sales tax and a retail sales and use tax would impact actual receipts.

Ballot Measure Schedule

The City must submit the adopted resolution calling the election with the final ballot measure language to the Santa Clara County Registrar of Voters by August 10, 2012, to be considered by the voters on November 6, 2012. Arguments for and against the measure, would be due to the City Clerk by 12:00 Noon, August 14, 2012. The City Attorney's Impartial Analysis would be due to the City Clerk by 12:00 Noon, August 21, 2012.

Ballot Measure Polling

The public opinion research firm of Fairbanks, Maslin, Maullin, Metz & Associates (FM3) conducted a 20-minute telephone polling survey on the City's behalf to a sample of 800 likely voters from July 8 through July 12 to understand how likely voters might respond to a G.O. bond measure or a sales tax measure (see Attachment, City of San José 2012 Sales Tax Measure Survey Report of Findings).

The survey results also show that a sufficient number of voters would not support a \$195 million G.O. bond measure. Only 56% of likely voters would support a \$195 million bond, below the two-thirds threshold necessary for passage.

The survey results show that 61% of likely voters would support a sales tax measure, sufficient to exceed the 50% +1 threshold. When informed of other tax measures that may be on the ballot, the level of support drops slightly to 58%.

The level of support is strongest for a one-quarter percent sales tax measure rather than a one-half percent. While 62% of likely voters would support a one-half percent tax measure compared to a 61% level of support for a one-quarter percent tax measure, that support declines in the face of other possible state and local tax measures on the November ballot. After being informed of these possible measures, only 55% of likely voters would support a one-half percent sales measure, while the level of support was 60% for a one-quarter percent measure. After hearing positive arguments in favor of the measures, support for both the one-half and one-quarter percent tax measure was sufficiently high enough (60% and 64% respectively). However, after hearing negative statements in opposition of the measures, the level of support was stronger for the one-quarter percent tax measure (57%) than for the one-half percent measure (54%).

The survey also asked respondents if they were more or less likely to support a sales tax measure with and without any "sunset" provision. Overall, 55% of likely voters were **less likely** to support the sales tax measure if it did not include a sunset period. In addition, the level of support was stronger when the sales tax measure included a nine-year sunset provision than when the measure included a fifteen year sunset period. 49% of voters would be **more likely** to

July 24, 2012

Subject: Retail Sales and Use Tax & General Obligation Bond Ballot Measure

Page 5

support a sales tax measure with a nine-year sunset period, compared to 47% for a 15-year sunset period. Conversely, 28% of voters would be **less likely** to support the tax measure if it included a nine-year sunset period, while 35% would be less likely when the measure included a 15-year sunset period.

Regional Context

The base statewide Retail Sales and Use Tax rate is currently at 7.25%. San José does not have a sales tax dedicated to the City of San José.

In addition to the statewide sales tax, an additional 1.125% sales tax is added for transit services and projects in Santa Clara County managed by the Valley Transportation Authority (VTA), including 0.50% for general transit services, 0.50% for the 2000 Measure A Transit Improvement Program, and, effective July 1, 2012, an additional 0.125% for BART Operations and Maintenance.

Listed below are the combined retail sales and use tax rates (together, “sales tax”) for large California cities as well as other cities in Santa Clara County.

	Large California Cities	Current Sales Tax Rate
1.	Los Angeles	8.75%
2.	Long Beach	8.75%
3.	Oakland	8.75%
4.	San Francisco	8.50%
5.	San José	8.375%
6.	Sacramento	7.75%
7.	San Diego	7.75%

	Santa Clara County Cities	Current Sales Tax Rate
1.	City of Campbell	8.625%
2.	San José	8.375%
3.	All other cities	8.375%

San José currently has a combined sales tax rate of 8.375%, which is lower than Oakland’s tax rate of 8.75% and San Francisco’s tax rate of 8.5%. With a proposed one-half percent tax increase, San José’s sales tax rate would be equal to 8.875%. Alternatively, a proposed one-quarter percent tax rate increase would result in San José having a rate equal to 8.625%. A one-half percent increase would make San José’s (8.875%) sales tax rate slightly higher than Oakland’s (8.75%); a one-quarter percent rate increase would make San José’s sales tax slightly higher than San Francisco’s (8.5%) but still lower than Oakland’s (8.75%) tax rate. All other cities in Santa Clara County, except for the City of Campbell, currently have a combined sales tax rate of 8.375%. The City of Campbell established an additional one-quarter percent city sales tax in April 2009, increasing Campbell’s total sales tax rate to 8.625%.

