

Long-Range Financial Planning Workshop

City Council

December 11, 2007

Workshop Objective

- **Informational Session ONLY**
- **Seek Council Feedback**
 - Long-Range Planning Framework
 - Preliminary Staff Recommendations
- **Consider Appropriate Next Steps**
 - Refinement of Long-Range Plan
 - Community Engagement

Workshop Outline

- **Goal of Long-Rang Financial Plan**
- **Review Context for Financial Planning Efforts**
- **Efforts Undertaken Since March 2007 Workshop**

- **Framework for Development of Long-Range Strategy**
- **Options Evaluated by City Staff**
- **Preliminary Staff Recommendation**

- **Council Discussion**
- **Next Steps**

Goals of Long-Range Financial Plan

- **Address Remaining Structural Budget Deficit**
 - Ensure that City can continue to provide current level of services with existing revenue sources
- **Preserve EXISTING Voter-Approved Revenues**
 - ½-cent Sales Tax (\$3.0 million – expires 2010)
 - Parks Maintenance Tax (\$1.3 million – expires 2012)
- **Identify Options for Addressing PRIORITY Needs Not Provided for in Current Budget**
 - Public Safety
 - Transportation
 - Parks / City Facilities

FY2007/08

General Fund Forecast

General Fund	Budget	Forecast			
	FY2007/08	FY2008/09	FY2009/10	FY2010/11	FY2011/12
Beginning Balances	\$ 8,656,781	\$ 7,523,185	\$ 7,173,720	\$ 6,955,554	\$ 6,725,629
Revenues	\$ 38,545,982 1.7%	\$ 40,003,467 3.8%	\$ 41,782,685 4.4%	\$ 43,633,303 4.4%	\$ 45,584,847 4.5%
Baseline Expenditures	\$ 39,679,579	\$ 40,352,931	\$ 42,000,852	\$ 43,863,228	\$ 45,829,514
Encumbrances	4.3%	1.7%	4.1%	4.4%	4.5%
Transfers					
Ending Balance	\$ 7,523,185 19.5%	\$ 7,173,720 17.9%	\$ 6,955,554 16.6%	\$ 6,725,629 15.4%	\$ 6,480,962 14.2%
Reserve Policy \$	5,781,897	6,000,520	6,267,403	6,544,995	6,837,727
Reserve Policy %	15.00%	15.00%	15.00%	15.00%	15.00%
AVAILABLE BALANCES	1,741,287	1,173,200	688,151	180,634	(356,765)
Annual Deficit	(146,376)	(349,464)	(218,167)	(229,925)	(244,667)

Selected Unmet Needs

Factoring-in Priority UNMET NEEDS

			FY2008/09	FY2009/10	FY2010/11	FY2011/12
Citywide						
Facility Replacement Funding*			100,000	200,000	250,000	300,000
Expanded City Hall (O&M)					50,000	50,000
Public Safety						
Police Staffing - Phase 1	Reorg / Ca	One-Time		160,000	170,000	180,000
Police Staffing - Phase 2	2 FTE		175,000	250,000	265,000	280,000
Police Staffing - Phase 3	2-3 FTE			620,000	655,000	690,000
Fire Staffing - Phase 1	B/C's	One-Time		162,000	172,000	182,000
Fire Staffing - Phase 2	Fourth Engine Co.			1,800,000	1,800,000	1,800,000
Fire Staffing - Phase 3	Fourth Fire Station (O&M)			200,000	200,000	200,000
Training Facility / Firing Range				TBD	TBD	TBD
Public Safety - Other				TBD	TBD	TBD
PCS						
Parks CIP * Facilities			100,000	150,000	200,000	300,000
South Davis Pool Complex (O&M)				240,000	252,000	264,600
Public Works						
Concrete (Sidewalk/Bike paths) *			100,000	150,000	200,000	300,000
Street Maintenance			500,000	1,000,000	1,500,000	2,000,000
			\$ 975,000	\$ 4,932,000	\$ 5,714,000	\$ 6,546,600

Projected Taxes/Charges

Typical Homeowner

Annual Cost of Charges in Support of City Services

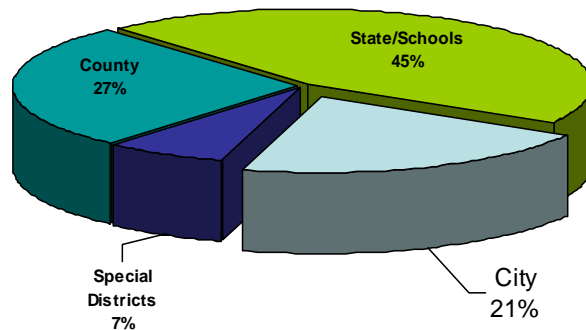
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Property Tax (1% Ad Valorem) <i>Mello-Roos</i>	\$ 3,494	\$ 3,563	\$ 3,635	\$ 3,707	\$ 3,781	\$ 3,857	\$ 3,934	\$ 4,013	\$ 4,093	\$ 4,175
Municipal Service Tax	67	69	71	73	75	78	80	82	85	87
Parks Tax	49	49	49	49	49	49	49	49	49	49
Open Space	24	24	24	24	24	24	24	24	24	24
Public Safety Tax	53	54	56	57	59	61	63	65	67	69
	\$ 192	\$ 196	\$ 200	\$ 204	\$ 207	\$ 211	\$ 216	\$ 220	\$ 224	\$ 229
Drainage/Storm Sewer	47	51	56	61	66	72	78	86	93	102
Sanitation	318	328	338	348	358	369	380	392	403	416
Sewer	428	476	500	530	572	635	724	803	819	836
Water	297	336	390	452	524	608	706	819	950	1,161
	1,090	1,192	1,284	1,391	1,520	1,684	1,888	2,100	2,265	2,515
Annual Taxes and Charges	\$ 4,776	\$ 4,951	\$ 5,118	\$ 5,302	\$ 5,509	\$ 5,753	\$ 6,038	\$ 6,333	\$ 6,583	\$ 6,918
<i>Inflation Adjusted (2001 Base)</i>	\$ 5,522	\$ 5,688	\$ 5,859	\$ 6,034	\$ 6,215	\$ 6,402	\$ 6,594	\$ 6,792	\$ 6,996	\$ 7,205
<i>Inflation Adjusted (2006 Base)</i>	\$ 4,776	\$ 4,919	\$ 5,067	\$ 5,219	\$ 5,375	\$ 5,536	\$ 5,702	\$ 5,874	\$ 6,050	\$ 6,231
School District (Measure Q)	164	164	200	200	200	200	200	200	200	200
Library (Measure P)	42	42	88	88	88	88	88	88	88	88
	\$ 4,982	\$ 5,157	\$ 5,406	\$ 5,590	\$ 5,797	\$ 6,041	\$ 6,326	\$ 6,621	\$ 6,871	\$ 7,206

Context for Development of Long-Range Financial Plan

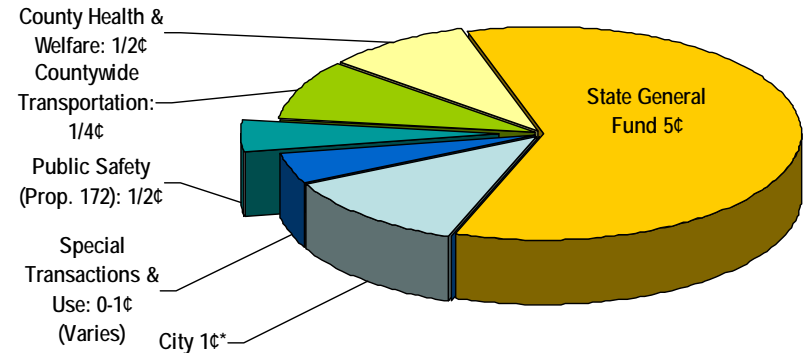
- **Review of Municipal Finance in California**
- **Comparative Service Levels / Expenditures**
- **Comparative Revenues**
- **All About The CHOICES We Make**

