

# Exploring Potential Future Revenue Measures

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November 19, 2018



# City Council Goals

- ▶ Place San Leandro on a firm foundation for long-term fiscal sustainability
- ▶ Provide quality public safety service and grow our partnership with the community to keep San Leandro safe

# Background

- Measure Z (November 2010)
  - $\frac{1}{4}$  cent sales tax, 7-year sunset
- Measure HH (November 2014)
  - Extended Measure Z at  $\frac{1}{2}$  cent rate, 30-year sunset
  - Maintained existing service levels
- Measures OO, PP, NN (November 2016)
  - Small business license tax reduction, parking lot & warehouse tax
  - Modified T.O.T.
  - Cannabis business tax

# Highlights of Financial Challenges

- Unfunded deferred maintenance and capital projects
- General Fund structural deficit
- Legacy pension obligations
- Public Safety Needs
  - Fire station modernizations
  - Public safety building upgrades
  - First responder life support services
  - Fire Dept. vehicles & medical equipment

# Overview of Potential New Revenue Options Requiring Voter Approval

- Parcel Tax
- Property Transfer tax
- Vacant property tax
- Targeted business license tax modifications
  
- \*CARE team is exploring above measures in more detail

# Overview of Parcel Taxes

- Considered a “special tax”
- Require a 2/3 super-majority vote of the electorate
- Property valuation may not be a factor
- Revenues dedicated towards specific purpose
- Cities may include admin. guidelines, funding priorities

# Overview of Parcel Taxes (cont'd)

## Various Possible Structures:

- Flat rate per parcel
- Rate based on parcel size
- Rate based on parcel use
  - (e.g. residential vs. commercial vs. mixed-use, vs. vacant)
- Rate based on usage of public services
- Sunset provisions
- Exemptions: low-income seniors, disabled etc.

**Potential Annual Revenue: approx. \$3M to \$6M**

(based on parcel tax of approx. ~\$65 to ~\$140/ parcel)

# Overview of Property Transfer Taxes

- Imposed at point of sale or transfer of any real property within the City
- Requires a simple majority vote to pass, if funds are used for general city services

## Summary of Alameda County charter city rates:

Alameda	\$12.00 per thousand on full value	(1.2%)
Albany	\$11.50 per thousand on full value	(1.15%)
Berkeley*	\$15.00 per thousand on full value	(1.5%)
	\$25.00 per thousand on full value > \$1.5M	
Emeryville	\$12.00 per thousand on full value	(1.2%)
Hayward*	\$8.50 per thousand on full value	(8.5%)
Oakland*	\$10.00/thousand on value < \$300K	
	\$15.00/thousand on properties > \$300K	
	\$17.50/thousand on properties > \$2M	
	\$25.00/thousand on properties > \$5M	
Piedmont	\$13.00 per thousand on full value	(1.3%)
San Leandro	\$6.00 per thousand on full value	(0.6%)

San Francisco varies between \$5.00 (<\$250K) to \$30 (>\$25M) per thousand

\* reflect November 2018 election changes

- Increasing San Leandro's rate to \$11 per thousand in valuation could generate ~\$3M annually
- If so directed by the City Council, polling could explore support for a tiered rate structure



# Vacant Property Tax

- Oakland is first city in California to adopt such a tax (Measure W)
  - Applies to properties in use <50 days/year
  - \$6,000 per parcel
  - \$3,000 for condominiums, townhouses & duplexes
  - Funds dedicated to address:
    - homeless services
    - illegal dumping
    - affordable housing
    - Blighted property abatement
  - 20 year sunset provision
  - Implementation process still TBD

# Business License Tax Changes

- Gross receipts taxes could be applied to certain business types based on usage of city services

# Established Election Dates

## **Traditional Election:**

- March 5, 2019 (filing deadline: December 7, 2018)
- November 5, 2019 (filing deadline: August 9, 2019)
  
- March 2020 (Presidential & Statewide primary)
- November 2020 (Presidential & Statewide General election)

## **Mailed Ballot election:**

- May 7, 2019 (filing deadline: February 8, 2019)
- August 27, 2019 (filing deadline: May 31, 2019)

# Estimated Election-Related Costs

Type of Election	Cost Per Voter*	Est. Local Cost*
Standalone	\$12 – \$15	up to ~\$685K**
Standalone Mail ballot	\$7 – \$9	up to ~\$420K**
Countywide Consolidated	\$4 – \$6	up to ~\$280K**

\*based upon approx. 47,000 registered San Leandro voters

\*\*excludes ballot translation costs

## Other Anticipated One-Time Ancillary Costs

Public Affairs Consultant (exploration phase):	\$20,000
Public Affairs community outreach (\$6,500/month):	\$32,500
Financial Consulting Assistance (\$300/hour):	\$10,000
Public Opinion Survey:	\$36,800
Estimated Total:	\$99,300

# Key Steps in Advance of Ballot Placement

- ▶ Optimal timeframe: 1-year in advance of election
- ▶ Hire pollster, conduct surveys
- ▶ Hire public affairs consultant, develop public outreach strategy
- ▶ Hire financial consultant
- ▶ Develop tax structure and revenue estimates
- ▶ Incorporate community feedback
- ▶ Incorporate guidance from Mayor, Council or Council committees
- ▶ Create draft spending plan and budget priorities
- ▶ Draft ballot language, resolution & ordinance
- ▶ City Attorney's impartial analysis

# Recommendation

- Conduct voter survey in early 2019
  - Determine potential support of measures and service priorities
- Report back to City Council with results
- Explore March 2020 primary election if results are favorable

# Questions?