IN THE CALIFORNIA COURT OF APPEAL FIRST APPELLATE DISTRICT - DIVISION TWO

HOWARD JARVIS TAXPAYERS ASSOCIATION, et al., Plaintiffs/Appellants,

v.

THE BAY AREA TOLL AUTHORITY, et al., Defendants/Respondents,

and

RANDALL WHITNEY, Plaintiff/Appellant,

v.

METROPOLITAN TRANSPORTATION COMMISSION, Defendant/Respondent.

On Appeal From San Francisco County Superior Court

> Trial Court Case No. CGC-18-567860 and Case No. CPF-18-516276 The Honorable Ethan P. Schulman

RESPONDENTS' APPENDIX VOLUME I

 ${\color{blue}\textbf{Consolidated}}$ Court of Appeal Case Nos. A157598 and A157972

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1	IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
2	IN AND FOR THE CITY AND COUNTY OF SAN FRANCISCO
3	HONORABLE ETHAN P. SCHULMAN, JUDGE PRESIDING
4	DEPARTMENT NO. 302
5	00
6	
7	JARVIS TAXPAYERS ASSOCIATION, et al,
8	Plaintiffs,
9	vs. No. CGC-18-567860
10	BAY AREA TOLL AUTHORITY, et al.,
11	Defendant.
12	/
13	
14	Reporter's transcript of proceedings
15	date of
16	April 3, 2019
17	
18	
19	
20	<u>APPEARANCES</u>
21	
22	For the Plaintiff: TIMOTHY BIDDLE, Attorney at Law
23	For Defendant California Legislature:
24	ROBIN JOHANSEN, Attorney at Law
25	For Defendant Bay Area Toll Authority MICHAEL WEED, Attorney at Law
26	mental me
27	
28	Reported by: Anthony C. Vaughn - CSR No. 6185

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April 3, 2019
                                                     A.M. Session
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                                ---000---
                        Is anybody here on anything other than
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            THE COURT:
      the Howard Jarvis Taxpayers Association matter?
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            Other than the people over here. Welcome to the
 6
      students from the School of the Epiphany.
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            Counsel's appearances, please.
           MS. JOHANSEN: Good morning, Your Honor, Robin
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 9
      Johansen on behalf of the California legislature.
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           MR. WEED: Good morning, Your Honor, Michael Weed on
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      behalf of Bay Area Toll Authority.
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           MR. BIDDLE: Good morning, Your Honor, Timothy Biddle
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      on behalf of the Howard Jarvis Taxpayers Association and
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      the other plaintiffs.
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            THE COURT: Mr. Biddle, you have my tentative rulings
      as to both causes of action. I think if I read the
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      tentative -- if I read the emails correctly, that you're
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      challenging only the tentative ruling as to the claim
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      against the legislature but not the rulings as to the
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      claim against the Bay Area Toll Authority, but I may have
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      that wrong.
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           MR. BIDDLE: That is correct, Your Honor.
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           THE COURT:
                        Okay.
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           MR. BIDDLE: We're challenging -- may I approach the
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      dais?
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            THE COURT:
                        Of course.
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           MR. BIDDLE: We're challenge -- we're not challenging
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the Court's decision that the toll increase was imposed by

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the State. It was not imposed by the Bay Area Toll
Authority, so I imagine that excuses the Bay Area Toll
Authority from the case, and we won't need to hear from
Mr. Weed.

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We do contest the tentative rulings relating to whether or not a two-thirds vote of the legislature was required under Article 13(a) for the legislation, Senate Bill 595, to pass on to the governor for his signature.

And if I may address the Court's tentative rulings?

THE COURT: Certainly.

MR. BIDDLE: So not necessarily for the Court's benefit but perhaps for the benefits of the -

THE COURT: We're all educating one another.

MR. BIDDLE: All right. Article 13(a), Section 3 contains a definition of what a tax is in California. And that definition was added to the Constitution in 2010 by Proposition 26. And it basically says that any exaction of money from the citizens by the government is a tax. But it provides five exceptions. The first three of those exceptions contain a reference to the levy being based on reasonable costs.

And then there's two more exceptions. Exception number 4 is for entrance to or use of public property. Or the sale or lease of public property.

And then the fifth exception is for things like fines, penalties and other criminal charges.

The issue in this case centers around that fourth exception, the one for entrance to or use of state

property, because the toll is collected at the entrance to the State owned bridges. That section of the Constitution, Article 13(a), Section 3 that contains the definition of a tax also has one last provision at the bottom, subsection (d). And that's the provision that places a ceiling on the amount that a fee can be and also requires a nexus between the fee and the thing that is being collected for. Because if a fee exceeds that ceiling, if it's too high, if it's more than necessary to cover the government's costs or if it contains no nexus, if there's no relationship between the fee and the expenditure of the fee, in other words if there's no nexus between what you're collecting the fee for, like entrance to a bridge or entrance into a park, and what the money is being spent on, if either one of those elements is missing, then a fee can become a tax.

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In other words, its exception in that list of five exceptions can be forfeited. And even though it might on its face qualify for one of those exceptions, if it's too high or if there's no nexus, then that fee can become a tax, and we're back to requiring two-thirds approval.

THE COURT: Let me, if I may, in line with our educational function here. Let me stop you and ask one question and provide an example that may be helpful.

MR. BIDDLE: Yes, Your Honor.

THE COURT: The question is this: So I take it from what you just said that you don't contest that these tolls are, in fact, charges imposed for entrance to or use of

State property within the meaning of the fourth exception.

The only question then is does the reasonable cost restriction that you've just described apply.

Am I right on that?

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MR. BIDDLE: That is correct, Your Honor.