Local Finance In California

Property Tax



Sales Tax

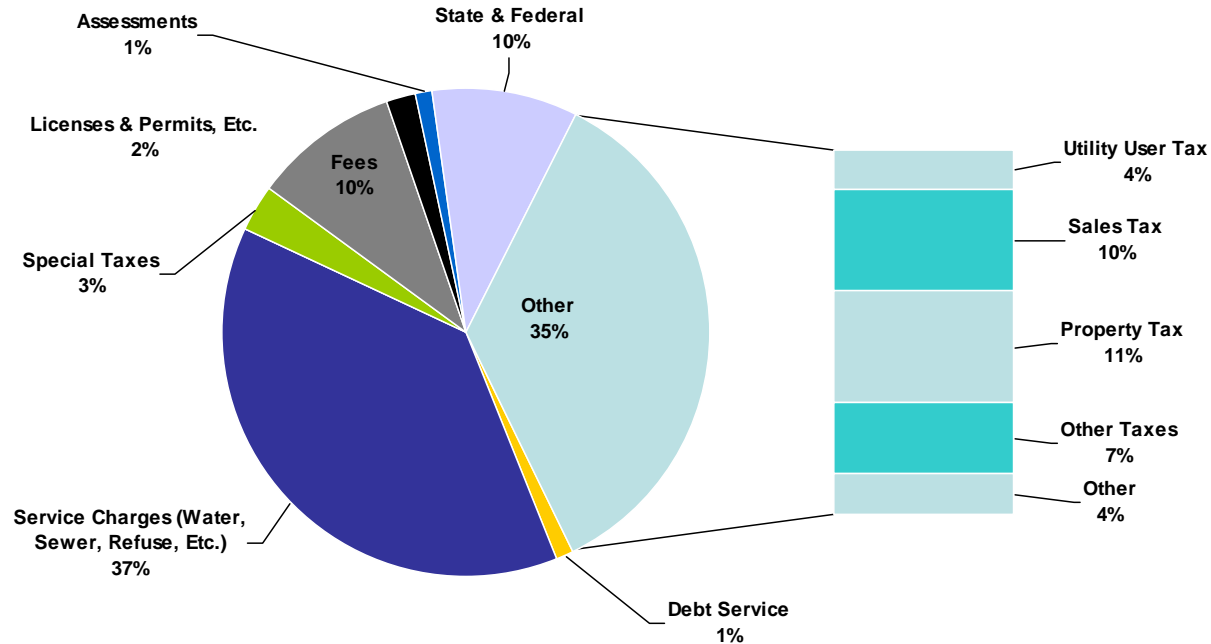


- Property Tax capped at 1% assessed value
- 2% annual cost of living growth factor
- Average City receives 21% of local property tax (Yolo Cities range from 17% to 40%)

Additional erosion of Prop Tax due to ERAF.

- 1¢ of 7.25¢ plus Supplemental Use Taxes (?)
- 13.8% - “situs”-based / 6.5% “use”-based
- \$1,000,000 taxable sales = \$75,000 Sales Tax -> \$15,000 to City
- Trend -Taxable Sales decreasing as % of Personal income
 - Increase % disposable income →housing
 - Service based economy
 - Internet Sales

Typical Funding For Cities



Typical City

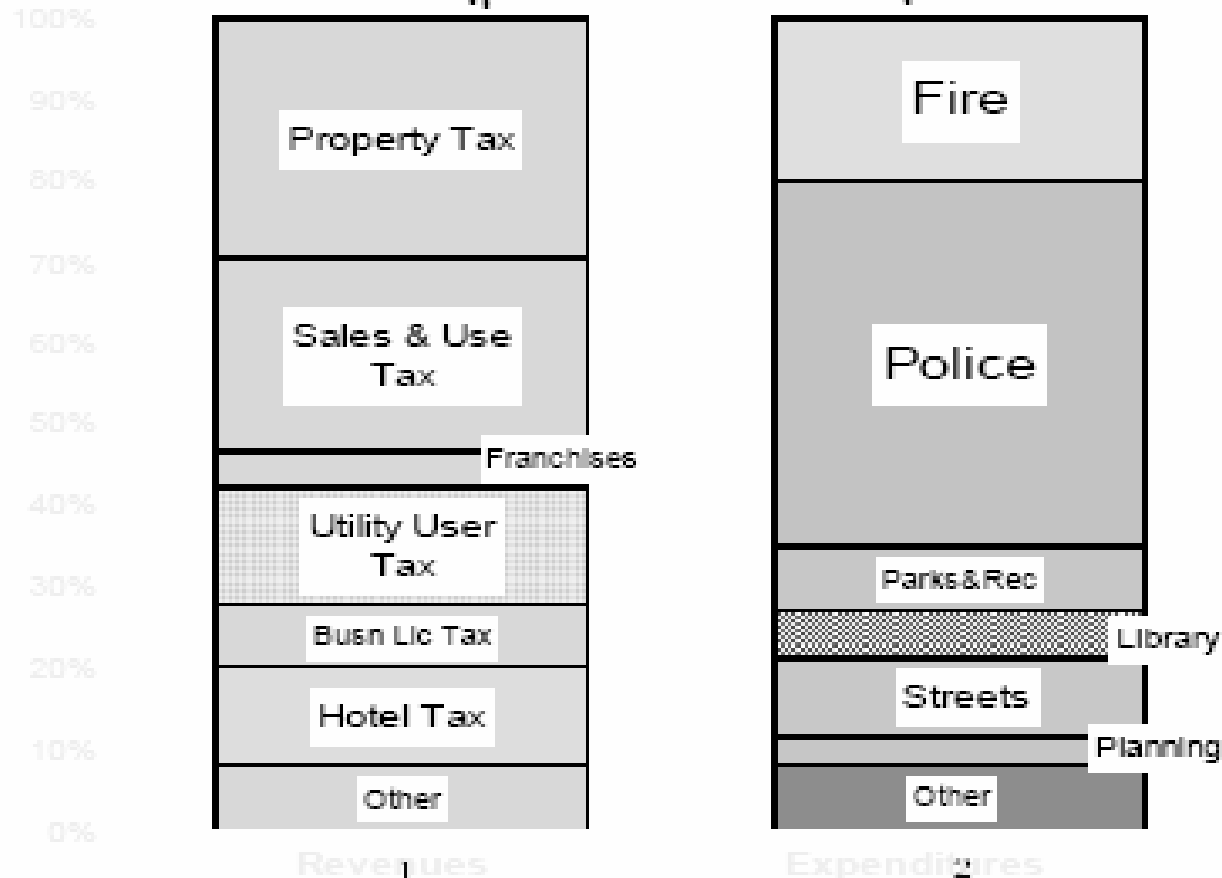
- Unrestricted 36%
 - Fees/Permits 10%
 - Special Taxes Assessments 4%
 - Service Charges 40%
 - State / Federal 10%
- 100%**

Cities in Yolo County

- Unrestricted 33% - 56%
- Fees/Permits 2% - 5%
- Special Taxes/Assess 4% - 19%
- Service Charges 21%-33%
- State / Federal/Other 3%-18%