This presents the potential for retail sales to shift from businesses located within San José to businesses in adjacent cities. However, based on an analysis performed by the City’s sales tax consultant, MuniServices, the City Administration expects the decrease in existing local sales tax revenue resulting from the potential shift to be minimal. According to the City’s consultant, factors such as additional travel expenses and increased travel time would deter most consumers

July 24, 2012

Subject: Retail Sales and Use Tax & General Obligation Bond Ballot Measure

Page 6

from traveling further distances for retail purchases. Also, shopping for the best price is more significant than the variance in tax rate to consumers when making purchase decisions. Consumers will generally make purchases where they can get the lowest price regardless of paying a slight premium in tax rates. Furthermore, for large ticket items, such as automobiles, the retail sales and use tax is destination-based and can not be evaded simply by making such purchases outside the City of San José limits.

In addition to the City's proposed sales tax ballot measure, other sales tax measures may also be on the November 2012 ballot. The County of Santa Clara Board of Supervisors will decide on August 7, 2012, whether to include a one-eighth percent sales tax measure. Furthermore, the Governor's proposed tax measure package for funding education includes a four-year 0.25% increase in the State sales tax. Should the state, county, and San José sales tax measures all pass, the San José combined sales tax would increase from 8.375% to 9.25%, possibly among the highest rates in the state.

Other non-sales tax measures of the ballot include several state income tax measures, including the one embedded in the Governor's proposal discussed above. Furthermore, the Santa Clara Water District has placed a parcel tax measure on the ballot to renew a \$52-per-year parcel tax for 15 years.

EVALUATION AND FOLLOW UP

If Council adopts a resolution to submit this measure to the voters on the November 2012 ballot, arguments for and against the measure would be due to the City Clerk by 12:00 Noon, August 14, 2012. The City Attorney's impartial analysis would be due to the City Clerk by 12:00 Noon on August 21, 2012.

POLICY ALTERNATIVES

In addition to the proposed resolution, another policy alternative was considered by City staff relating to an increase in the City retail sales and use tax. This alternative for Council consideration is to call an election for a one-quarter percent retail sales and use tax for a period of nine or fifteen years.

Pros: Survey results show stronger support for a one-quarter percent retail sales and use tax (57%) in the versus a one-half percent tax (54%). A one-half percent retail sales and use tax rate would increase the combined San José sales tax to 9.25% if both of the State and County sales tax measures also pass, potentially making the San José combined tax rate among the highest in the State.

Cons: A one-quarter percent retail sales and use tax is projected to generate \$28-\$32 million annually and this amount would be insufficient to significantly close the total service level deficiency gap. If both the State and County sales tax rate measures also pass, a one-quarter

July 24, 2012

Subject: Retail Sales and Use Tax & General Obligation Bond Ballot Measure

Page 7

percent increase in the combined sales tax would mean that the San José combined sales tax rate could still reach 9.0%. Most other county cities' combined sales tax rate would be 8.750%

Reason for not recommending: Given the size of the City's infrastructure backlog and the desire by San José residents to return city services to prior levels, this level of an increase in the retail sales and use tax will be insufficient to address these needs. At this time, the recommended half-percent tax appears to have sufficient voter support for passage.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

On July 5, 2012, staff informed business, community and labor groups of polling efforts for the potential November 2012 sales tax ballot measure.

It should be emphasized that the role of City staff, with respect to any ballot measures, is to provide information to the public. As it relates to campaign activities, City is prohibited from using City resources for any ballot measure. The role of the City Attorney's Office is to develop the ballot question that will be considered by Council. The City Attorney's Office is also responsible for developing an impartial analysis of the ballot measure to provide factual information that is printed in the sample ballot along with arguments for and against the measure as well as rebuttals to the arguments for and against the measure, if submitted.