THE COURT: So just again for the benefit of our audience, so let's take an easy one. If we look at the second exception, a charge imposed for a specific government service or product provided directly which does not exceed the reasonable costs to the State of providing the service or product.

So for example, we all turn the tap at home and water comes out. Hopefully clean water. And that's provided by our local water districts.

I suppose if a water district were one day to wake up and say, you know what, we would like to raise a lot of money and for reasons that have really nothing to do with the water system. We're going to start charging \$1,000 a gallon.

Somebody could, and you would, challenge that charge and say, wait a second, what are the reasonable costs of providing the water? They're not \$1,000 a gallon. And -- it's the second point that you made -- there's no relationship between the charge that the water district is trying to charge here and what they're doing. They want to use this money for something else entirely. So that would be an illegitimate tax even though within the terms of the exemption it falls within the exemption.

Fair example?

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MR. BIDDLE: That is a great example.

THE COURT: Everybody with me?

So now we get to the problem. Your problem. Which is the "reasonableness" language, as you said, appears in three of the five exceptions. It doesn't appear in the fourth and the fifth. And the fourth is the one we're talking about.

MR. BIDDLE: Correct.

THE COURT: So that's the first problem.

And then the second problem is even if the Court were to somehow believe it were appropriate to import the reasonableness requirement into those exceptions on their face, and I think you acknowledge this, it wouldn't make sense to do so at least as to a portion of the fourth exemption and all of the fifth exception.

So for example, a fine, penalty or other monetary charge. I'll give another homely example.

I'm driving along after having paid a toll, I'm driving along in my car. I'm alone in my car, and I drive into the carpool lane, right? And I get pulled over by the CHP, and they give me a ticket, and that amount of this ticket is staggering. Isn't it something like \$671 or something? It's wildly high last time I checked.

That amount has no relation to the reasonable costs of sending the CHP officer out on 101 to patrol the highways or the reasonable costs of providing the car pool lane, whatever you might think the underlying activity is.

Nor do we say that the government has to keep a cap on that amount. Indeed, presumably the higher those tickets are, the less likely people are to violate the traffic laws. Right? So there's a reason that the fine is so high because we don't want people to violate those carpool lane restrictions.

So how do you get around that problem?

MR. BIDDLE: Well, Your Honor --

THE COURT: The two problems:

Number one, there's no reasonableness language in the fourth and fifth exceptions.

And number two, it wouldn't make sense, at least as to one and a half of those exemptions, to import that language, even if I felt it was within my power to do so.

MR. BIDDLE: Even, again mostly for the benefit of the students; we are privileged in the State of California to have what's called the people's power of initiative where the people have reserved for themselves the power to write their own laws when they feet like the legislature or their local elected officials are not passing laws that the people want.

But because we have that power, we frequently end up with propositions on the ballot, initiatives on the ballot, that have been written by people who are not legislative counsel. So they don't have the same refined syntax, the same polished use of the English language that you might expect in a law -- in a bill that's been written by legislative counsel for the legislature to vote on.

And because of that reality the California courts have developed several tools that help in construing these voter written initiatives, like Prop 26. which was the one that put this definition of tax in our constitution --

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THE COURT: Well, before you go to that, let me ask:
Aren't those tools essentially the same tools that we use
to construe legislation when it's passed by the
legislature? We start with the plain meaning of the
initiative or the legislation. If there's an ambiguity,
perhaps we go to legislative history, which in this case
of the initiative is often the ballot pamphlet and the
arguments in the ballot pamphlet. And perhaps we look at
the larger circumstances and context.

But it's the same tools, and we don't apply those tools differently simply because initiatives are not authored by legislators. Indeed, since a number of years ago most of our legislators are not lawyers anymore. That's changed over time. And there's some argument that they're not a heck of a lot more sophisticated than the folks who create the initiatives.

MR. BIDDLE: They do have one advantage that the voters don't have, and that's that they do have legislative counsel to write their bills for them.

THE COURT: Sure. But the essential point of my question is don't we apply essentially the same principles?

MR. BIDDLE: Yes. But one that I think probably applied more to initiatives than the courts need to apply

to legislative bills is the tool that says we will apply the terms of the initiative except where doing so would produce an absurd result. Because sometimes a mistake is made in the way something is written so that if the Court were to apply it mechanically, if it were to apply it strictly, it would produce an absurd result. And that's one of the rules of construction that we are going to have to wrestle with this morning with this motion.

But if I could back up just for a second and take the Court's tentative rulings in order:

The first issue that plaintiffs have contested, or I should say the first tentative ruling that plaintiffs have contested is this idea that because the first three exceptions to a tax contain a reference to reasonable costs, we can't -- and the fourth exception doesn't contain a similar reference to reasonable costs -- we can't apply that subsection (d), the one that provides the ceiling and the nexus, we can't apply that to the fourth exception without turning the reference to reasonable costs in the first three sections into surplusage. Which by the way, is another tool that the Court uses to construe initiatives.

THE COURT: Right.

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MR. BIDDLE: And plaintiff's objection to that piece of the tentative ruling is based on our concern that in order to avoid a minor surplusage, a minor redundancy in the way Prop. 26 is written, the Court will actually be creating a much greater surplusage and a much more harmful

surplusage.

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And let me explain:

Subsection (d), the section that has the ceiling on the nexus contains three requirements:

It says that the State must show that its levy is not a tax. In other words, the State must identify one of those five exceptions.

Second, the State must show that its levy taken as a whole doesn't collect more revenue than is necessary to cover the reasonable costs of the governmental activity.

But there's a third requirement. The third requirement is the State must show that its levy is fairly allocated based on each payer's burden on or benefit from the governmental activity. So there's that third independent requirement in subsection (d).