Discretionary Revenues and Spending

Typical Full Service City

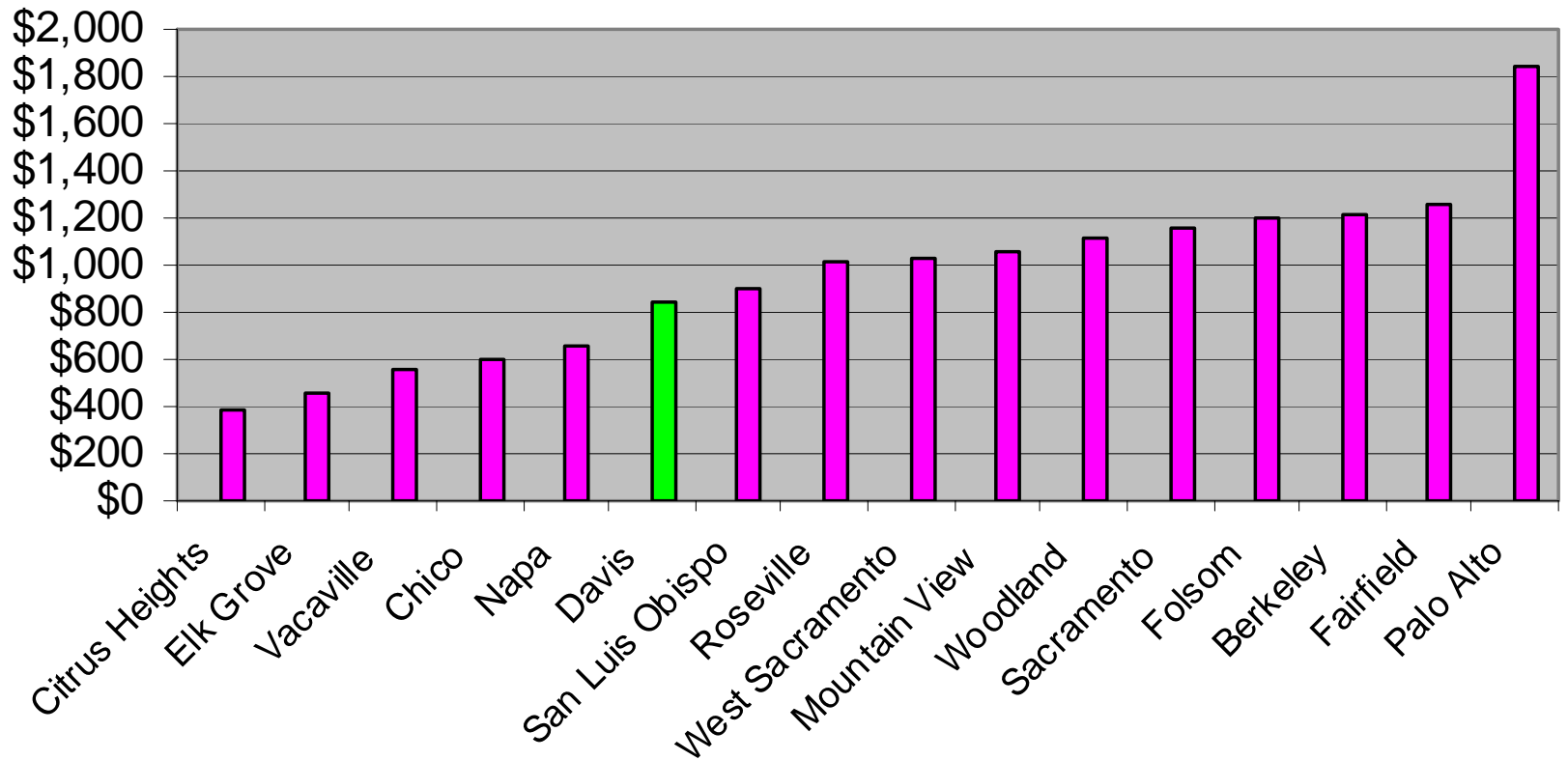


Source: Colson Advisory Services compilations from State Controller reports

The Funding Dilemma: California Post-Prop 13

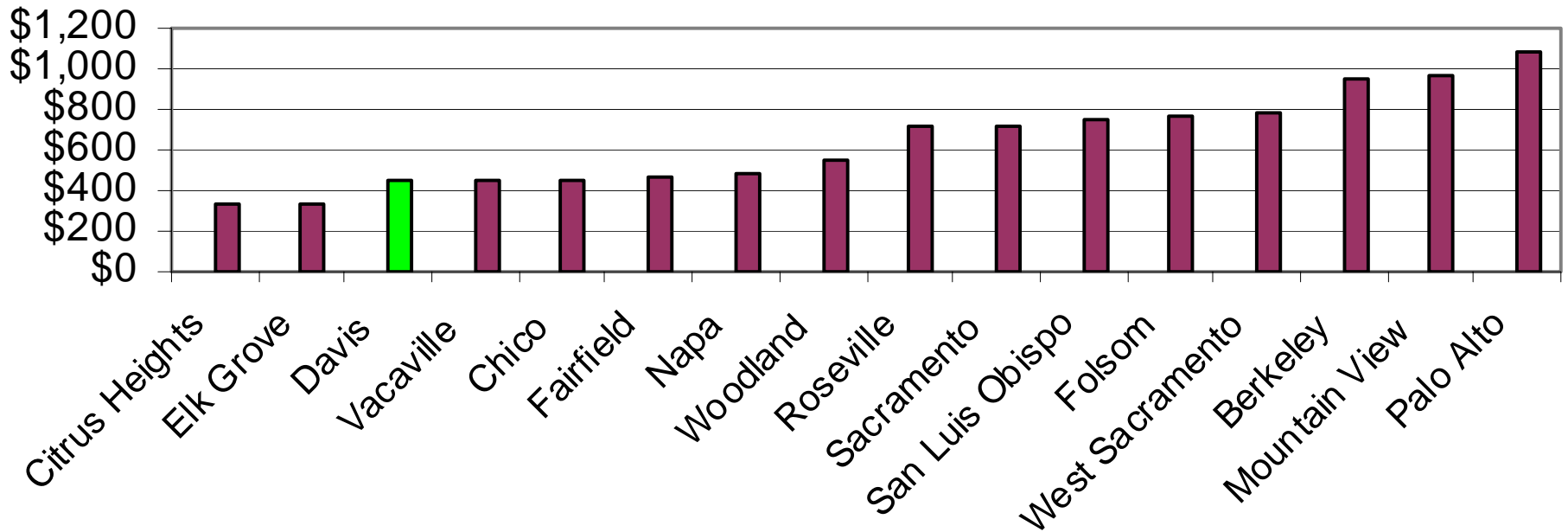
- Prop tax allocations “locked-in” in 1978 (AB8) no longer reflect today’s service needs
- Median/Low-cost housing doesn’t generate sufficient revenue to cover service costs
- Per Capita revenues theoretically support residential services; very little per capita revenues after VLF
- Full-service cities seeking alternative to property tax and sales tax to fund cost of services

Operating Expenditures Per Capita *Excludes Utilities and Special Services*



City of Davis: \$100 = \$6,400,000

General Fund Revenues Per Capita



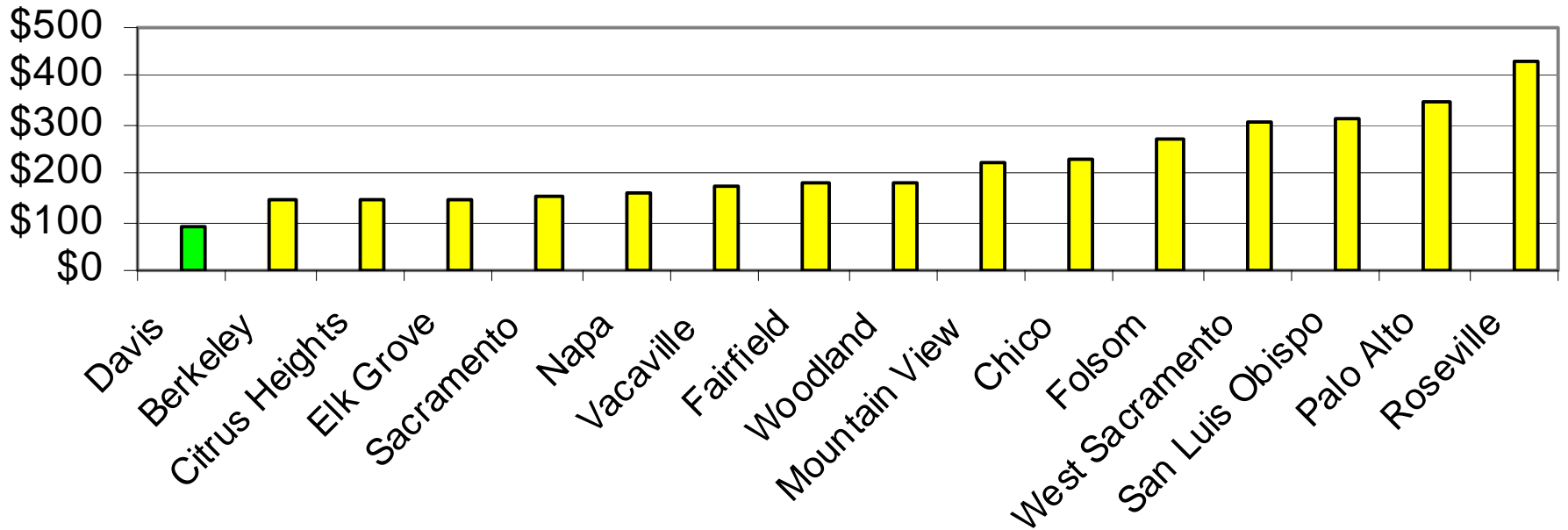
City of Davis: \$100 = \$6,400,000

Revenue Matrix

Selected Cities

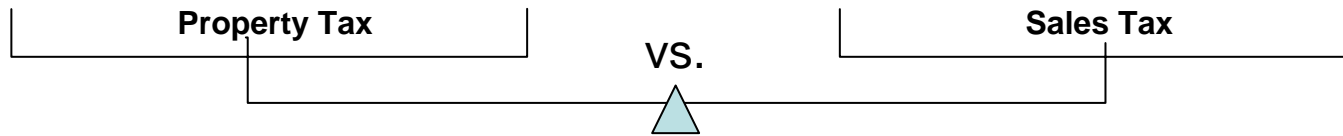
	Property Tax Share	Sales Tax Rate	UUT	RET
Davis	19.3%	7.75		
Woodland	23.1%	7.75		
W. Sacramento	37%	7.75		
Fairfield	14.7%	7.25	2.0%	
Vacaville	17.1%	7.25		
Sacramento	27%	7.75	7.5%	
Folsom	12%	7.75		
Roseville	14%	7.25		
Napa	17.7%	7.75		
Chico	11.8%	7.25	5.0%	
San Luis Obispo	15.1%	7.25	5.0%	
Berkeley	34.2%	8.75	7.5%	1.5%
Palo Alto	9.4%	7.25	5.0%	0.33%
Mountain View	20%	7.25	3.0%	0.33%