COORDINATION

This memorandum has been coordinated with the Finance Department and the offices of the City Attorney and City Clerk.

FISCAL/POLICY ALIGNMENT

The proposed one-half percent Retail Sales and Use Tax is in alignment with the revenue strategies included in the General Fund Structural Deficit Elimination Plan and Fiscal Reform Plan. Since 2007, the elimination of the structural deficit has been identified by the City Council as one of the City’s top priorities.

COST SUMMARY/IMPLICATIONS

Based on the most recent estimates provided by the Santa Clara County Registrar of Voters, submitting the first city-wide ballot measure to the voters on November 6, 2012 will cost the City of San José approximately \$824,000. The second and subsequent measures each will cost approximately \$345,000. The City Council will be considering action on two other citywide ballot measures on August 7; the Minimum Wage Initiative Ordinance and the Card Room Expansion Initiative Ordinance.

These costs would be paid from the General Fund. The above estimates are based upon the publication of the City Attorney’s Impartial Analysis and arguments for and against the measure and rebuttal arguments. The incremental cost of rebuttal arguments, if authorized by Council, is estimated at approximately \$18,000 per measure. The Council determined not to allow rebuttal arguments for measures on the June 2010 and November 2010 ballots, and the costs of the ballot measures were reduced accordingly. The Council, however, did permit rebuttal arguments for Measure B in the June 2012 election.

The 2012 - 2013 General Fund budget includes a Citywide Appropriation of \$2.1 million for election costs for the City Clerk’s Office. Of this amount, approximately \$68,000 is needed to provide funding for run-off elections in Districts 8 and 10. The remaining \$2 million, based on the estimated costs above, will be adequate to fund four ballot measures.

BUDGET REFERENCE

The table below identifies the fund and appropriation that would be used to cover the potential election costs.

Fund #	Appn #	Appn. Name	Total Appn	2012 - 2013 Proposed Budget	Last Budget Action (Date, Ord. No.)
001	3955	Elections and Ballot Measures	\$2,100,000	IX-20	6/19/12* Ord. 29102

* The Adopted Budget includes the rebudget of \$1.0 million from 2011-2012.

HONORABLE MAYOR AND CITY COUNCIL

July 24, 2012

Subject: Retail Sales and Use Tax & General Obligation Bond Ballot Measure

Page 9

CEQA

Not a project under CEQA, per Section 15378(b)(4) of the CEQA Guidelines.



EDWARD K. SHIKADA
Assistant City Manager

For questions please contact Ashwini Kantak, Assistant to the City Manager, at (408) 535-8147.

Attachment

CITY OF SAN JOSÉ FINANCE MEASURE SURVEY
220-3447-WT
N=800

Hello, I'm _____ from F-M-3, a public opinion research company. We're conducting a public opinion survey about issues that interest residents of the City of San José. **(IF RESPONDENT REPLIES IN SPANISH OR VIETNAMESE, OR DESIRES TO SPEAK ONE OF THESE LANGUAGES, FOLLOW THE ESTABLISHED PROCEDURE FOR HANDING OFF TO AN INTERVIEWER WHO SPEAKS THE APPROPRIATE LANGUAGE.)** We are definitely not trying to sell anything, and we are only interested in your opinions. May I speak to _____? **(YOU MUST SPEAK TO THE VOTER LISTED. VERIFY THAT THE VOTER LIVES AT THE ADDRESS LISTED, OTHERWISE TERMINATE.)**

1. Before we begin, I need to know if I have reached you on a cell phone, and if so, are you in a place where you can talk safely? **(IF NOT ON A CELL PHONE, ASK: "Do you own a cell phone?")**

- Yes, cell and can talk safely ----- **(ASK Q2) - 29%**
- Yes, cell not cannot talk safely ----- **TERMINATE**
- No, not on cell, but own one ----- **(ASK Q2) - 49%**
- No, not on cell and do not own one ----- **(SKIP Q2) - 22%**
- (DON'T READ) DK/NA/REFUSED** ----- **TERMINATE**

(ASK ONLY IF CODES 1 OR 2 "OWN A CELL PHONE" IN Q1)

2. Would you say you use your cell phone to make and receive all of your phone calls, most of your phone calls, do you use your cell phone and home landline phone equally or do you mostly use your home landline phone to make and receive calls?

