

**Council Meeting: May 11, 2010****SUBJECT: Positions on State Ballot Measures for the June 2010 Election****REPORT IN BRIEF**

This report provides an opportunity for the Sunnyvale City Council to take positions on state measures on the June 8, 2010 ballot. This report summarizes the measures which are considered *City business*, provides the City's adopted policy on the issues (if any), and a staff recommendation. Consistent with other ballot measures, no public funds have been or will be used to campaign for or against these measures. Staff recommends the following positions on the measures discussed in this report:

- **Proposition 13** Limits On Property Tax Assessment. Seismic Retrofitting of Existing Buildings. Legislative Constitutional Amendment; Recommended position – **SUPPORT**.
- **Proposition 16** Imposes New Two-Thirds Voter Approval Requirement for Local Public Electricity Providers. Initiative Constitutional Amendment; Recommended position – **OPPOSE**.

Other measures, deemed not *City business* are identified in the *Discussion* portion of this report.

BACKGROUND

Staff is providing this report to afford the Sunnyvale City Council an opportunity to take a public stand on state and local measures on the June 8, 2010 ballot. Staff's recommendations are generally based on existing City policies from documents such as the General Plan and 2010 Legislative Advocacy Positions, and impact on City operations. Past positions of the Council also guide staff recommendations. New positions taken by the Council become official City policy.

EXISTING POLICY

Council Policy 7.313: Staff shall review only those ballot measures that directly impact *City business*. If staff is unclear about whether a specific measure affects City business staff shall consult the Mayor and Vice Mayor. Consistent with Council Policy 7.3.2, Legislative Advocacy Positions, *City business* is defined as all matters directly related to service delivery, or otherwise contributing to the City's operational success.

DISCUSSION

A brief analysis of each measure on the ballot follows, including a measure summary. Only those measures designated as *City business* include staff analysis. Analysis

includes impact on City operations, City fiscal impact, and staff recommendation regarding a City position.

Measures Deemed *City Business*

Proposition 13 Limits On Property Tax Assessment. Seismic Retrofitting of Existing Buildings. Legislative Constitutional Amendment.

Measure Summary

- Provides that construction to seismically retrofit existing buildings will not trigger reassessment of property tax value, regardless of the type of building.
- Sets a statewide standard for the types of seismic retrofit improvements exempt from reassessment.
- Limits the exemption-from-reassessment to specific components of construction or reconstruction that qualify as seismic retrofit improvements, as defined by the Legislature.

City of Sunnyvale Staff Analysis

Local property taxes are based on each property's assessed value. New construction generally causes a reassessment if it adds a building, adds space, converts a building to a new use, or renovates the building to make it like new. The property's assessed value is increased to reflect the value added by the new construction. In contrast, the assessed value is not increased for normal maintenance and repair, such as replacing a leaky roof.

Currently, there are several specific exclusions in the State Constitution from the new construction rule. Among them are two separate provisions regarding earthquake safety modifications on existing buildings. The first one excludes earthquake safety upgrades on "un-reinforced masonry buildings" (such as those made of brick or cement blocks) that are required by local ordinances. Such upgrades are excluded from reassessments for a period of 15 years. The second excludes from reassessment other earthquake safety modifications to any type of building and has no time limit. Both exclusions apply only until the property is sold.

This constitutional amendment deletes both of the existing exclusions and replaces them with a single exclusion for all earthquake safety upgrades. The exclusion would not be time-limited and would last until the property is sold. This amendment has the practical effect of removing the 15-year limit to the exclusion for safety upgrades on un-reinforced masonry buildings. This would eliminate a dangerous disincentive for property owners to upgrade un-reinforced masonry structures in order to improve earthquake safety. The proposition would eliminate the unequal treatment of different types of property which undergo seismic safety improvements.

Un-reinforced masonry (URM) building construction poses a serious seismic hazard in every community. URM buildings are defined as construction using brick or hollow masonry (no grouting or steel reinforcement) as the major construction component. Buildings which are fully or partially grouted or reinforced are not considered URM. In compliance with URM legislation enacted in 1986, Sunnyvale is continuing to identify and perform hazard mitigation on these URM buildings. The Community Development Department has identified the 10 remaining URM buildings left in Sunnyvale, which are all in the 100 block of South Murphy Avenue. This is a historical area which is exempt from the State URM legislation.

Impact to City Services

Proposition 13 is not expected to have a significant or immediate effect on services provided by the City.

Fiscal Impact

Several sources state that if passed, this measure's fiscal effect would be "minimal" to local governments since few counties reassess masonry buildings after the 15 year period expires or assign a value to seismic retrofits. The Santa Clara County Assessor's Office does currently assign a value to seismic retrofits and reassesses masonry buildings after the 15-year exemption period expires. Although property tax exemptions of any kind inhibit growth to the City's tax base, the fiscal impact of Proposition 13 on the City of Sunnyvale is estimated to be minimal; a specific amount cannot be estimated.

