



2019 SDCTA Tax Evaluation Criteria

November 2019

I. Statement of Purpose

This document provides taxing entities (e.g., cities, county, state, commissions/entities, districts, etc.) soliciting the endorsement of the San Diego County Taxpayers Association (SDCTA) for any fee or tax increase with the guidance as to how to prepare their request, as well as the criteria the Association will use to formulate a decision.

II. Statement of Policy

It is the policy of SDCTA to thoroughly evaluate fee or tax increase proposals placed on the ballot in this region. The Association has provided voters with informed, objective recommendations on ballot issues since 1945. Because voters place heavy reliance on the Association's recommendations, endorsements are made only after a thorough in-depth assessment of each proposition. Consideration of a request for endorsement in no way implies that SDCTA will endorse the measure and may, after consideration, lead to opposition of the measure. Since detailed information is critical to SDCTA and the public, failure to provide requested information may also lead to a recommendation of opposition.

III. Intent

It is the intent of SDCTA to ensure entities provide clear evidence of a genuine need for tax measure expenditures and demonstrate that the proposed investments required cannot be addressed with existing revenues and grants. It is also the intent of this criteria to incorporate transparency and accountability when assessing what entities are proposing, how much they will charge the taxpayer, and what they plan to use the tax dollars towards in the future.

IV. Application Process

A. Time Requirements and Schedule

Any entity that is planning to put a tax proposal on the ballot or is planning to discuss future taxes or fees should notify the SDCTA well in advance of the election date in order to ensure the appropriate amount of time to review. At that time, the SDCTA will create a timeline outlining dates in order to discuss and review the tax proposal with the entity and a presentation by their representatives to the SDCTA. In order to support the SDCTA staff analysis of an entity's fee or tax proposal, all of the information must be received by our office no less than 180 days prior to the election date (or legislative action date if it does not require an election). The SDCTA staff will work with the entity's contacts to complete the application if special circumstances make the information unavailable at the 180-day deadline. The assessment that the entity has attempted to make a good faith effort to provide the SDCTA with the information needed will be included in the determination of the Association. With that said, any information submitted 120 days or



fewer before the election date will not be eligible for an endorsement from the SDCTA bearing an exception granted by our Executive Committee.

B. Submission

Entities proposing to issue a tax should submit the information outlined in this guide at the earliest possible date, which must be consistent with the timeline developed per the preceding section. Materials submitted to the SDCTA should have a cover letter signed by the council member or mayor of the municipality (or board member) or the head of the entity.

C. Primary Applicant Contact Information

An entity must name one individual as the primary contact. The primary contact must provide his or her phone number and email address.

V. Minimum Submission Requirements for Endorsement Application

All of the requirements outlined below must be provided with the entire ordinance. The Association will consider the submission of an explanation from the entity for why one of the following requirements is not included.

A. Tax Proposal Description

A detailed description of all elements of the tax proposal shall be identified by the location where it will appear on the ballot. Each individual aspect of the tax proposal shall be classified as to whether it is a new proposal or if it is replacing a previous tax. The ballot language shall provide voters with a summary of these details.

B. Revenue Source and Funding

As a part of this summary, all of the projects that the tax proposes to fund shall be provided to SDCTA. The applicant shall identify the amount and source of any anticipated tax measure or increase. Applicants shall demonstrate that the anticipated tax revenues will address the needs identified within the tax measure, including long-term day-to-day costs. This information must be incorporated as part of the resolution calling for the tax election.

C. Cost Estimation and Feasibility

The entity shall provide evidence that accurate and reliable cost estimations of the tax measure to the taxpayer. Additionally, the legal feasibility of the tax measure must be researched prior to the submission of an application to SDCTA. If projects require site acquisition (land purchases), the applicant must show that reasonably foreseeable legal hurdles have been successfully mitigated to the extent possible. For example, if Eminent Domain has to be used for land acquisition, then that legal hurdle needs to be addressed



before the tax funds are released.

D. Justification

The entity shall thoroughly define the public benefit of the tax measure and how these benefits cannot be provided by other means. The applicant shall specify how this proposed tax measure would address the identified public needs. If the identified public needs are not met entirely with the proposal, the applicant shall outline how these unmet needs will be addressed through other grants or funds outside the proposal.

E. Performance Metrics and Targets

The entity must submit specific year-over-year performance targets and measures for activities that will be supported with the tax proposal. Adopted multi-year strategic plans with these relevant performance measures may satisfy this submission requirement.

F. Adoption of SDCTA's Best Practices on Independent Citizens' Oversight

All entities that are presenting tax proposals must submit evidence of adoption of SDCTA's Best Practices on Independent Citizens' Oversight.

G. Past Tax Revenue, Credit Rating, and Performance History

The entity must provide the SDCTA its history over the last 10 years of its credit ratings and an analysis that lays out all the previous fees or taxes that the entity has proposed and initiated against performance metrics. For example, if a transit entity wanted to submit a fee to improve public transit, the entity would have to include all the fees they have incurred, where the tax dollars went, and if the projects were completed.