Sales Tax Per Capita

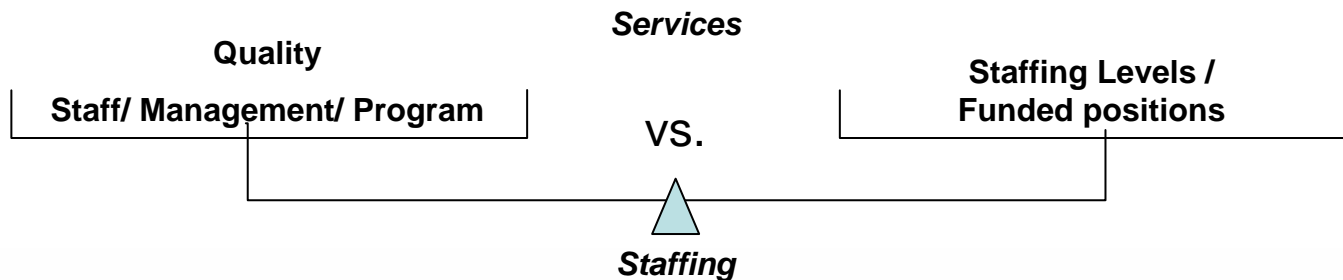
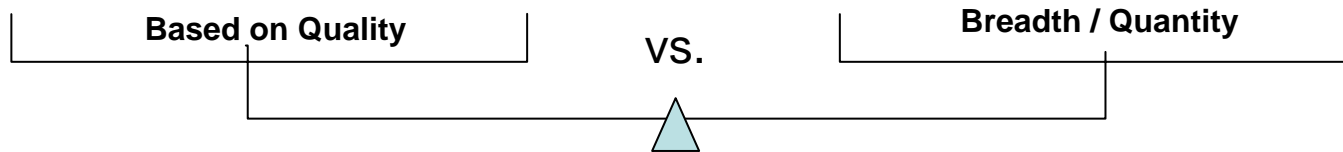
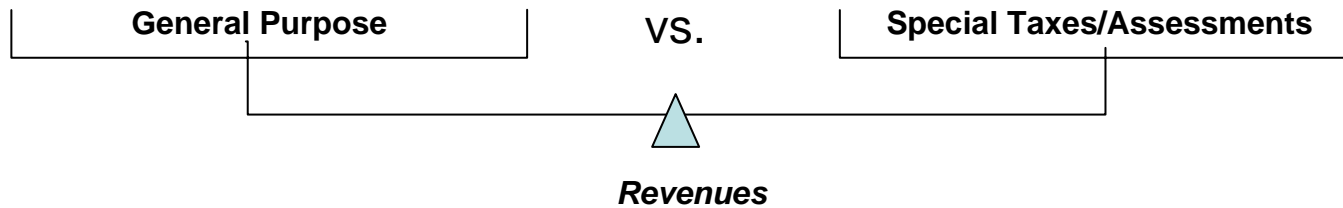


City of Davis: \$50 = \$3,200,000

Choices Funding City Services



Supplemented by:



Efforts Undertaken Since Last Long-Range Planning Workshop

- **Citizen Satisfaction Survey**
- **Police and Fire Staffing Studies**
- **Management Team Round-table Discussions**
- **November 2007 - Local Elections**
- **Finance and Budget Commission Workplan**

Citizen Survey

June 2007

- *Shall the City of Davis be authorized to extend its one-half cent sales tax?*

– Definitely Yes	38%	} 70%
– Probably Yes	32%	
– Probably No	10%	
– Definitely No	12%	
– Don't Know	8%	

- *In order to enhance levels of service of critical city services, shall the City of Davis be authorized to increase its current one-half cent sales tax to three-quarters cents?*

– Definitely Yes	21%	} 50%
– Probably Yes	29%	
– Probably No	16%	
– Definitely No	25%	
– Don't Know	9%	

Citizen Survey

June 2007

Would you be more or less likely to support an increase if the funds would be spend on _____?

----- Responses in (%) -----

	Much More	Somewhat More	No Effect	Somewhat Less	Much Less	DK N/A
Police	17	32	15	22	11	3
Recreation	17	36	12	12	18	3
Bike paths/Lanes	30	31	9	16	12	2
City Streets	27	38	12	13	9	1
City Parks	24	39	10	17	7	2
Fire Services	16	37	16	16	6	9

Police & Fire Staffing Studies

- **Police Staffing Recommendations** *(July 2007)*

Phase 1 – Management Re-Organization / Add Police Captain

Phase 2 - School Resource Officer / Add Investigations staff

Phase 3 – Additional Policing Officers / Community Policing

- **Fire Staffing Recommendations** *(September 2007)*

Phase 1 – Management Re-organization / Battalion Chiefs

Phase 2 – Fire Staffing Options for Reduced Response Times

Phase 3 – Fourth Fire Station

Management Team Round-table

- Series of meetings held over past 5 months
 - Reviewed individual departmental funding needs
 - Evaluated alternative funding mechanisms
 - Invited outside consultants for input/feedback
 - Legal Considerations with City Attorney
 - Reviewed results of statewide local ballot measures
 - Reviewed “range” of ballot scenarios
 - Refined list of scenarios
- ↓
- Led to preliminary staff recommendation

November 2007 Elections

Local Measures

School Parcel Tax PASSED – 72.9% Support

- Increased Annual Single-Family Unit Rate by \$34 (from \$166 to \$200)
- Increased Multi-Family Unit Rate by \$17 (from \$83 to \$100)
- Sunsets in 2010

Library (County) Parcel Tax PASSED – 73.1% Support

- Increased Annual Single-Family Rate by \$46 (from \$42 to \$88)
- Increased Multi-Family Rate from \$42 per parcel to \$42 per unit

November 2007 Elections

Statewide

- **Primarily Special Districts and School Measures**

- **Voters Approved:**
 - 5 of 6 School Parcel Taxes
 - 1 of 1 Library Parcel Taxes
 - 4 of 8 Public Safety Parcel Taxes
 - 0 of 5 Parks Parcel Taxes

- **Utility Users' Taxes**
 - 2 of 2 CONTINUED
 - 1 of 1 INCREASED
 - 7 of 7 REDUCED

- **Real Estate Transfer Taxes**
 - 2 of 7 General Tax Increases Passed
 - 2 of 2 Special Tax Increases Passed

Finance and Budget Commission

- Commission Public Education / Outreach Sub-Committee
 - Reviewed selected Citizen Survey Questions
 - Plan for Community Dialogue (Spring/Summer)
 - City Commissions
 - Community Groups
- Commission currently conducting series of presentations from City Departments
 - Police
 - Fire
 - Parks and Community Services
 - Public Works
 - Planning / Administration

Framework for Long-Range Financial Plan

- **City Council Goals – Fiscal Stability**
- **Prioritization of Unmet Needs**
- **Evaluation of Potential Funding Mechanisms**
- **Timing Considerations**
- **Legal Considerations**
- **Inter-Jurisdictional Considerations**

Council Goals

Long-Term Financial Stability

- Provide long-term sustainability matching revenues with expenditures over the long term while maintaining 15% reserve
- Develop a long-term financial plan and a budget process to assure that the city can pay today's bills and will be able to pay tomorrow's bills
- Ensure that the city's fiscal stability doesn't depend on growth and that any growth pays for itself.
- Ensure that fee structures are legally sound and related to policy goals
- Continue to provide high quality city services that meet the needs of residents