Recommended Advocacy Position

Support. The City should support this measure to encourage retrofitting of seismically deficient buildings. This position would also meet one of the Heritage Preservation Sub-element goals to enhance, preserve and protect Sunnyvale's heritage, including the built environment and significant artifacts.

Proposition 16 Imposes New Two-Thirds Voter Approval Requirement for Local Public Electricity Providers. Initiative Constitutional Amendment.

Measure Summary

- Requires local governments to obtain the approval of two-thirds of the voters before providing electricity service to new customers or expanding such service to new territories using public funds or bonds.
- Requires same two-thirds vote to provide electricity service through a community choice program using public funds or bonds.
- Requires the vote to be in the jurisdiction of the local government and any new territory to be served.
- Provides exceptions to the voting requirements for a limited number of identified projects.

City of Sunnyvale Staff Analysis

According to the California Secretary of State's Office and the California League of Women Voters, this proposition would reduce competition in the electricity market resulting in monopoly-like pricing and increased rates charged to consumers. The League of California Cities has taken an oppose position on the Proposition citing it as an infringement on local government control. Proponents argue that the proposition would give voters more choice and control over the creation of government-run electricity.

Under the California Constitution, local jurisdictions are granted the basic aspects of home rule authority, including that cities may establish, purchase and operate municipal utilities to provide their residents with light, water, power, heat, transportation and means of communications. California statute also states that taxpayers' monies cannot be diverted into projects other than those which serve a public or municipal purpose.

Impact to City Services

Proposition 16 would not affect current services provided by the City.

Fiscal Impact

The potential fiscal impact to the City is uncertain. Under this Proposition, if the City pursued a public-owned utility, the City might incur additional election costs.

Recommended Advocacy Position

Oppose. Proposition 16 is an infringement on the authority delegated to the City Council by voters to represent the entire community, to efficiently self-govern and to formulate City-wide policy. The current city council election process affords voters the opportunity to influence future policy decision.

Measures Deemed NOT City Business

In collaboration with the Mayor and Vice Mayor, staff has determined that the following ballot measures are **not** *City business*. Consistent with previous Council direction, staff has not analyzed these measures and is not recommending City positions.

Proposition 14 Elections. Increases Right to Participate In Primary Elections.

Measure Summary

- Encourages increased participation in elections for congressional, legislative, and statewide offices by changing the procedure by which candidates are selected in primary elections.
- Gives voters increased options in the primary by allowing all voters to choose any candidate regardless of the candidate's or voter's political party preference.

- Provides that candidates may choose not to have a political party preference indicated on the primary ballot.
- Provides that only the two candidates receiving the greatest number of votes in the primary will appear on the general election ballot regardless of party preference.
- Does not change primary elections for President, party committee offices and nonpartisan offices.

Proposition 15 California Fair Elections Act.

Measure Summary

- This act repeals the ban on public funding of political campaigns.
- Creates a voluntary system for candidates for Secretary of State to qualify for a public campaign grant if they agree to limitations on spending and private contributions.
- Candidates would have to qualify before receiving the grant.
- Candidates who demonstrate sufficient public support would receive the same amount.
- Participating candidates would be prohibited from raising or spending money beyond the grant.
- There would be strict enforcement and accountability with published reports open to the public.
- Funded by voluntary contributions and a biennial fee on lobbyists, lobbying firms, and lobbyist employers.

Proposition 17 Allows Auto Insurance Companies to Base Their Prices in Part on a Driver's History of Insurance Coverage. Initiative Statute.

Measure Summary

- Changes current law to permit insurance companies to offer a discount to drivers who have continuously maintained their auto insurance coverage, even if they change their insurance company, and notwithstanding the ban on using the absence of prior insurance for purposes of pricing.
- Will allow insurance companies to increase cost of insurance to drivers who do not have a history of continuous insurance coverage.
- Establishes that lapses in coverage due to nonpayment of premiums may prevent a driver from qualifying for the discount.

FISCAL IMPACT

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 Web site.

ALTERNATIVES

1. Adopt the following positions on ballot measures:
 - **Proposition 13** Limits On Property Tax Assessment. Seismic Retrofitting of Existing Buildings. Legislative Constitutional Amendment; **SUPPORT**.
 - **Proposition 16** Imposes New Two-Thirds Voter Approval Requirement for Local Public Electricity Providers. Initiative Constitutional Amendment; **OPPOSE**.
2. Adopt alternative positions on ballot measures.
3. Take no action at this time.
4. Other action as directed by Council.

RECOMMENDATION

For the reasons stated in the staff analysis section of this report, staff recommends Alternative 1:

Adopt the following positions on ballot measures:

- **Proposition 13** Limits On Property Tax Assessment. Seismic Retrofitting of Existing Buildings. Legislative Constitutional Amendment; **SUPPORT**.
- **Proposition 16** Imposes New Two-Thirds Voter Approval Requirement for Local Public Electricity Providers. Initiative Constitutional Amendment; **OPPOSE**.

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