Now, that third requirement of a fair allocation based on burden and benefit does not appear anywhere in the first three exceptions. The first three exceptions have a reference to reasonable costs, but nowhere do they contain a reference to a fair allocation based on burden and benefits.

THE COURT: No, but the third clause you're referring to uses the phrase "those costs." And I take that to refer back to the second clause which talks about the reasonable costs of the governmental activity.

Those are really one in the same, aren't they?

MR. BIDDLE: They are. They are. And we want to apply all of subsection (d) to the fourth exception.

Plaintiff's point is that by focusing only on the words "reasonable costs" and saying that because the first three exceptions contain a redundant reference to reasonable costs, that means that subsection (d) applies only to the first three exceptions, is error. And it renders that whole third requirement of subsection (d) surplusage.

THE COURT: Let me interrupt you. I understand the argument, but then there's yet another problem.

If you would have me disregard the rule against surplusage and read in a reasonableness requirement, your position, as I understand it, is you would only have me read it into the first clause of exemption 4 but not the second clause, and you wouldn't have me read it into the fifth exception.

And that's a very odd way of construing any kind of language, whether it's statutory or initiative language.

MR. BIDDLE: Well, that result is produced by the rule of construction that we were talking about earlier, which is you don't apply it where it would produce absurd results. And plaintiffs concede that it would produce an absurd results to apply subsection (d) to the fifth exception, the fines, penalties and criminal exceptions.

And we concede that it would produce an absurd results to apply it to the second half of the fourth exception, the exception for sales and leases of State property.

But we've cited a case in our brief, City of San

Diego versus Shapiro, and I believe that it also has cases cited within it that refer to yet another rule of construction, another tool that the Court must employ when construing a constitutional provision. And that rule is that the Court must give effect to every part of an initiative so far as it is possible to do so. So far as it is possible to do so, the Court make give effect to every piece, every part of an initiative.

So what plaintiffs are saying is that it is possible for the Court to give effect to subsection (d), to the first half of the fourth exception. It can -- the Court can apply subsection (d) to the first half of the fourth exception.

Now, the State has argued that that would do violence to the syntax of the fourth exception and that we're asking you to rewrite the fourth exception. And we vigorously disagree.

I've brought in -- it's convenient that I brought in this visual aid.

THE COURT: You lost your audience.

MR. BIDDLE: They slipped out so quietly, I didn't realize they were gone. I was still talking like a teacher. Now I'll talk like a lawyer.

This is the fourth exception.

THE COURT: Right.

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MR. BIDDLE: And the point we're trying to make is that the fourth exception is composed of two lists.

There's this first half that refers to a charge for

entrance to or use of State property.

Then there's an "or," a comma and an "or" right in the middle separating that first list from the second list, which is the purchase or lease of state property.

Now, the State has ridiculed me for pointing out this "or" because it says in the fifth exception there's also an "or." That fifth exception is for fines, penalties and other criminal exactions, and if we're going to make a big deal about the "or" then that means that subsection (d) must apply to half of that fifth exception.

That's not true, Your Honor. Because the fourth exception also contains other "ors." This "or" in here separates items on a list, just like this "or" separates items on a list. Just like the "or" in the fifth exception separates items in a list.

But this middle "or" separates two lists. It's much different.

THE COURT: And I agree with that. I don't see where it gets you. There are two disjunctive clauses in exemption 4. There's a single list of three possible items in exemption 5. But I don't see how it helps you.

MR. BIDDLE: Here's the importance. If the Court's obligation is to give effect to every part of Prop. 26 so far as possible, and if the Court agrees with me about the structure of that sentence, then the Court has to agree that it is possible to apply subsection (d) to the first half of that exception.

And if the Court doesn't apply subsection (d) to the

first half, then it's not applying subsection (d) so far as possible.

THE COURT: All right, I see the argument. I understand it.

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MR. BIDDLE: But the other nuance to that is if the Court doesn't apply subsection (d) to the first half then it's creating an equally absurd result because now there's no nexus requirement, there's no ceiling on what the State can charge people to cross bridges and enter parks and what it can use that money for.

And certainly Proposition 26 would be turned on its head if it was interpreted to create for the first time some freedom from ceilings and nexuses that were always required by the law prior to Proposition 26.

And that brings me to my last argument, and this is the last piece of the tentative rulings that we've contested.

We argued in our brief that the case law that existed prior to Proposition 26 would have held this to be a tax, not a fee, because the money is not being used for the bridges or for motorists. The money that's being collected by the toll increase is going to subsidize public transit that the motorists who pay the toll are not using.

And the Court's response to that in the tentative ruling was that we cannot invoke the Pre-26 case law because Proposition 26 supplanted that case law.

Your Honor, honestly I wish that were true, but it is

not true. The courts of appeal in published opinions and our Supreme Court have said several times since

Proposition 26 was passed that they have to read

Proposition 26 consistently with the pre-26 case law because they view 26 as an effort to codify the pre-26 case law.

And I can give --

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THE COURT: Codify it or clarify it. Isn't that what the Schmeer case stands for? What Schmeer says is, look, there has been a lot of litigation about the distinction between a fee and a tax, and this is getting confusing and the lines are unclear. And in effect Proposition 26 now sharpens up those boundaries and tells us what we're looking for.

And what we're looking for here is -- so pointing back to a particular pre-Prop. 26 case may or may not be useful in answering the question in this case. It may give us some background. We can go all the way back to Prop. 13 and read about the whole history here. It gives us to context, but it doesn't answer the question of statutory construction that's before us.

Isn't that fair?

MR. BIDDLE: I don't know that it is.

THE COURT: All right.

MR. BIDDLE: Let me give you citations to two California Supreme Court cases that talked about Proposition 26 codifying the prior case law.