- All cell phone ----- 19%
- Mostly cell phone ----- 28%
- Cell and landline equally ----- 32%
- Mostly landline ----- 21%
- (DON'T READ) DK/NA** ----- 1%

(RESUME ASKING ALL RESPONDENTS)

3. In November there will be a general election for President, Congress, the State Legislature, and state and local ballot measures. I know it is a long way off, but how likely are you to actually vote in this election? Will you definitely vote, probably vote, are the chances 50-50 that you will vote, will you probably not vote, or will you definitely not vote?

- Definitely vote ----- 91%
- Probably vote ----- 8%
- 50-50 ----- 1%
- Probably not vote ----- **TERMINATE**
- Definitely not vote ----- **TERMINATE**
- (DON'T KNOW/NA)** ----- **TERMINATE**

NOW I WOULD LIKE TO ASK YOU ABOUT TWO POTENTIAL CITY OF SAN JOSÉ MEASURES THAT MAY APPEAR ON BALLOT IN THE NOVEMBER'S ELECTION. PLEASE KEEP IN MIND THAT ONLY ONE OF THESE MEASURES MAY APPEAR ON THE BALLOT THIS NOVEMBER.

(SPLIT SAMPLE C: ASK Q4 THEN Q5)

(SPLIT SAMPLE D: ASK Q5 THEN Q4)

4. The **FIRST/NEXT** potential measure is entitled **The City of San José City Services Funding Measure**, and reads as follows:

“To provide funding for City services such as: neighborhood police patrols; 9-1-1 emergency response; firefighting; code enforcement, library services; and the maintenance of streets and parks, shall the City enact a (SPLIT SAMPLE A: one-half percent sales tax) (SPLIT SAMPLE B: one-quarter percent sales tax), with all revenue subject to existing financial audits and solely controlled by the City and not the State?”

If there were an election today, do you think you would vote “yes” in favor of this measure or “no” to oppose it? (IF YES/NO, ASK: “Is that definitely or just probably?”) (IF UNDECIDED, DON'T KNOW, NO ANSWER, ASK: “Do you lean toward voting yes or no?”)

	<u>½%</u> <u>TAX</u>	<u>¼%</u> <u>TAX</u>	<u>ASKED</u> <u>FIRST</u>	<u>ASKED</u> <u>SECOND</u>	<u>TOTAL</u>
TOTAL YES -----	62%	61%	60%	63%	61%
Definitely yes -----	28%	28%	28%	28%	28%
Probably yes -----	24%	22%	22%	24%	23%
Undecided, lean yes -----	10%	11%	10%	11%	11%
 TOTAL NO -----	 34%	 33%	 34%	 34%	 34%
Undecided, lean no -----	5%	5%	5%	5%	5%
Probably no -----	7%	8%	7%	8%	8%
Definitely no -----	22%	20%	22%	21%	21%
 (DON'T READ) DK/NA -----	 4%	 5%	 6%	 4%	 5%

(SPLIT SAMPLE C: ASK Q4 THEN Q5)

(SPLIT SAMPLE D: ASK Q5 THEN Q4)

5. The **FIRST/NEXT** potential measure is entitled **The City of San José Road Rehabilitation and Safety Improvement Bonds**, and reads as follows:

“To fix potholes and repave deteriorating streets and roads in neighborhoods throughout San José, improve disabled and senior access to sidewalks, improve traffic flow and safety for drivers, bicyclists and pedestrians on local streets and intersections, and ensuring safer pedestrian crossings on busy streets, shall the City issue 195 million dollars in general obligation bonds, subject to independent oversight and existing financial audits?”