Council Goals

6 – 12 Month Objectives

- **Development & presentation of a work plan/timeline for maintaining or replacing existing revenue sources. (*March 2007*)**
 - **Identify community priorities related to unmet needs and identify the viable funding proposals for the priorities. (*June 2007*)**
 - **Adopt budget that begins to address unfunded liabilities (*June 2007*)**
 - **Review and update the General Fund Five-year Budget Forecast and develop complementary five-year forecasts and establish reserve level policies for selected Special Revenue, Enterprise and Internal Funds. *Future (by 2008)***
-

Public Safety

- **Select process and funding mechanism for fourth fire station/engine company to achieve a five minute response time and have adequate emergency response time throughout the community. (June 2007)**

Selected Priority Unmet Needs

(\$ Millions)

<u>Category</u>	<u>One-Time</u>	<u>Recurring</u>	<u>Cumulative</u>
Public Safety / Fire	\$3.70	\$2.06	\$2.06
Public Safety / Police	0.18	1.00	3.06
Transportation		2.30	5.06
Parks / Facilities / Maintenance	4.67	0.60	5.66
General Government	1.50	0.79	6.45
Second Tier			
– Fire			
– Police			
– Transportation			
– Parks			
– General Government			
		0.76	7.21
TOTALS	\$10.650		\$7.21

POTENTIAL TAX MEASURES / FUNDING SOURCES

ISSUE	RANGE (\$M)	Baseline Budget	Tax Measures			Parcel Tax			
			Sales Tax	UUT	RET (charter)	Muni Svcs	Pub Safety	Parks	Other
General Fund Shortfall (Baseline)	TBD	X							
Unfunded Liabilities	TBD	X							
Other Funds	TBD		X						
1/2 Cent Sales Tax - Measure P	\$3.0		X						
Parks Maint Tax - Measure G	\$1.3		X	X	X	X X		X	
Prop 218-Related Issues									
Franchise / In-Lieu (\$490,000)		X	X	X	X				X
Stormwater Fee (\$650,000)	\$1.7	X	X	X	X				X
Municipal Water Usage (\$400,000 +)		X	X	X	X			X	
<i>Public Safety</i>	\$2.0 - \$3.0 /yr "+ excl.	X	X	X	X		X		
Fourth Fire Station (Capital)							X		
Fourth Fire Station (Operations)							X		
Other Fire Staffing		X					X		
Police Staffing		X							
Other Police							X		
Transportation	\$1.2 - \$2.0		X	X	X				X
Street Maintenance									(Countywide)
Parks / Facilities / Sidewalks / Paths	\$0.8 - \$1.0								
Parks Facilities (replacement)		X						X	
City Facilities		X	X	X	X				
Sidewalks		X	X	X	X				
Bike Paths / Bike/Ped									
Other - General Gov't. / Services	\$1.0 - \$2.0	X	X	X	X				

Sales Tax

Transaction and Use Tax

- City adopted ½ cent Transaction and Use tax in 2004
 - Sales Tax rate = 7.75%
 - Generates approx. \$3 million/yr.
- 58 cities and 48 counties have imposed Transaction and Use Tax
 - Rates range from 0.10 to 1.0 cents
- “Base” sales tax revenues in Davis are far below state and region average:
 - \$93 per capita
 - #358 out of 512 cities/counties
- Advantages
 - Can be General or Special tax
 - Exemptions reduce regressiveness
 - No evidence of competitive disadvantage
 - Partially paid by visitors
- Disadvantages
 - Elastic – subject to economic cycles
 - Subject to legislative tampering

Utility Users Tax

2001 Study of UUT

- 4% UUT would generate
 - \$1.4 million Cable, Gas/Elect.
 - \$2.1 million w/ Telephone
 - \$0.6 for City Utilities
 - \$2.7 million potential
- Each 1% generates
 - \$344,000 Cable/Gas/Elect.
 - \$528,000 w/ Telephone
 - \$154,000 for City Utilities
 - \$682,000 potential
- Advantages
 - Can be General or Special tax
 - Collected by utility companies
 - Automatically increases with utility rates
- Disadvantages
 - Regressive – requires extra administration for exemptions
 - Burdensome to businesses with high utility needs
 - Unpopular
 - Utilities resist imposition
 - Rapid changing technology and legal landscape

Real Estate Transfer Tax

- 23 cities impose a voter-approved Real Estate Transfer tax paid at time of sale of property
- Rates range from 0.2% to 1.5% of sales price
- City of Davis “Documentary Transfer Tax”, based on 0.055% yields \$236,000/yr.
- A Real Estate Transfer tax would generate roughly
 - 0.5% = \$2.3 million
 - 1.0% = \$4.3 million
- Advantages
 - Can be General or Special tax
 - Tax is paid “once” at time of purchase of property
 - Generally paid by buyer
 - Small cost in relation to purchase price
- Disadvantages
 - Requires City Charter in order to enact local RETT
 - Generally opposed by real estate interests
 - Revenues subject to fluctuations in real estate activity (prices and turnover)

Timing Considerations

LONG-RANGE ELECTION CALENDAR

	FEBRUARY	MARCH	APRIL	MAY	JUNE	NOVEMBER
2007				Mail-Ballot		
2008		Mail-Ballot			GENERAL PURPOSE (Council Election)	
2009				Mail-Ballot		
2010		Mail-Ballot			GENERAL PURPOSE (Council Election) MEASURE P	
2011				Mail-Ballot		
2012		Mail-Ballot			GENERAL PURPOSE (Council Election) MEASURE Q	

ELECTION CALENDAR

EVEN-NUMBERED YEAR

		Feb '08 <i>State Primary</i>	April '08 <i>Open</i> <i>Election Date</i>	June '08 <i>Council Election</i>	November '08 <i>Presidential General</i> <i>Election</i>
		Special Tax	Special Tax	General Tax	Special Tax
Preliminary Options/Rec		Fall '06	Winter '06/07	Spring '07	Summer '07
Community Outreach		Nov - Aug	Jan - Oct	March - Dec	Aug - May
<i>Public Info - Issues / Approaches</i>	3-7 mos	Nov - Apr	Jan - June	March - Aug	Aug - Jan
<i>Community Workshops</i>	2 mos.	Feb - Mar	April - May	June - July	Nov - Dec
<i>Community Survey</i>	3 mos	Mar - June	June - Aug	Aug - Oct	Jan - March
<i>Emerging Proposals</i>	2 mos.	July - Aug	Sept - Oct	Nov - Dec	April - May
Staff Recommendation		August '07	October '07	December '07	May '08
Council Direction to Draft		Early Sep '07	Early Nov '07	Early Jan '08	Early June '08
1st Reading of Ordinance		End Sep '07	End Nov '07	End Jan '08	End June '08
Council Adopts Ordinance Calls Election		1st Week Oct '07	1st Week Dec '07	1st Week Feb '08	1st Week July '08
Election Date		Feb '08	April '08	June '08	November '08

Legal Considerations

Approval Requirements for Local Revenue Measures

	<u>Governing Body</u>	<u>Voters</u>
City or County “General Tax”	2/3	Majority
City or County “Special Tax”	Majority	2/3
Property Assessments	Majority	Majority of Property owners (weighted)
Property-Related Fees	Majority	2/3 of voters or Majority of property owners
Fees – All others	Majority	None

Legal Considerations

- City could consider pros/cons of using mail ballots for selected measures being considered for presentation to voters and/or property-owners
- Long-Range Financial Plan would ideally include strategies to ensure ongoing compliance with Proposition 218 and other requirements, based on evolving legal interpretations.
- Legal guidance will be needed to ensure that any proposals to adjust or increase an existing approved municipal fee or tax do not jeopardize that existing fee or tax.