One is City of San Buenaventura versus United Water

Conservation District, 2017 case, and the cite is 3 CA 5th, 1191. And the jump page where that discussion occurs is 1210.

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The second case is <u>California Building Industry</u>

<u>Association versus State Water Resources Control Board</u>, a

2018 case at 4 CA 5th, 1032. And the jump page is 1050.

The point the plaintiffs are trying to make is that if the Supreme Court interprets Proposition 26 as largely codifying the pre-26 case law, it would be inconsistent to construe Prop. 26 as creating a new loophole for user fees for entrance to or use of State property whereby they don't need to be related at all to actual costs, they don't need to have any nexus related to the payers' burdens or benefits when the pre-26 law did require those things.

The voter -- the voter information guide that was provided to the voters in the ballot pamphlet told them over and over again that Prop. 26 was designed to close loopholes.

THE COURT: It didn't refer, did it, because the parties haven't told me that it did, and I went looking and I couldn't find anything. It didn't refer specifically to this exemption or to bridge tolls or anything of that sort. So we don't have any direct quidance in that form of legislative history.

MR. BIDDLE: That's true. There are word limits on what everybody can say in the ballot pamphlet, except for the legislative analysts, I think. They can ramble on.

But it did talk about the misuse of fees where the revenues from fees were being used for other purposes.

And that's what's going on here. Motorists, are being charged in order to subsidize public transportation that the motorists aren't using.

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THE COURT: Of course the State's response to that is that's one way of characterizing it. Another way of characterizing it is that these bridge tolls are being used to improve other forms of public transcript and thereby reduce congestion on the bridge.

MR. BIDDLE: Of course, and those are factual questions.

THE COURT: By improving ferry services and bus service and adding lanes in some cases on freeways where there's bad congestion, as we all know. So if we had to get to a nexus issue, I suppose that's the nexus.

MR. BIDDLE: Which is a factual question that we're not dealing with here on these motions for judgment on the pleadings.

THE COURT: My only point was there are different ways -- as with many issues there are different ways of framing the issue.

MR. BIDDLE: Absolutely. I'm just making the point that there was a general discussion about the misuse of fee revenue in the ballot materials, and the voters were told over and over that Prop. 26 was going to close loopholes. So it would be inconsistent, the plaintiffs believe, with the intent of the voters to interpret Prop.

26 to open up a new loophole. And that's what the tentative decision does.

And with that I will let the other side rebut me.

THE COURT: Ms. Johansen, I have an 11 o'clock calendar, which is why the room is starting to fill up. I don't anticipate that it will take more than -- I don't know how long it will take.

[Discussion off the record.]

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THE COURT: Probably no more than 15 or 20 minutes at most.

So what I would like to do is have you start your argument. I will then interrupt you at 11:00, if I may, deal with those matters and invite you all to either watch or go out in the hallway or whatever you would like, and then resume as soon as I've completed the calendar.

MS. JOHANSEN: Thank you, Your Honor. Robin Johansen on the behalf of the California legislature.

I don't know that we will take all that much time, Your Honor.

I believe that -- I want to start with Mr. Biddle's argument about an absurd result and say I don't think it's absurd to think that the drafters and the voters who passed Prop. 26 would want to exclude or make an exception for bridge tolls.

We don't know why they wrote it the way they did. We do know they put 'entrance into or use of State property" in the same sentence as they did "lease or sale." So they see those things as very much connected. When you have

five different subparts and one of them is a sentence that has both of those two things in them, then I think If we're going to talking with canons of construction, we should can talk about that old favorite noscitur a sociis, "a think is known by the company it keeps."

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And yes, entrance to or use of state property is in the same sentence, the same subparagraph as sale or lease of state property.

THE COURT: So putting aside the compliment I'm about to give you for your Latin pronunciation, which I can't hope to equal, how does that canon help us construe the exception here?

MS. JOHANSEN: It does because when we look at that subparagraph, we're saying sale or lease of State property is, in the minds of the drafters and the voters, in the same category as entrance to or use of State property.

These are the things that the drafters chose to group together. And Mr. Biddle's suggestion that the Court could actually sever half of that and apply subsection (d) in his view to just a half of it is something I've never heard before. I've never seen a court do anything like that before.

THE COURT: Nor have I.

MS. JOHANSEN: And the absurd result argument, I think we have to say why might they have done it the way they did.

First, I have to say these were not inexperienced people who wrote Prop. 26. My understanding is that it

was written by lawyers, who are very accomplished lawyers.

And what they were doing here, I think, was --

THE COURT: Wasn't the Howard Jarvis Taxpayers
Associate a primarily proponent of Prop. 26?

MR. BIDDLE: But not a drafter.

THE COURT: Okay.

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MS. JOHANSEN: So I think what's going on here is anyone who has ever crafted an initiative knows how hard it is to avoid unforeseen consequences. And I think that's what they were trying to do to the best of their ability.

And what they were trying to do here is think about State property in terms of sale of lease, but also entrance to or use of, do we really want the legislature to have to get a two-thirds vote in order to be able to hike the tolls on the bridges or to raise the park fees when there may be safety reasons for having to do those things? In other words, they're saying is this really worth it to put that at risk.

And what they're also thinking about, quite frankly, as someone who has actually drafted initiatives before, is they're thinking about do we want to give our opponents arguments against us. We want to try to keep that as clean as we possibly can.

So that's my understanding of why they might have put that in there as they did. It is not absurd to think that they would have done that.

I realize we are now at the 11 o'clock hour, Your

Honor, so I'm happy to submit.

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I don't want to cut either of you off. If I may interrupt you to handle what I hope will be a relatively brief calendar, and we'll see you in a little while.

MS. JOHANSEN: Thank you.

[Recess taken.]