If there were an election today, do you think you would vote “yes” in favor of this measure or “no” to oppose it? **(IF YES/NO, ASK: “Is that definitely or just probably?”)** **(IF UNDECIDED, DON’T KNOW, NO ANSWER, ASK: “Do you lean toward voting yes or no?”)**

	<u>ASKED FIRST</u>	<u>ASKED SECOND</u>	<u>TOTAL</u>
TOTAL YES -----	58%	54%	56%
Definitely yes -----	26%	26%	26%
Probably yes -----	19%	18%	19%
Undecided, lean yes -----	12%	9%	11%
 TOTAL NO -----	 34%	 42%	 38%
Undecided, lean no -----	4%	6%	5%
Probably no -----	11%	8%	9%
Definitely no -----	19%	28%	24%
 (DON’T READ) DK/NA -----	 8%	 4%	 6%

NOW I WOULD LIKE TO ASK YOU A FEW QUESTIONS ABOUT ONE OF THESE POTENTIAL MEASURES – SPECIFICALLY, THE CITY OF SAN JOSÉ (SPLIT SAMPLE A: ONE-HALF PERCENT) (SPLIT SAMPLE B: ONE-QUARTER PERCENT) SALES TAX MEASURE.

6. First, the structure of this measure has not been finalized. I am going to mention some different provisions that may be included in this measure. After hearing each one, please tell me whether you would be more likely or less likely to support the measure if it included that particular provision. **(IF MORE/LESS LIKELY, ASK: “Is that much MORE/LESS likely or just somewhat?”)**
(RANDOMIZE)

	MUCH MORE LIKELY	SMWT MORE LIKELY	SMWT LESS LIKELY	MUCH LESS LIKELY	(DON'T READ) NO DIFF	(DON'T READ) DK/NA
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[]a. Continuing the sales tax on an ongoing basis----- 11% -----13%----- 15% -----40%-----16%-----4%

(SPLIT SAMPLE A ONLY)

[]b. Limiting the sales tax to no more than nine years ----- 24% -----25%----- 9% ----- 19%-----20%-----3%

(SPLIT SAMPLE B ONLY)

[]c. Limiting the sales tax to no more than fifteen years ----- 20% -----27%----- 12% ----- 23%-----15%-----3%

(RESUME ASKING ALL RESPONDENTS)

7. Next, San José voters recently approved a local ballot measure enacting a number of changes to the pension system for City employees. This ballot measure put limitations on the pension benefit for new City employees, including increasing the retirement age for new employees and requiring new employees to pay half of the cost of their benefits. Other changes include providing an option for current employees to go into a lower pension benefit or paying more to stay in the current pension benefit.

Having heard this, would you be more or less likely to support the City of San José (**SPLIT SAMPLE A: one-half percent**) (**SPLIT SAMPLE B: one-quarter percent**) sales tax measure funding City services such as police, fire, and street and park maintenance? **(IF MORE/LESS LIKELY, ASK: “Is that much MORE/LESS likely or just somewhat?”)**

	½%	¼%	
	<u>TAX</u>	<u>TAX</u>	<u>TOTAL</u>
TOTAL MORE LIKELY -----	45% -----	49% -----	47%
Much more likely-----	20%-----	21% -----	21%
Somewhat more likely -----	24%-----	28% -----	26%
(DON'T READ) Makes no difference -----	24% -----	20% -----	22%
TOTAL LESS LIKELY -----	28% -----	27% -----	28%
Somewhat less likely-----	12%-----	9% -----	10%
Much less likely -----	16%-----	19% -----	17%
(DON'T READ) DK/NA -----	4% -----	3% -----	4%

8. Now I would like to tell you a little bit about some of the other measures that may be on the ballot in this November's election at the same time as this City of San José sales tax measure.

Statewide these measures include a measure sponsored by the Governor to both temporarily increase personal income taxes on wealthy taxpayers and temporarily increase state sales taxes to fund education and public safety services, and a different measure to increase state personal income tax rates at all levels to fund pre-schools and public education.

Locally, these measures may include a countywide one-eighth percent sales tax increase to fund County services, and a Santa Clara Valley Water District Parcel tax continuation to fund water supply projects.