H. Analysis of Unfunded Liabilities

The entities must provide information regarding its unfunded liabilities. This should include any unfunded pension liabilities. If there are unfunded liabilities, the funds to pay those costs without this additional tax revenue must be identified, or if the proposal is intended to pay for any unfunded long-term liabilities (e.g., pensions, deferred maintenance, etc.), the SDCTA expects the entity to state that clearly and seek a specific purpose tax.

VI. Evaluation Principles

In order to ensure that the agency has an understanding of what the SDCTA assesses should be a part of any tax proposal, we have created the following evaluation criteria. It is important to keep in mind that none of these requirements by themselves guarantee approval or disapproval from the SDCTA.

A. The Tax Proposal Aligns with the Tax Base



The entity must demonstrate that the tax proposal is soundly aligned with the economic base of the taxpayers in its jurisdiction. We know that budgets are strongest when they have diversified revenue streams and when taxation systems align with their respective economies. For example, if a municipality has high overall property values, then it should have a taxation structure that collects a higher amount of property tax revenue than other municipalities.

B. Addresses the Issue/ Need Directly

The tax measure should clearly specify how the amount of payment is determined when the tax payment should be made and that the tax is directly addressing the economic or social costs being recovered. For example, if a tax proposal seeks to reduce carbon emissions, then it should tax carbon-producing activities such as traffic congestion.

C. Does Not Harm Economic Growth

The entity proposing the tax measure must indicate that the measure is not self-defeating by overly reducing the productivity of the economy. While we know that all taxes to a lesser extent reduce economic productivity, good tax measures do a good job of minimizing these deficiencies. The entity must provide key performance indicators that show the economic impact that the tax measure will have on the region. The entity must also indicate that the assets are maximizing outcomes for the benefit of the taxpayers. As a part of the two key aspects above, the entity will need to provide a detailed analysis of how the tax proposal does both of these things over the span of the tax.

D. Demonstrates Cooperation with Other Entities

The entities throughout the region should cooperate with one another in order to avoid redundancy in terms of competing for tax proposals. Failure to avoid this redundancy will make it harder for either tax proposal to pass.

E. Demonstrates Long-Term Fiscal Sustainability

The entity should be fiscally responsible when it comes to borrowing money in order to meet their long term plans. For example, entities should not be going into debt for day-to-day expenditures such as infrastructure maintenance, but rather a one-time expense in order to help to fund highway improvements or to build more trolley lines around the region. Entities must be able to provide a financial plan that shows the public that they would be able to pay back the debt. For example, if an entity provides a financial plan that shows the city that they reside in will be in debt by the end of the lifespan of the tax, then the SDCTA will not endorse the proposal.

F. Analyzes Aggregate Tax Burden

The entity must indicate awareness of the burden of its taxpayers. It is important for the entity to acknowledge that the burden of the tax will go along with other taxes that the



taxpayer is already paying in that geographic area. **For example, a municipality should indicate that it understands what other taxes a taxpayer has to pay to other entities in the same geographic area and what long-term liabilities exist in aggregate due to underfunded infrastructure or pensions.** In short, the entity must be aware of how the tax would impact the individual taxpayer.

G. Demonstrates Effectiveness and Efficiency and Maximizes Public Assets

The entity must demonstrate in its submission that it will achieve outcomes effectively and efficiently. For example, a headcount performance measure is not an outcome-oriented performance target, whereas percentage of families prevented from entering homelessness could be. If the tax increase is supporting the standup of new services, then output-type performance targets and metrics may be acceptable in the short-term. The Association, however, still expects outcome-oriented performance targets in the long-term. Furthermore, the entity should have few if no underutilized assets.

H. Commits to Independent Citizens' Oversight

There should be independent citizens' oversight that is structured to be a trust-building body for the taxpayers. For any general purpose tax proposal, the entity must explicitly authorize the oversight committee to review the performance targets set by the appropriating body of the entity and attest to their reasonableness each year through a performance audit of the entity on activities supported through its general fund.

VII. Ballot and Other Considerations

A. Complete Ballot Language and Resolutions

The local government or entity shall include a copy of the proposed ballot language and supporting resolution. Should ballot language change from submitted copy, the SDCTA must be notified a minimum of 90 days prior to the election. SDCTA reserves the right to change its position if such changes occur with or without notification.

B. Request for Pros and Cons

The SDCTA, at the request of the applicant, may elect to sign the printed ballot argument in favor of the proposition but only subject to an editorial review of its final content. The campaign shall provide the SDCTA copies of all campaign materials in which its endorsement is noted. Endorsement or quotes provided by SDCTA officials for campaign literature may only be used for that specific election and not for any future elections.

C. Campaign Materials Must Be SDCTA Approved Should an Entity Earn the Endorsement

All independent campaigns using the SDCTA's name must provide every piece of campaign material for approval. This requirement is made in order to maintain as



much transparency as possible as well as to make sure that the entities are not putting out information about their tax measure that is untrue with respect to our evaluation. Failure to abide by this article will lead to the removal of any support towards a tax measure.