THE COURT: Recalling Howard Jarvis Taxpayers
Association versus Bay Area Toll Authority, et al.

All right, Ms. Johansen, I think we interrupted you.

MS. JOHANSEN: Thank you, Your Honor.

THE COURT: You were on the "absurdity" point.

MS. JOHANSEN: The absurdity point.

THE COURT: Let's move on from absurdity.

MS. JOHANSEN: I think the other point that needs to be made here is subsection (d) and what that means and to what it applies.

And subsection (d) is a burden of proof section. It describes who has the burden, and then it goes on to describe what that burden is.

But what you have to look at in the structure of Section 3 is when is that burden about the reasonable costs and the allocation proportionality applicable.

THE COURT: So your argument, if I may, is the clause that says the State bears the burden of proving that the amount is no more than necessary to cover the reasonable costs of the governmental activity, that that clause applies -- I should read into that clause, in effect, where another provision of this section imposes a

requirement that those costs be reasonable in amount.

MS. JOHANSEN: I think that's basically right, Your Honor.

THE COURT: It wasn't very elegantly phrased, but I think you got my point.

MS. JOHANSEN: Yes. When we have placed that burden -- the drafters are saying, the voters are saying, we have placed that burden, that showing in one of the five exceptions, then here's who bears it. But the original provision -- and Mr. Biddle was talking about how there are three subparts in subsection (d) -- the first part says the state bears the burden of proving that a levy, charge or other exaction is not a tax.

Okay, fine.

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But then when subsection (b) has an exception that includes that reasonable cost requirement, this is what it means: That it's no more than necessary to cover the reasonable costs of the government activity. And that's the manner in which the costs are allocated.

So the reasonable costs requirement in those first three subsections includes those two concepts, that it's no more than is necessary to cover the costs, but still whenever you're looking at something that is going to be paid by more than one entity, more than one person, you have to talk about, well, how are those costs allocated. And that's what Section (d) does.

But not for the last two. In other words, how could you possibly say when you're talking about purchase,

rental or lease of state property that the costs are reasonably allocated? Or how could you say, as the Court I believe used in one of its examples, about the HOV lanes, how could you say that that's reasonably allocated?

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I would add to that that when we're looking at that particular subsection 5 about fines or penalties, those really are not related at all to reasonable costs.

They're for deterrent. They're to keep us safe.

And this goes back to my original point about charges imposed for entrance to or use of State property. The bridges have to be kept safe too. And whatever the drafters were doing, I don't think it's absurd to suggest that they didn't want either a two-thirds vote requirement or to place the burden on the State of proving that they were reasonable costs. They wrote it differently. I think we have to accept the fact that they wrote it differently.

Mr. Biddle and his clients cannot accept that fact. But there it is. And I think the final point is, yes, as to the common law before Prop. 26, I think everyone acknowledged, the courts over and over again acknowledged that that area of the law was a mess, frankly. That it was very hard to tell the difference between a fee and a tax, and the courts were constantly having to revisit that question.

Prop. 26 is a watershed in that it tries to sort everything out. So the pre-Prop. 26 case law that Mr. Biddle has cited --

MR. BIDDLE: Can you refer to us as plaintiffs and not by name?

MS. JOHANSEN: I apologize.

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That plaintiffs have cited.

The pre-Prop. 26 case law is very clear when you look at -- it's certainly the one case that I happen to have with me that Mr. Biddle did cite, plaintiff cited, and that is the City of Buenaventura. It was clear how we are not deciding Prop. 26 here. That is not what the Court was deciding. It was deciding -- I'm sorry in Buenaventura it was deciding Prop. 26, but in the footnote 7 the Court makes clear that it was not viewing Prop. 26 as repeating everything that was in its earlier case, Sinclair, which everyone pretty much says prompted Prop. 26.

Unless the Court has further questions I will say that we believe that the Court's tentative ruling is correct, and we ask the Court to adopt it.

THE COURT: Thank you.

MR. BIDDLE: Thank you, Your Honor.

Briefly I would like to capitalize on some things the State just said, which is that subsection (d) is a burden of proof section. It shifts the burden of proof to the State and then explains what the bearer must prove.

And so if that's the way we're going to look at subsection (d), then it is -- it's one piece. If subsection (d) doesn't apply to the fourth exception, then the State need not even prove that its levy is not a tax

because that is part of subsection (d).

In fact, the State doesn't have to prove anything.

The burden of proof wouldn't shift to the State if
subsection (d) didn't apply to the fourth exception.

Unless we divide that sentence, subsection (d), which the
State keeps tell us we cannot do. We can't divide
sentences.

But the State --

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THE COURT: I've certainly never seen a situation, whether in the context of construing an initiative or a statute where a Court in effect sliced and diced language and said, well, we're going to import this language to this subdivision of a paragraph but only to the second clause and not to the first clause.

That would be a very odd type of statutory interpretation. I've got to tell you I've read hundreds and hundreds of statutory interpretation cases, and I've never seen anything remotely like that.

MR. BIDDLE: Well, Your Honor, plaintiffs have not had the opportunity to brief that question, and we would welcome to opportunity to do that research to see if any published appellate decision has ever divided a sentence in half and applied a provision to part of it and not to all of it. But I'm not ready to concede that it's never been done. And there's a first time for lots of things.

THE COURT: Fair enough.

MR. BIDDLE: And this seems like a case where it's crying out to be done because the Court is basically faced

with a quandary, at least in plaintiff's view, where it would produce an absurd result to apply subsection (d) to the second half of the sentence but it would produce an equally absurd result to not apply it to the first half of the sentence.

THE COURT: And why would it be absurd not to apply to the first half of the sentence? That's that part I don't understand. Is this from your sort of fanciful hypothetical of a \$100 park entrance fee or \$100 bridge toll?