Having heard this, let me ask you again about the City of San José (**SPLIT SAMPLE A: one-half percent**) (**SPLIT SAMPLE B: one-quarter percent**) sales tax measure funding City services such as police, fire, and street and park maintenance. If there were an election today, do you think you would vote "yes" in favor of this measure or "no" to oppose it? (**IF YES/NO, ASK: "Is that definitely or just probably?"**) (**IF UNDECIDED, DON'T KNOW, NO ANSWER, ASK: "Do you lean toward voting yes or no"**)

	<u>½%</u> <u>TAX</u>	<u>¼%</u> <u>TAX</u>	<u>TOTAL</u>
TOTAL YES -----	55%	60%	58%
Definitely yes -----	23%	25%	24%
Probably yes -----	23%	23%	23%
Undecided, lean yes -----	10%	12%	11%
 TOTAL NO -----	 42%	 36%	 39%
Undecided, lean no -----	5%	5%	5%
Probably no -----	10%	7%	8%
Definitely no -----	27%	25%	26%
 (DON'T READ) DK/NA -----	 2%	 4%	 3%

9. Next, I am going to read you a list of items that might be funded by this City of San José sales tax measure. After I read each one, please tell me how important it is to you that money from the measure be used to pay for each of the following—is it extremely important, very important, somewhat important or not too important? (**RANDOMIZE**)

	<u>EXT</u> <u>IMPT</u>	<u>VERY</u> <u>IMPT</u>	<u>SMWT</u> <u>IMPT</u>	<u>NOT TOO</u> <u>IMPT</u>	<u>(DK/</u> <u>NA)</u>
[]a. Maintaining the long-term financial stability of the City -----	28%	40%	17%	13%	2%
[]b. Increasing neighborhood police patrols -----	24%	36%	24%	16%	1%
[]c. Investigating robberies -----	24%	38%	26%	10%	2%
[]d. Keeping City parks safe -----	17%	41%	26%	15%	1%

	<u>EXT</u> <u>IMPT</u>	<u>VERY</u> <u>IMPT</u>	<u>SMWT</u> <u>IMPT</u>	<u>NOT TOO</u> <u>IMPT</u>	<u>(DK/</u> <u>NA)</u>
(SPLIT SAMPLE A ONLY)					
[]e. Increasing firefighting services-----	27%	36%	19%	17%	1%
[]f. Increasing emergency medical response services-----	31%	39%	18%	11%	1%
[]g. Fixing potholes in neighborhoods throughout San José-----	17%	36%	31%	15%	1%
[]h. Maintaining City streets -----	17%	40%	29%	14%	1%
[]i. Maintaining neighborhood parks-----	12%	34%	37%	16%	1%
[]j. Restoring library services -----	15%	36%	30%	19%	1%
[]k. Delivering job creation programs -----	25%	33%	25%	14%	4%
[]l. Restoring Community Center hours -----	11%	21%	38%	28%	1%
[]m. Investigating residential property crimes like theft and burglary-----	21%	38%	27%	12%	1%
[]n. Improving traffic flow for drivers, bicyclists and pedestrians on local streets and intersections -----	14%	33%	30%	22%	1%
[]o. Improving disabled access to sidewalks -----	15%	33%	29%	22%	0%
[]p. Ensuring safe pedestrian crossings on busy streets-----	17%	37%	24%	20%	2%
[]q. Providing police officers dedicated to gang prevention -----	25%	37%	21%	16%	1%
[]r. Restoring code enforcement services to confront blight on private property -----	11%	23%	33%	28%	5%

(SPLIT SAMPLE B ONLY)

