



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: September 21, 2016
Board Meeting Date: October 4, 2016
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager
Connie Juarez-Diroll, Legislative Director

Subject: November 2016 Statewide Propositions

RECOMMENDATION:

Adopt a resolution in opposition to Proposition 53, the Revenue Bonds Statewide Voter Approval Initiative, that will appear on the November 8, 2017 General Election ballot, which would require statewide voter approval before any revenue bonds can be issued or sold by the state for projects that are financed, owned, operated, or managed by the state or any joint agency that exceeds \$2 billion dollars.

BACKGROUND:

Revenue bonds are issued by the state and local governments in California. These bonds are a way state and local governments can borrow up-front money to fund costly projects, and make a commitment to repay with interest over a period of time.

Unlike general obligation bonds, revenue bonds are not currently subject to voter approval requirements. They can be passed by a majority of the Legislature with an identified and designated revenue source that will be used to repay investors. The voter approved distinction is based on the fact that revenue bonds do not put the state General Fund at risk, unlike general obligation bonds. Recently, revenue bonds have been used to finance capital improvement projects for the University of California, California Department of Corrections and Rehabilitation, and the State Water Project. The California Earthquake Authority issues revenue bonds backed by insurance premiums to pay claims.

DISCUSSION:

Proposition 53 would require statewide voter approval of revenue bonds that meet all of the following conditions: Revenue bonds that are sold by the state, as well as certain associations that the state creates or in which the state is a member. The statewide

voting requirement would not apply to bonds sold by cities, counties, schools, community colleges and special districts. The revenue bonds are sold for a state project that is funded, owned, operated, or managed by the state. The measure also contains provisions to prevent a single project from being separated into multiple projects to avoid the voter approval. Lastly, revenue bonds sold for a project total more than \$2 billion.

The \$2-billion-dollar threshold would be adjusted annually to reflect inflation, as determined by the Consumer Price Index. Voter approval must be achieved at a “statewide election” which could be interpreted to mean the vote could be held during a primary, general or even special election.

According to the Legislative Analyst Office and the Department of Finance, the fiscal impact on state and local governments is unknown and would vary by each project. These impacts would depend on the outcome of projects brought before the voters, the extent to which the state relied on alternative approaches or alternative financing methods, and whether those methods have higher or lower costs than revenue bonds.

This measure is sponsored by multimillionaire Dean Cortopassi, a Stockton farmer and businessman, opposed to the Administration’s Sacramento-San Joaquin River Delta tunnel plan, and the Howard Jarvis Taxpayers Association. It is opposed by a coalition of local government groups, including CSAC, UCC, the League of Cities, the California State Sheriff’s Association, and the Self-Help Counties Coalition.

FISCAL IMPACT:

There is no direct impact to the County from supporting the initiative. While counties are specifically exempted from this measure, they may be affected if they enter into a JPA with the state or are part of a state-created JPA. Under these circumstances any projects would be subject to the revenue-bond voter-approval requirements, and thus, undermine local control.