Legal Considerations

- Important to monitor possible changes in legal considerations related to selected revenue options, including:
 - Utility Users' Tax – rapidly evolving technology challenges current ordinances
 - Real Estate Transfer Tax – currently requires City Charter
 - 9-1-1 Fees – Currently undergoing variety of legal challenges / near-resolution

Inter-Jurisdictional Considerations

- **“Competing” Future Funding needs or renewal measures**
 - School District
 - County
- **Possible Countywide measures**
- **Cumulative impacts of existing/proposed taxes and assessments**
- **State Considerations**
 - State Budget “spill-over”
 - Statewide ballot initiatives

Timing Considerations

LONG-TERM PLANNING MATRIX

Potential Future Ballot Measures

ISSUE	RANGE (\$M)	Measure	2008	2009	2010	2011	2012
General Fund Shortfall (Baseline)	TBD						
Unfunded Liabilities	TBD						
Other Funds	TBD						
Measure P	\$3.0	(1/2 Sales Tax)					
Measure G	\$1.3	(Parks Tax)					
Prop 218-Related Issues							
Franchise / In-Lieu (\$490,000)							
Stormwater Fee (\$650,000)	\$1.7						
Municipal Water Usage (\$400,000 +)							
<i>Public Safety</i>	\$2.0 - \$3.0 /yr "+" <i>excl.</i>						
Fourth Fire Station (Capital)		General					
Fourth Fire Station (Operations)		Special					
Other Fire Staffing							
Police Staffing							
Other Police							
Transportation	\$1.2 - \$2.0						
Street Maintenance		General Special Regional (?)					
Parks / Facilities / Sidewalks / Paths	\$0.8 - \$1.0						
Parks Facilities (replacement)		General					
City Facilities		Special					
Sidewalks							
Bike Paths / Bike/Ped							
Other - General Govt. / Services	\$1.0 - \$2.0	General					

Options Evaluated by City Staff

ISSUE	RANGE (\$M)	OPTION A1	OPTION A2	OPTION E1	OPTION C	OPTION D
General Fund Shortfall (Baseline)	TBD					
Unfunded Liabilities	TBD					
Other Funds	TBD					
Measure P	\$3.0	2010 Renew Existing Sales Tax	2010 Renew Existing Sales Tax	2010 Renew Existing Sales Tax	2008 Renew Existing Sales Tax	2008 Renew Existing Sales Tax
Measure G	\$1.3	2011 Replace w/ Muni Svc.	2011 Replace w/ Muni Svc.	2011 Replace w/ Muni Svc.	2011 Replace w/ Muni Svc.	2011 Replace w/ Muni Svc.
Prop 218-Related Issues						
Franchise / In-Lieu (\$490,000)		2008/09	2008/09	2009	2010	2009
Stormwater Fee (\$650,000)	\$1.7	Property Owner Ballot	Property Owner Ballot	Property Owner Ballot	Property Owner Ballot	Property Owner Ballot
Municipal Water Usage (\$400,000 +)		EXISTING FEE	w/ FEE INCREASE	WITH FEE INCREASE		
<i>Public Safety</i>	\$2.0 - \$3.0 /yr "+" excl.	2009 Increase	2009 Increase	2008/09 Increase	2009 Increase	2008 Increase
Fourth Fire Station (Capital)		Public Safety Tax	Public Safety Tax	Public Safety Tax	Public Safety Tax	Sales Tax (to 8.25%)
Fourth Fire Station (Operations)						
Other Fire Staffing						
Police Staffing		A) Increase Rate	A) Increase Rate	A) Increase Rate	A) Ratify Existing B) Option to Increase	A) Ratify Existing B) Option to Increase
Other Police						
Transportation	\$1.2 - \$2.0	2010 Option to Increase Sales Tax (to 8.0%)	2010 Option to Increase Sales Tax (to 8.0%)	2010 Option to Increase Sales Tax (to 8.0%)	2008 Option to Increase Sales Tax (to 8.0%)	2010 Countywide Measure For Streets/Roads
Parks / Facilities / Sidewalks / Paths	\$0.8 - \$1.0	2011 Possible Increase w/ Replacement MST	2011 Possible Increase w/ Replacement MST	2011 Possible Increase w/ Replacement MST	2011 Possible Increase w/ Replacement MST	2011 Possible Increase w/ Replacement MST
Parks Facilities (replacement)						
City Facilities						
Sidewalks						
Bike Paths / Bike/Ped						
Other - General Govt. / Services	\$1.0 - \$2.0					

Options Evaluated by City Staff

OPTION A

- Address Prop 218 Issues 2008
 - Stormwater
 - Franchise / In-Lieu
- Public Safety Tax 2009
 - Police and Fire Staffing
 - Fourth Engine Company
- Renewal of Sales Tax 2010
 - “Option” for increase for Streets and Roads
- Replace Parks Tax w/ Increase in Muni Services Tax 2012

LONG-TERM PLANNING MATRIX

Potential Future Ballot Measures

OPTION A

ISSUE	RANGE (\$M)	Measure	2008	2009	2010	2011	2012
General Fund Shortfall (Baseline)	TBD						
Unfunded Liabilities	TBD						
Other Funds	TBD						
Measure P	\$3.0	(1/2 Sales Tax)			3.00 Renew Sales Tax		
Measure G	\$1.3	(Parks Tax)					1.30 Replace w/ Muni Svc
Prop 218-Related Issues							
Franchise / In-Lieu (\$490,000)			1.15				
Stormwater Fee (\$650,000)	\$1.7		Ratify Existing Fees				
Municipal Water Usage (\$400,000 +)							
<i>Public Safety</i>	\$2.0 - \$3.0 /yr "+"			2.5			
Fourth Fire Station (Capital)	<i>excl.</i>	General		Public Safety Tax			
Fourth Fire Station (Operations)		Special					
Other Fire Staffing							
Police Staffing							
Other Police							
Transportation	\$1.2 - \$2.0				1.5		
Street Maintenance		General Special Regional (?)			1/4 cent for Streets		
Parks / Facilities / Sidewalks / Paths	\$0.8 - \$1.0						0.20
Parks Facilities (replacement)		General					Increase for Parks
City Facilities		Special					
Sidewalks							
Bike Paths / Bike/Ped							
Other - General Govt. / Services	\$1.0 - \$2.0	General					

Options Evaluated by City Staff

OPTION B

- Public Safety Tax 2008
 - Police and Fire Staffing
 - Fourth Engine Company
- Address Prop 218 Issues 2009
 - Stormwater
 - Franchise / In-Lieu
- Renewal of Sales Tax 2010
 - “Option” for increase for Streets and Roads
- Replace Parks Tax w/ Increase in Muni Services Tax 2011
 - Option for 2012 if measure fails

LONG-TERM PLANNING MATRIX

Potential Future Ballot Measures

OPTION B

ISSUE	RANGE (\$M)	Measure	2008	2009	2010	2011	2012
General Fund Shortfall (Baseline)	TBD						
Unfunded Liabilities	TBD						
Other Funds	TBD						
Measure P	\$3.0	(1/2 Sales Tax)			3.00 Renew Sales Tax		
Measure G	\$1.3	(Parks Tax)				1.30 Replace w/ Muni Svc	
Prop 218-Related Issues							
Franchise / In-Lieu (\$490,000)				1.15			
Stormwater Fee (\$650,000)	\$1.7			Ratify Existing Fees			
Municipal Water Usage (\$400,000 +)							
<i>Public Safety</i>	\$2.0 - \$3.0 /yr "+" excl.		2.5				
Fourth Fire Station (Capital)		General	Public Safety Tax				
Fourth Fire Station (Operations)		Special					
Other Fire Staffing							
Police Staffing							
Other Police							
Transportation	\$1.2 - \$2.0				1.5		
Street Maintenance		General Special Regional (?)			1/4 cent for Streets		
Parks / Facilities / Sidewalks / Paths	\$0.8 - \$1.0					0.20	
Parks Facilities (replacement)		General				Increase for Parks	
City Facilities		Special					
Sidewalks							
Bike Paths / Bike/Ped							
Other - General Govt. / Services	\$1.0 - \$2.0	General					

Options Evaluated by City Staff

OPTION C

- Renewal of Sales Tax 2008
 - Renew existing ½ cent tax
 - Option for Increase (1/4 cent) for Streets/Roads

- Public Safety Tax Increase 2009
 - Police and Fire Staffing
 - Fourth Engine Company

- Address Prop 218 Issues 2010
 - Stormwater
 - Franchise / In-Lieu

- Replace Parks Tax w/ Increase in Muni Services Tax 2011
 - Option for 2012 if measure fails