[]s. Operating all of the City's fire stations-----	28%	41%	19%	10%	2%
[]t. Increasing 9-1-1 emergency response services-----	28%	41%	17%	12%	2%
[]u. Repaving deteriorating streets in neighborhoods throughout San José-----	18%	41%	28%	11%	1%
[]v. Maintaining neighborhood streets -----	16%	39%	30%	14%	1%
[]w. Maintaining City parks -----	12%	34%	35%	18%	1%
[]x. Restoring library days and hours-----	17%	27%	35%	21%	1%
[]y. Delivering economic development programs -----	14%	30%	32%	18%	7%
[]z. Keeping Community Centers open -----	12%	26%	39%	21%	1%
[]aa. Investigating residential property crimes and auto thefts-----	21%	36%	29%	13%	1%
[]bb. Improving traffic flow and signal coordination on City streets-----	14%	36%	30%	19%	1%
[]cc. Improving senior access to sidewalks -----	13%	32%	34%	19%	1%
[]dd. Improving safety for drivers, bicyclists and pedestrians on local streets and intersections-----	17%	43%	24%	15%	1%
[]ee. Maintaining anti-gang and at-risk youth programs-----	25%	40%	20%	13%	1%
[]ff. Reducing blight on private property through code enforcement-----	11%	24%	33%	24%	7%

(RESUME ASKING ALL RESPONDENTS)

NOW I WOULD LIKE TO READ SOME STATEMENTS FROM SUPPORTERS AND OPPONENTS OF THE CITY OF SAN JOSÉ (SPLIT SAMPLE A: ONE-HALF PERCENT) (SPLIT SAMPLE B: ONE-QUARTER PERCENT) SALES TAX MEASURE FUNDING CITY SERVICES SUCH AS POLICE, FIRE, AND STREET AND PARK MAINTENANCE.

10. First, I am going to read you a statement from people who support this measure.

San José has already done all the cost cutting it can to address the City’s budget shortfalls during the last ten years – including eliminating almost two thousand jobs, reducing employee compensation by ten percent, providing an option for current employees to accept a lower level pension benefit or requiring them to pay more to stay in the current level of pension benefits and reducing pension benefits for new employees. However, the City still is expected to face a budget deficit in the next year. This tax measure – some of which would be paid by out-of-town people visiting the City – would help prevent deeper cuts in vital services like public safety, libraries, and street repair, and potentially allow some recently cut or reduced services to be restored. Additionally, all spending would be subject to audits and full public review.

Now that you have heard more about it, do you think you would vote “yes” in favor of this measure or “no” to oppose it? **(IF YES/NO, ASK: “Is that definitely or just probably?”) (IF UNDECIDED, DON’T KNOW, NO ANSWER, NEED MORE INFORMATION ASK:)** “Do you lean toward voting yes or no?”)

	<u>½%</u> <u>TAX</u>	<u>¼%</u> <u>TAX</u>	<u>TOTAL</u>
TOTAL YES -----	60% -----	64% -----	62%
Definitely yes -----	24%-----	27%-----	26%
Probably yes-----	28%-----	27%-----	28%
Undecided, lean yes-----	7%-----	10%-----	9%
 TOTAL NO -----	 37% -----	 33% -----	 35%
Undecided, lean no -----	3%-----	4%-----	3%
Probably no-----	9%-----	6%-----	7%
Definitely no -----	24%-----	23%-----	24%
 (DON’T READ) DK/NA -----	 4%-----	 3%-----	 3%

11. Next, I am going to read you a statement from people who oppose this measure.

The City should address future budget shortfalls by further cutting wasteful spending, eliminating unnecessary contracts and reducing city bureaucracy instead of taxing hard-working San José residents during the worst economy in a generation. Particularly when combined with the other tax measures on the ballot, this measure would make San José's sales tax the highest in the state. Additionally, much of this tax would go to pay off bond debt and wouldn't even be spent on actual City services. Besides, the City had a budget surplus this year and recently reduced city employee pension costs which will help in future years, proving that the City can work within its means when taxpayers hold them accountable. We cannot allow the City to raise taxes permanently with no guarantee that city politicians and bureaucrats won't just return to wasting and mismanaging the funds.

Now that you have heard more about it, let me ask you one last time, do you think you would vote "yes" in favor of this measure or "no" to oppose it? **(IF YES/NO, ASK: "Is that definitely or just probably?")** **(IF UNDECIDED, DON'T KNOW, NO ANSWER, NEED MORE INFORMATION ASK:)** "Do you lean toward voting yes or no?"