MR. BIDDLE: Fanciful or not, the fact is if subsection (d) does not apply to the first half of subsection (4) then there is no ceiling because it's subsection (d) that provides the ceiling in amount. And there's also then no nexus requirement.

So it's an absurd result because the result is that Prop. 26 now becomes a sword for the government. In other words, it opens up a new loophole because it becomes a sword for the government to charge whatever it wants and spend the money on whatever wants, even though it wasn't allowed to do that before Prop. 26, rather than Proposition 26 being the shield that voters intended it to be for taxpayer protection.

THE COURT: Okay.

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MR. BIDDLE: And then the last thing, Your Honor, is just I wanted to continue to hammer this point that the appellate courts have admonished the courts of California that in construing voter initiatives they should apply

every part, they should give effect to every part to the extent possible. So far as possible. And it is possible without doing violence to the syntax of that sentence to apply subsection (d) to the first half of that sentence.

THE COURT: Thank you.

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Here's what I propose to do. First of all, so the morning need not have been in vain for Mr. Weed, do you have a proposed order, sir, that repeats my tentative ruling as to your client?

MS. JOHANSEN: We did email it last evening, so you should have it.

THE COURT: So I'm going to sign that order.

With respect to the claim again the legislature, I think Mr. Biddle has cited a couple of cases to me this morning that were not cited in the briefing. Unless I'm wrong, I don't think did the City of San Buenaventura case was cited nor was the 2018 case, I think that was the California Building Industry Association case. And what I would like to do is take a look at those cases and the point they were cited for, which is the extent to which Prop. 26 either codified or clarified pre-Prop. 26 case law on this important distinction between a fee and a tax.

So I'm going to -- as to the motion in relation to the legislature, I'm going to take the matter under submission.

I will ask counsel to leave me a proposed order if you have one. And also to email me one electronically in the event that I need to change any of the text in light

of what I see. And I can promise you a ruling shortly.

But in fairness I do want to take a look at those cases.

MR. BIDDLE: Thank you, Your Honor.

MS. JOHANSEN: Your Honor, I do not have a proposed order with me, and we will certainly email it to you.

THE COURT: Fine.

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MS. JOHANSEN: I would like an opportunity to at least look at those cases myself. I have Buenaventura with me today. I do not have Building Association with me. And I would like an opportunity to at least address those.

THE COURT: Let me suggest this to both reduce the burdens on counsel and on the Court.

If a review of those cases changes my mind with respect to the tentative, I will give all parties notice and an opportunity to submit further briefly.

MS. JOHANSEN: Thank you.

THE COURT: If it does not, I will -- at least in terms of the overall direction of the ruling. It may change some of the nuance or some of wording, but I take it as long as my ruling is still in your client's favor, that wouldn't be the end of the world, and I wouldn't need further briefly on that.

MS. JOHANSEN: Correct, Your Honor.

THE COURT: So that's the way we'll handle it.

And if you do email it to me and I get it in Word form, that way I can always edit language if need be.

And I can promise a ruling, as I say, fairly

promptly.

MS. JOHANSEN: Thank you, Your Honor.

THE COURT: Thank you all very much. And thank you for being so accommodating to our visiting eighth graders. I think it's fair to say this is a more interesting, at least from the standpoint of an eight grader, more interesting case than the usual fare of a law and motion calendar here. And I'm sure they appreciated your efforts to be clear and to lay it all out. And I certainly did. Thank you.

MR. BIDDLE: Thank you for taking so much time.

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CERTIFICATE OF REPORTER

I, Anthony C. Vaughn, Certified Shorthand Reporter, Certificate Number 6185, do hereby certify that I was the Official Court Reporter assigned to the herein captioned case; that I reported in shorthand the proceedings and subsequently caused said shorthand to be prepared into English.

I further certify that the foregoing is a full, true and correct reflection of the proceedings had in the herein-captioned case.

July 16, 2019

Anthony C. Vaughn, CSR

1	IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
2	IN AND FOR THE CITY AND COUNTY OF SAN FRANCISCO
3	BEFORE THE HONORABLE ETHAN P. SCHULMAN, JUDGE PRESIDING
4	DEPARTMENT NO. 302
5	CERTIFIED
6	RANDALL WHITNEY, TRANSCRIPT
7	Petitioner, No. CPF 18-516276 VS.
8	
9 10	METROPOLITAN TRANSPORTATION COMMISSION and DOES 1 through, 40 inclusive,
11	Defendants.
12	/
13	
14	REPORTER'S TRANSCRIPT OF PROCEEDINGS
15	TUESDAY, JUNE 11, 2019
16	
17	APPEARANCES
	For the Petitioner:
19	RANDALL WHITNEY, In Propria Persona
20	
21	For the Defendants:
22	GLYNN & FINLEY, LLP BY: James M. Hanlon
23	One Walnut Creek Center 100 Pringle Avenue, Suite 500
24	Walnut Creek, CA 94596
25	
26	
27	

MARIA A. TORREANO, CSR #8600, CRR, RMR, CCRR

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OFFICIAL REPORTER:

Document received by the CA

June 11, 2019 10:18 a.m.

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PROCEEDINGS

THE COURT: Line 1, Whitney versus Metropolitan Transportation Company.

MR. HANLON: Good morning, Your Honor. James Hanlon for the Metropolitan Transportation Commission.

MR. WHITMAN: Good morning, Your Honor. Randall Whitney, plaintiff.

THE COURT: Good morning, Mr. Whitney.

So I'm -- this is quite unusual, but I am going to note, for the record, that the Court received yesterday an e-mail
that was ill-advisedly sent to it by Timothy Bittle, the

Director of Legal Affairs for the Howard Jarvis Taxpayers

Association.