LONG-TERM PLANNING MATRIX

Potential Future Ballot Measures

OPTION C

ISSUE	RANGE (\$M)	Measure	2008	2009	2010	2011	2012
General Fund Shortfall (Baseline)	TBD						
Unfunded Liabilities	TBD						
Other Funds	TBD						
Measure P	\$3.0	(1/2 Sales Tax)	3.00 Renew Sales Tax				
Measure G	\$1.3	(Parks Tax)				1.30 Replace w/ Muni Svc	
Prop 218-Related Issues							
Franchise / In-Lieu (\$490,000)							
Stormwater Fee (\$650,000)	\$1.7				1.15 Ratify Existing Fees		
Municipal Water Usage (\$400,000 +)							
<i>Public Safety</i>	\$2.0 - \$3.0 /yr "+" excl.			2.5 Public Safety Tax			
Fourth Fire Station (Capital)		General					
Fourth Fire Station (Operations)		Special					
Other Fire Staffing							
Police Staffing							
Other Police							
Transportation	\$1.2 - \$2.0						
Street Maintenance		General Special Regional (?)	1.5 1/4 cent for Streets				
Parks / Facilities / Sidewalks / Paths	\$0.8 - \$1.0						
Parks Facilities (replacement)		General				0.20 Increase for Parks	
City Facilities		Special					
Sidewalks							
Bike Paths / Bike/Ped							
Other - General Govt. / Services	\$1.0 - \$2.0	General					

Options Evaluated by City Staff

OPTION D

- Renewal of Sales Tax 2008
 - Renew existing ½ cent tax
 - “Option” for Increase (1/2 cent) for Police/Fire Staffing
- Address Prop 218 Issues 2009
 - Stormwater
 - Franchise / In-Lieu
- Seek Countywide Measure for Streets/Roads 2010
- Replace Parks Tax w/ Increase in Muni Services Tax 2011
 - Option for 2012 if measure fails

LONG-TERM PLANNING MATRIX

Potential Future Ballot Measures

OPTION D

ISSUE	RANGE (\$M)	Measure	2008	2009	2010	2011	2012
General Fund Shortfall (Baseline)	TBD						
Unfunded Liabilities	TBD						
Other Funds	TBD						
Measure P	\$3.0	(1/2 Sales Tax)	3.00 Renew Sales Tax				
Measure G	\$1.3	(Parks Tax)				1.30 Replace w/ Muni Svc	
Prop 218-Related Issues							
Franchise / In-Lieu (\$490,000)				1.15			
Stormwater Fee (\$650,000)	\$1.7			Ratify Existing Fees			
Municipal Water Usage (\$400,000 +)							
<i>Public Safety</i>	\$2.0 - \$3.0 /yr "+" excl.						
Fourth Fire Station (Capital)		General	2.5 Incr. Sales Tax				
Fourth Fire Station (Operations)		Special					
Other Fire Staffing							
Police Staffing							
Other Police							
Transportation	\$1.2 - \$2.0						
Street Maintenance		General Special Regional (?)			1.5 Countywide Measure		
Parks / Facilities / Sidewalks / Paths	\$0.8 - \$1.0						
Parks Facilities (replacement)		General				0.20	
City Facilities		Special				Increase for Parks	
Sidewalks							
Bike Paths / Bike/Ped							
Other - General Govt. / Services	\$1.0 - \$2.0	General					

Options Evaluated by City Staff

OPTION E

- Public Safety Tax 2008
 - Police and Fire Staffing
 - Fourth Engine Company

- Address Prop 218 Issues 2009
 - Stormwater
 - Franchise / In-Lieu

- Renewal of Sales Tax 2010

- Renew existing ½ cent tax
 - “Option” for Increase (1/4 cent) for Streets/Roads

- Replace Parks Tax w/ new UUT or RET 2012
 - Replace Existing Parks Tax (\$1.3 million)
 - Increase for Parks/Facilities
 - Other Needs

LONG-TERM PLANNING MATRIX
Potential Future Ballot Measures

OPTION E

ISSUE	RANGE (\$M)	Measure	2008	2009	2010	2011	2012
General Fund Shortfall (Baseline)	TBD						
Unfunded Liabilities	TBD						
Other Funds	TBD						
Measure P	\$3.0	(1/2 Sales Tax)			3.00 Renew Sales Tax		
Measure G	\$1.3	(Parks Tax)					1.30 Replace w/ UUT or RET
Prop 218-Related Issues							
Franchise / In-Lieu (\$490,000)				1.15			
Stormwater Fee (\$650,000)	\$1.7			Ratify Existing Fees			
Municipal Water Usage (\$400,000 +)							
<i>Public Safety</i>	\$2.0 - \$3.0 /yr "+"		2.5				
Fourth Fire Station (Capital)	excl.	General	Public Safety Tax				
Fourth Fire Station (Operations)		Special					
Other Fire Staffing							
Police Staffing							
Other Police							
Transportation	\$1.2 - \$2.0	General			1.5		
Street Maintenance		Special Regional (?)			1/4 cent for Streets		
Parks / Facilities / Sidewalks / Paths	\$0.8 - \$1.0						1.00 UUT / RET
Parks Facilities (replacement)		General					
City Facilities		Special					
Sidewalks							
Bike Paths / Bike/Ped							
Other - General Govt. / Services	\$1.0 - \$2.0	General					1.00 UUT / RET

Options Evaluated by City Staff

OPTION F

- Address Prop 218 Issues 2008
 - Stormwater
 - Franchise / In-Lieu
- Renewal of Sales Tax 2010
 - Renew existing ½ cent tax
 - “Option” for Increase (1/4 cent) for Streets/Roads
- Public Safety Tax 2011
 - Police and Fire Staffing
 - Fourth Engine Company
- Replace Parks Tax w/ Increase in Muni Services 2012
 - Replace Existing Parks Tax (\$1.3 million)
 - Increase for Parks/Facilities

LONG-TERM PLANNING MATRIX
Potential Future Ballot Measures

OPTION F

ISSUE	RANGE (\$M)	Measure	2008	2009	2010	2011	2012
General Fund Shortfall (Baseline)	TBD						
Unfunded Liabilities	TBD						
Other Funds	TBD						
Measure P	\$3.0	(1/2 Sales Tax)			3.00 Renew Sales Tax		
Measure G	\$1.3	(Parks Tax)					1.30 Replace w/ Muni Svc
Prop 218-Related Issues							
Franchise / In-Lieu (\$490,000)			1.15				
Stormwater Fee (\$650,000)	\$1.7		Ratify Existing Fees				
Municipal Water Usage (\$400,000 +)							
<i>Public Safety</i>	\$2.0 - \$3.0 /yr "+" <i>excl.</i>					2.5 Public Safety Tax	
Fourth Fire Station (Capital)		General					
Fourth Fire Station (Operations)		Special					
Other Fire Staffing							
Police Staffing							
Other Police							
Transportation	\$1.2 - \$2.0				1.5 1/4 cent for Streets		
Street Maintenance		General Special Regional (?)					
Parks / Facilities / Sidewalks / Paths	\$0.8 - \$1.0						0.20 Increase for Parks
Parks Facilities (replacement)		General					
City Facilities		Special					
Sidewalks							
Bike Paths / Bike/Ped							
Other - General Govt. / Services	\$1.0 - \$2.0	General					

Preliminary Staff Recommendation

POTENTIAL TAX MEASURES / FUNDING SOURCES

ISSUE	RANGE (\$M)	Baseline Budget	Tax Measures			Parcel Tax			
			Sales Tax	UUT	RET (charter)	Muni Svcs	Pub Safety	Parks	Other
General Fund Shortfall (Baseline)	TBD	0.30							
Unfunded Liabilities	TBD	1.00							
Other Funds	TBD		X						
1/2 Cent Sales Tax - Measure P	\$3.0		3.00						
Parks Maint Tax - Measure Q	\$1.3		X	X	X	1.30		X	
						0.20			
Prop 218-Related Issues									
Franchise / In-Lieu (\$490,000)		X	X	X	X				0.50
Stormwater Fee (\$650,000)	\$1.7	X	X	X	X				0.65
Municipal Water Usage (\$400,000 +)		0.60	X	X	X			X	
<i>Public Safety</i>	\$2.0 - \$3.0 /yr "+ excl.	0.50	X	X	X		2.50		
Fourth Fire Station (Capital)									
Fourth Fire Station (Operations)		X					X		
Other Fire Staffing							X		
Police Staffing		X							
Other Police							X		
Transportation	\$1.2 - \$2.0		1.50	X	X				X
Street Maintenance									(Countywide)
Parks / Facilities / Sidewalks / Paths	\$0.8 - \$1.0								
Parks Facilities (replacement)		0.30						X	
City Facilities		0.30	X	X	X				
Sidewalks		0.30	X	X	X				
Bike Paths / Bike/Ped									
Other - General Gov't. / Services	\$1.0 - \$2.0	X	X	X	X				
		3.30	4.5	0	0	1.5	2.5	0	1.15
									\$ 9.65
									\$ (5.45)
									\$ 4.20