	<u>½%</u> <u>TAX</u>	<u>¼%</u> <u>TAX</u>	<u>TOTAL</u>
TOTAL YES -----	54%	57%	55%
Definitely yes -----	20%	21%	20%
Probably yes -----	22%	24%	23%
Undecided, lean yes -----	11%	12%	12%
 TOTAL NO -----	 42%	 40%	 41%
Undecided, lean no -----	3%	7%	5%
Probably no -----	11%	9%	10%
Definitely no -----	29%	25%	27%
 (DON'T READ) DK/NA -----	 4%	 3%	 3%

HERE ARE MY FINAL QUESTIONS. THEY ARE JUST FOR STATISTICAL PURPOSES.

12. **(T)** Do you live in a single-residence detached home, or do you live in a multi-family apartment, mobile home park, or condo building?

Single family detached house -----	75%
Multi-family apt/condo -----	21%
Mobile home park -----	2%
(DON'T READ) Don't know/Refused ---	2%

13. **(T)** Do you own or rent the house or apartment where you live?

Own -----	73%
Rent -----	25%
(DON'T READ) Don't know/Refused ---	2%

14. (T) Are there any children under the age of 18 living in your household?

Yes ----- 33%
 No ----- 66%
 (DK/NA) ----- 1%

15. (T) What was the last level of school you completed?

Grades 1-8 ----- 1%
 Grades 9-11 ----- 1%
 High school graduate (12) ----- 17%
 Some college ----- 25%
 Business/Vocational school ----- 5%
 College graduate (4) ----- 36%
 Post-graduate work/Professional
 school ----- 14%
 (DON'T READ) DK/Refused ----- 1%

16. (T) Please stop me when I come to the category that best describes the ethnic or racial group with which you identify yourself. Is it....?

Hispanic/Latino ----- 17%
 African-American ----- 3%
 Asian/Pacific Islander ----- 14%
 Caucasian/White ----- 57%
 Native American/Indian ----- 1%
 Some other group or identification ----- 5%
 (DON'T READ) Refused ----- 2%

17. (T) In what year were you born?

1994-1988 (18-24) ----- 8%
 1987-1983 (25-29) ----- 5%
 1982-1978 (30-34) ----- 7%
 1977-1973 (35-39) ----- 7%
 1972-1968 (40-44) ----- 11%
 1967-1963 (45-49) ----- 8%
 1962-1958 (50-54) ----- 11%
 1957-1953 (55-59) ----- 9%
 1952-1948 (60-64) ----- 9%
 1947-1938 (65-74) ----- 12%
 1937 or earlier (75 & over) ----- 8%
 (DON'T READ) DK/Refused ----- 5%

18. (T) I don't need to know the exact amount but I'm going to read you some categories for household income. Would you please stop me when I have read the category indicating the total combined income for all the people in your household before taxes in 2011?

\$30,000 and under -----	12%
\$30,001 - \$60,000-----	18%
\$60,001 - \$75,000-----	14%
\$75,001 - \$100,000 -----	14%
\$100,001 - \$150,000-----	9%
More than \$150,000 -----	8%
(DON'T READ) Refused -----	25%

THANK YOU VERY MUCH FOR YOUR TIME AND ATTENTION TO MY QUESTIONS.

Gender by observation:

Male-----	49%
Female-----	51%

Language by observation:

English -----	93%
Spanish -----	5%
Vietnamese -----	1%

Party Registration: From file

Democrat-----	48%
Republican-----	22%
Decline-to-state -----	26%
Other party-----	4%

Name _____

Page # _____

Address _____

Voter ID # _____

City _____

Precinct _____

Zip _____

Interviewer _____

FLAGS

R03 -----52%
P04 -----43%
G04 -----62%
N05 -----49%
P06 -----45%
G06 -----59%
F08 -----63%
P08 -----39%
G08 -----82%
M09 -----44%
P10 -----53%
G10 -----79%
BLANK -----7%

VOTE BY MAIL

1 -----12%
2 -----6%
3+ -----53%
BLANK -----29%

PERMANENT ABSENTEE

Yes -----69%
No -----31%

CITY COUNCIL DISTRICT

1 -----10%
2 -----10%
3 -----7%
4 -----10%
5 -----7%
6 -----12%
7 -----7%
8 -----11%
9 -----13%
10 -----13%