It was directed to Mr. Whitney but copied to the Court as
well as to opposing counsel. And it purports to give

Mr. Whitney, in effect, legal advice as to the argument that he intends -- that he is to present this morning on this matter,

intends -- that he is to present this morning on this matter, and refers to the possibility that the Howard Jarvis Taxpayers Association may take over the case on appeal, presumably after an anticipated adverse ruling from this court.

Ordinarily, I would -- well, first of all, I thought many years ago we had all learned the dangers of Reply to All, but evidently Mr. Bittle didn't.

And ordinarily I wouldn't say anything about this because I tend to try at least to be fairly diplomatic, and I would just chalk this up to experience and disregard it.

I'm here, as I indicated earlier, to decide matters on Respondents' Appendix

their merits, not to take advantage of people who make mistakes.

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That said... and we may get into this as we hear argument this morning, I have a serious concern about this communication.

That is because in a prior action brought by the Howard Jarvis Taxpayers Association against the California State Legislature and the Bay Area Toll Authority, BATA, the Court has already ruled on the precise claims that are raised in Mr. Whitney's petition, or at least very nearly the same And Mr. Bittle and his client, so far as I'm aware, have not filed an appeal from that ruling.

I read this communication, and in particular some of the advice that Mr. Bittle gives Mr. Whitney, as a deliberate attempt to circumvent that failure to appeal and, in effect, get a second bite at the apple at the same issues in a different lawsuit.

And I view that as illegitimate. That's my view.

Now, that said... as I say, we're here to talk about the merits of the claims. And the Court's tentative ruling addresses those and is not based on Mr. Bittle's e-mail, which, of course, I received after the tentative ruling was made public.

But I don't want to ignore the fact that it's there because I think it is -- it's part of the pertinent background of this case.

So, that said, Mr. Whitney, you have not only the Court's two prior rulings in favor of the California State Legislature and the Bay Area Toll Authority, you have my tentative ruling in this case, which raises the same claims but against the Metropolitan Transportation Commission, or MTC. Happy to hear any argument you'd like to present. MR. WHITNEY: Thank you, Your Honor. I did receive the same and I understand the Court's concern.

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I have communicated with the Howard Jarvis Group on this case, communication in asking for clarity about their case and what direction they're going; so I... I don't know, the mistake -- I won't address the mistake made by that attorney,

mistake -- I won't address the mistake made by that attorney,
but I'd want you to know that I have pled this case myself and
I... it's a very passionate issue to me.

And I feel like I'm Kevin Durant, coming into the game
with a hobbled ankle, as I try to convince you and persuade you
that there's a reason why this matter should be debated in
front of twelve jurors.

And I bring that up that this is similar to a delayed
demurrer. And we're not talking about the merits of the case;
we're talking about was it pled sufficiently.

I would ask the Court to reconsider its tentative ruling
and look at this -- it's a 13A versus 13C debate. I understand
that. It's hinging on the word impose.

I've reviewed the... the Webb versus Riverside case that
the Court cited;
I've reviewed the Cannabis Supreme Court rulings, both the
for and against;

for and against;

I also reviewed the Jacks versus Santa Barbara case. really... it gets down to the word imposed and how the word

1 imposed is translated. 2 I agree that the Legislature enacted SB 595, but I also 3 believe that MTC imposed RM3. The words enact and the words impose are defined 4 5 differently in Black's Law library --6 THE COURT: Well -- before we get to that argument, one 7 pervasive problem in your argument here is confusing the 8 Metropolitan Transportation Commission, or MTC, with a Bay Area 9 Toll Authority, or BATA. 10 What... those two are different legal entities. They what... those two are different legal entities. They
share a board of directors apparently, but they are different
legal entities;

They have different functions;

And they have different roles set forth in SB 595.

So when you argue that MTC imposed the bridge toll
increase, that's simply incorrect.

MR. WHITNEY: But we did debate this issue in this
courtroom prior to your arrival. That debate was on who was
the correct party.

Judge Kahn, I believe, is the one who ruled that the MTC
is the correct party in this matter; so we've gone through that
debate.

I did not want to get lost in the weeds on the debate of
whether this was MTC or whether this was BATA.

I believe that a jury can determine that, based on
knowing -- of these same commissioners, the ones who dropped 11 12 13 14 15 16 17 18 19 20 21 22 23 2.4 25 26 knowing -- of these same commissioners, the ones who dropped 27 the gavel and... turned the meeting over to a new agenda to 2.8 They're the same people; they're the same discuss this. Respondents' Appendix

parties.

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I would like to actually to ask for an oral leave of... a leave to amend the petition, to allow me to bring the petition action against the board of the MTC, because I believe it's the same individuals.

Your Honor, I think this is really --

THE COURT: Hold on one sec. Let's stop there.

The fact that two different entities share a common board of directors does not make them the same entity.

Somebody can sit on the board of Oracle Corporation and also sit on the board of an affiliated corporation, but those corporations are distinct legal entities.

the economy;

is true of public entities.

functions.

Somebody can sit on the board of Oracle Corporation and sit on the board of an affiliated corporation, but those orations are distinct legal entities.

They may well be doing business in different sectors of economy;

They have different employees;

They have different legal obligations. And the same things rue of public entities.

These are two public entities that have distinct tions.

I will certainly take judicial notice of the fact, indeed laid out right in the... in the Legislative counsel's st, SB 595, that the two entities have the same board of ctors, but no purpose would be served in my granting you at to amend because of what I've been saying, that they are erent entities with different functions.

And I take... you know, the -- when the Legislature says it's laid out right in the... in the Legislative counsel's digest, SB 595, that the two entities have the same board of directors, but no purpose would be served in my granting you leave to amend because of what I've been saying, that they are different entities with different functions.