Renewals/ratify (\$3.0 + \$1.3 + \$1.15)

Preliminary Staff Recommendation

- OPTION A1

- **Address Prop 218 Issues**

Nov 2008 / March 2009

- *Storm water – **Ratify Current Fee (w/ escalator)**
property owners*

*Mail Ballot
or*

- *Franchise Fee / In-Lieu Property Tax*

General Electorate

- **Public Safety Tax**

June or Nov 2009

- *Increase for Police and Fire Staffing needs*

- **Sales Tax**

June 2010

- *Renew Existing ½ cent Sales Tax*
 - *Option for Increase of ¼ cent for Streets and Roads*

- **Replace Parks Tax w/ Increase in Muni Services Tax**

June 2011

- *Provides for alternative (2012) if measure fails*

LONG-TERM PLANNING MATRIX

Potential Future Ballot Measures

OPTION A1

ISSUE	RANGE (\$M)	Measure	2008	2009	2010	2011
General Fund Shortfall (Baseline)	TBD					
Unfunded Liabilities	TBD					
Other Funds	TBD					
Measure P	\$3.0	(1/2 Sales Tax)			3.00 Renew Sales Tax	
Measure G	\$1.3	(Parks Tax)				1.30 Replace w/ Muni Svc
Prop 218-Related Issues						
Franchise / In-Lieu (\$490,000)			1.3			
Stormwater Fee (\$650,000)	\$1.7		Ratify EXISTING Fee			
Municipal Water Usage (\$400,000 +)						
<i>Public Safety</i>	\$2.0 - \$3.0 /yr "+" excl.	General Special		2.0 - 3.0 Public Safety Tax		
Fourth Fire Station (Capital)						
Fourth Fire Station (Operations)						
Other Fire Staffing						
Police Staffing						
Other Police						
Transportation	\$1.2 - \$2.0	General Special Regional (?)			1.5 1/4 cent for Streets	
Street Maintenance						
Parks / Facilities / Sidewalks / Paths	\$0.8 - \$1.0	General Special				0.20 Increase for Parks
Parks Facilities (replacement)						
City Facilities						
Sidewalks						
Bike Paths / Bike/Ped						
Other - General Gov't. / Services	\$1.0 - \$2.0	General				

Variations Considered

Second / Third Choice

OPTION A2

- Address Prop 218 Issues
 - Storm water – **Ratify w/ fee INCREASE**
 - Franchise Fee / In-Lieu Property Tax

Nov 2008 / March 2009
*Mail Ballot – property owners
~or~ General Electorate - polls*
- Public Safety Tax
 - Increase for Police and Fire Staffing needs

June or Nov 2009
- Sales Tax
 - Renew Existing 1/2 cent Sales Tax
 - Option for Increase of 1/4 cent for Streets and Roads

June 2010
- Replace Parks Tax w/ Increase in Muni Services Tax
 - Provides for alternative (2012) if measure fails

June 2011

OPTION E1

- Public Safety Tax
 - Increase for Police and Fire Staffing needs

March or June 2009
- Address Prop 218 Issues
 - Storm water – **Ratify w/ Fee Increase**
 - Franchise Fee / In-Lieu Property Tax

Nov 2009 or Mar-June 2010
*Mail Ballot – prop owners
~or~ General Electorate - polls*
- Renewal of Sales Tax
 - Renew Existing 1/2 cent Sales tax
 - Option for increase of 1/4 cent for Streets and Roads

June 2010
- Replace Parks Tax w/ Increase in Muni Services Tax
 - Provides for alternative (2012) if measure fails

June 2011

Preliminary Staff Recommendation

Prop 218 Issues

- Mail Ballot (property owners-only) versus General Electorate (all registered voters)
- Storm Fee – Ratify EXISTING Fee vs. INCREASED Fee
- In-Lieu Property Tax and Franchise Fee – bring to voters or resolve within existing budget

Public Safety

- Timing should provide for maximum flexibility within fiscal year (June vs. November)

Sales Tax

- Two-part measure:
 - RENEW Existing ½ Cent Sales Tax – General Purpose (50.0%)
 - INCREASE additional ¼ cent - Special Purpose (66.7%)
- Combined Measures
 - EXTEND AND INCREASE Sales Tax from 7.75% to 8.00% (50.0%)
 - Companion “Advisory” Measure on uses of increased revenues

Parks Tax

- Replace Parks Tax w/ Increase in Municipal Services Tax (No NET Increase)
- Replace Parks Tax w/ Increase in Municipal Services Tax (w/ Increase for parks operations)
- Replace Parks Tax w/ “other” General Tax (UUT or RETT)
- Replace Parks Tax w/ Special Assessment District (proportionate benefit)

Projected Rates

- Public Safety Tax
 - Generates \$1.86 million/year
 - Currently set at \$51.84/ unit PLUS \$0.480 / 1,000 s.f. lot size
 - A typical home on a 6,000 s.f. lot pays **\$54.72** / year
 - To Generate and Additional \$2.25 million
 - Proportional rates would be 115/unit PLUS \$1.065 / 1,000 s.f.
 - Typical home on 6,000 s.f. lot would pay **\$122** / year
- Municipal Service Tax
 - Generates \$2.16 million / year
 - Currently set at \$66/unit PLUS \$0.48 / 1,000 s.f. lot size
 - Typical home on 6,000 sf lot pays **\$69** / year
 - To generate \$1.3 million / year
 - Proportional rates would be \$106/unit PLUS \$0.776 / 1,000 s.f.
 - Typical home on 6,000 s.f. lot would pay **\$111** / year

Preliminary Staff Recommendation

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Property Tax (1% Ad Valorem) <i>Mello-Roos</i>	\$ 3,494	\$ 3,563	\$ 3,635	\$ 3,707	\$ 3,781	\$ 3,857	\$ 3,934	\$ 4,013	\$ 4,093	\$ 4,175
Municipal Service Tax	67	69	71	73	75	127	130	134	138	142
Parks Tax	49	49	49	49	49	-	-	-	-	-
Open Space	24	24	24	24	24	24	24	24	24	24
Public Safety Tax	53	54	56	122	126	129	133	137	141	146
	\$ 192	\$ 196	\$ 200	\$ 268	\$ 274	\$ 280	\$ 288	\$ 296	\$ 304	\$ 312
Drainage/Storm Sewer	47	51	56	61	66	72	78	86	93	102
Sanitation	318	328	338	348	358	369	380	392	403	416
Sewer	428	476	500	530	572	635	724	803	819	836
Water	297	336	390	452	524	608	706	819	950	1,161
	1,090	1,192	1,284	1,391	1,520	1,684	1,888	2,100	2,265	2,515
Annual Taxes and Charges	\$ 4,776	\$ 4,951	\$ 5,118	\$ 5,366	\$ 5,576	\$ 5,821	\$ 6,110	\$ 6,408	\$ 6,662	\$ 7,002
<i>Inflation Adjusted (2001 Base)</i>	\$ 5,522	\$ 5,688	\$ 5,859	\$ 6,034	\$ 6,215	\$ 6,402	\$ 6,594	\$ 6,792	\$ 6,996	\$ 7,205
<i>Inflation Adjusted (2006 Base)</i>	\$ 4,776	\$ 4,919	\$ 5,067	\$ 5,219	\$ 5,375	\$ 5,536	\$ 5,702	\$ 5,874	\$ 6,050	\$ 6,231
School District (Measure Q)	164	164	200	200	200	200	200	200	200	200
Library (Measure P)	42	42	88	88	88	88	88	88	88	88
	\$ 4,982	\$ 5,157	\$ 5,406	\$ 5,654	\$ 5,864	\$ 6,109	\$ 6,398	\$ 6,696	\$ 6,950	\$ 7,290

Assessed Value (2005)	\$ 350,000
Bldg. S.F.	1,900
Lot S.F.	6,000

* Consumption based on avg.use 39 CCF

Council Discussion

- **Prioritization of Unmet Needs**
- **Evaluation of Potential Funding Mechanisms**
- **Timing Considerations**
- **Legal Considerations**
- **Inter-Jurisdictional Considerations**

Next Steps

- **Refinement of Preferred Options**
 - **Prioritized Needs**
 - **Timing**
 - **Approaches**
- **Finance and Budget Commission Review**
 - **Internal**
 - **Stakeholders**
- **Community Education/Outreach**
- **Supplemental Survey/Poling**
- **Council Direction**