And I take... you know, the -- when the Legislature says "authority" in SB 595, it means BATA, B-A-T-A.

When it says the MTC, it refers separately to the MTC, and Respondents' Appendix

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it gives those two entities different functions.

So the real bottom line here is, you can plead anything you want but I can take judicial notice, and have, of the legislation and of the controlling statutes. allegations can't overcome those.

MR. WHITNEY: But I believe I would have the right to amend that petition to add that party. That would be a supplement --

THE COURT: Well, what purpose would that serve? If you were to add BATA, I have already granted BATA judgment on the pleadings as to these claims. So where would that get you anyway?

MR. WHITNEY: To debate the word and the use of the word imposed and how that's different from the word enactment.

The enactment of SB 595, that began the legislation;
that's the introduction of the legislation.

The imposition of that was that the legislation gave MTC and/or BATA, or just BATA, it gave them the authority; it gave them discretion. They then had to seek out a vote.

If -
THE COURT: Well, it required them to hold a vote. And it then required the authority to impose the increase, if approved by the voters of the nine counties. I think it was nine.

It gave BATA discretion only with respect to the amount of the increase.

MR. WHITNEY: But, Your Honor, the legislation owns those were to add BATA, I have already granted BATA judgment on the

MR. WHITNEY: But, Your Honor, the legislation owns those They have the authority to go ahead and just give BATA or MTC, or both, they have the authority to just say,

1 raise the bridge toll. Move it from zero to three, or 2 somewhere in between. 3 They sought a vote. They wanted to protect the initiative of being able to vote. That's what Cannabis was all about, was 4 5 protecting that initiative. 6 The context of the word imposed was... was simply -- the 7 Supreme Court said, we don't want to limit; we want to broaden 8 the definition; we want to be allowed. 9 Cannabis got into the collection of the tax. That's not 10 what we're talking about here. We're just talking about which we're talking about here. We're just talking about which

ty imposed that tax -- that toll.

THE COURT: Well, look. Either the Legislature imposed
enacted it, as I've indicated;

Or, if we take your theory, BATA did.

BATA's not a party to this lawsuit; so it kind of doesn't

er.

MR. WHITNEY: But I can include them very easily, amend my
tion to do that.

THE COURT: No, you can't. No, that request is denied,
for the reasons I stated.

MR. WHITNEY: Okay.

THE COURT: Anything else?

MR. WHITNEY: Just that this is a debate about 13A versus
I believe 13C applies.

THE COURT: All right.

MR. HANLON: Unless the Court has questions, I submit, 11 entity imposed that tax -- that toll. 12 13 it, enacted it, as I've indicated; 14 15 16 matter. 17 18 petition to do that. 19 20 sir, for the reasons I stated. 21 22 23 24 13B. I believe 13C applies. 25 26 MR. HANLON: Unless the Court has questions, I submit, Your Honor. 27 2.8 THE COURT: I don't.

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            Do you have a proposed order that restates the tentative?
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           MR. HANLON: I do, Your Honor.
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           MR. WHITNEY: So, Your Honor, just to ask again:
       leave to amend the petition to allow -- to add the additional
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      party of the board of MTC, I don't know if I made that
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      properly, but has that been properly brought to the Court?
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            THE COURT: To add the board of MTC as individuals?
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           MR. WHITNEY: As individuals, as additional parties.
                                                                  I
       would like to make that oral motion to the Court.
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            THE COURT: How would that affect your ability to prevail
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       on the merits here? What does it have to do with anything?
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           MR. WHITNEY: For my appeal rights.
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            THE COURT: Well, that's what Mr. Bittle advised you.
14
            Denied.
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           MR. HANLON:
                         Thank you, Your Honor.
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           MR. WHITNEY:
                          I reviewed the proposed order.
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            THE COURT: Thank you, both.
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            (10:31 a.m.)
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STATE of CALIFORNIA )
COUNTY of SAN FRANCISCO )
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I, MARIA ANTONIA TORREANO, DO HEREBY CERTIFY:

That the foregoing is a full, true and correct transcript of the testimony given and proceedings hereinbefore entitled;

That it is a full, true and correct transcript of the evidence offered and received, acts and statements of the court, also all objections of counsel and all matters to which the same relate;

That I reported the same in stenotype to the best of my ability, being the duly-appointed, qualified and official stenographic reporter of said court, and thereafter had the same transcribed, as herein appears.

DATE: August 22, 2019

Maria A. Torreano, CSR, CRR, RMR, CCRR Certificate No. 8600

Goverment Code §69954(d): "Any court, party or person who has purchased a transcript may, without paying a further fee to the reporter, reproduce a copy or portion thereof as an exhibit pursuant to court order or rule, or for internal use, but shall not otherwise provide or sell a copy or copies to any other party or person.

IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA

FIRST APPELLATE DISTRICT

DIVISION TWO

HOWARD JARVIS TAX PAYERS ASSOCIATION et al.,

Plaintiffs and Appellants,

V.

THE BAY AREA TOLL AUTHORITY et al.,

Defendants and Respondents.

RANDALL WHITNEY

Plaintiff and Appellant,

V.

METROPOLITAN TRANSPORTATION COMMISSION,

Defendant and Respondent.

A157598

(San Francisco County Super. Ct. No. CGC18567860)

A157972

(San Francisco County Super. Ct. No. CPF18516276)

BY THE COURT:

Respondents' unopposed motion to augment the record on appeal filed on October 11, 2019, is granted and the record on appeal in the above-entitled case is deemed augmented to include the April 3, 2019 and June 11, 2019 reporter's transcripts, which are attached to the motion.

Date: 11/01/2019 Miller, J. Acting P.J.

ACTING PRESIDING JUSTICE