

Exploring Potential Future Revenue Measures

July 10, 2023



Overview

1. Background
2. Highlights of fiscal challenges
3. Overview of various revenue measure options
4. Cost implications
5. Factors to consider
6. Council feedback & questions

Background

SL voters have authorized 6 tax measures over the past decade:

Measure Z (November 2010)

- ▶ ¼ cent sales tax, 7-year sunset to expire 12/31/2017

Measure HH (November 2014)

- ▶ Extended Measure Z at ½ cent rate, 30-year sunset to expire 12/31/2044
- ▶ Maintained existing service levels

Measures OO, PP, NN (November 2016)

- ▶ Small business license tax reduction, parking lot (10% of gross receipts) & warehouse tax (\$100/\$1,000 square feet)
- ▶ Modified T.O.T (hotel tax) from 10% to 14%
- ▶ Cannabis business tax (currently 5% of gross receipts)

Measure VV (November 2020)

- ▶ Increased real property transfer tax from \$6/\$1,000 to \$11/\$1,000

Highlights of Financial Challenges

- ▶ Unfunded deferred maintenance, capital projects, and infrastructure needs
- ▶ General Fund structural deficit
- ▶ Legacy pension obligations
- ▶ Lean staffing levels
- ▶ Public Safety Needs
 - Fire station reconstruction & seismic safety
 - Fire Dept. vehicles & medical equipment

Overview of Potential New Revenue Options Requiring Voter Approval*

- ▶ General obligation or revenue bonds
- ▶ Parcel Tax
- ▶ Targeted business license tax modifications

- ▶ *More expansive information presented at February 2023 Council Retreat

Overview of Bonds

General Obligation Bonds

- ▶ Require voter approval
- ▶ Backed by issuer's creditworthiness & ability to levy taxes
- ▶ Subject to the City's debt limit
- ▶ The City currently does not have G.O. debt

Revenue Bonds

- ▶ Voter approval not required
- ▶ Supported by specific revenue source (e.g., lease or sewer revenue)
- ▶ Not subject to the City's debt limit

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 or funding priorities

Overview of Parcel Taxes (cont'd)

Various Possible Structures

- ▶ Flat rate per parcel
- ▶ Rate based on parcel size (most common)
 - Typically applies to both residential & commercial
- ▶ Rate based on usage of public services
- ▶ Sunset provisions
- ▶ Possible exemptions: low-income seniors, disabled etc.

Potential Annual Revenue: approx. \$3M to \$6M
(based on parcel tax of approx. ~\$65 to ~\$140/ parcel)

Summary of 2004 Parcel Tax Effort

To retain existing public safety service levels, shall the City adopt the following tax:

- ▶ Commercial/Industrial: \$16.00 per 1,000 s.f. of parcel area
 - ▶ Residential: \$78.00 per parcel
 - ▶ Multi-Family/Mobile homes: \$46.80 per unit
 - ▶ Unimproved: \$4.00 per 1,000 s.f. of parcel area
 - ▶ Non-profit/education/: \$13.00 per 1,000 s.f. of parcel area
places of worship
- Annual CPI adjustment
 - 40% discount for low-income seniors aged 65+
 - Sunset: 5.5 years

Threshold for passage: 66.7%

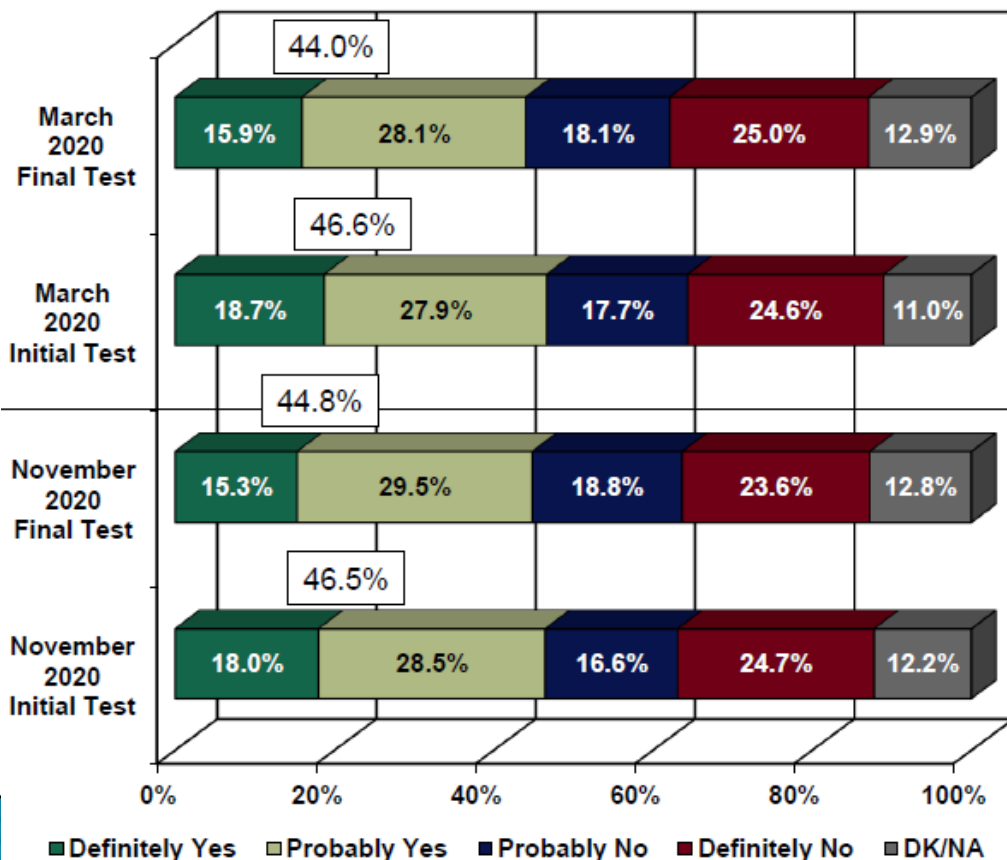
Election results: 50.5% YES
49.5% NO

Outcome: **Measure Failed**

2019 Parcel Tax polling

Q9. Informed Support for Special Parcel Tax Sample B

GODBE RESEARCH
Gain Insight



To maintain essential City of San Leandro police and fire services, with revenue that cannot be taken by the State including:

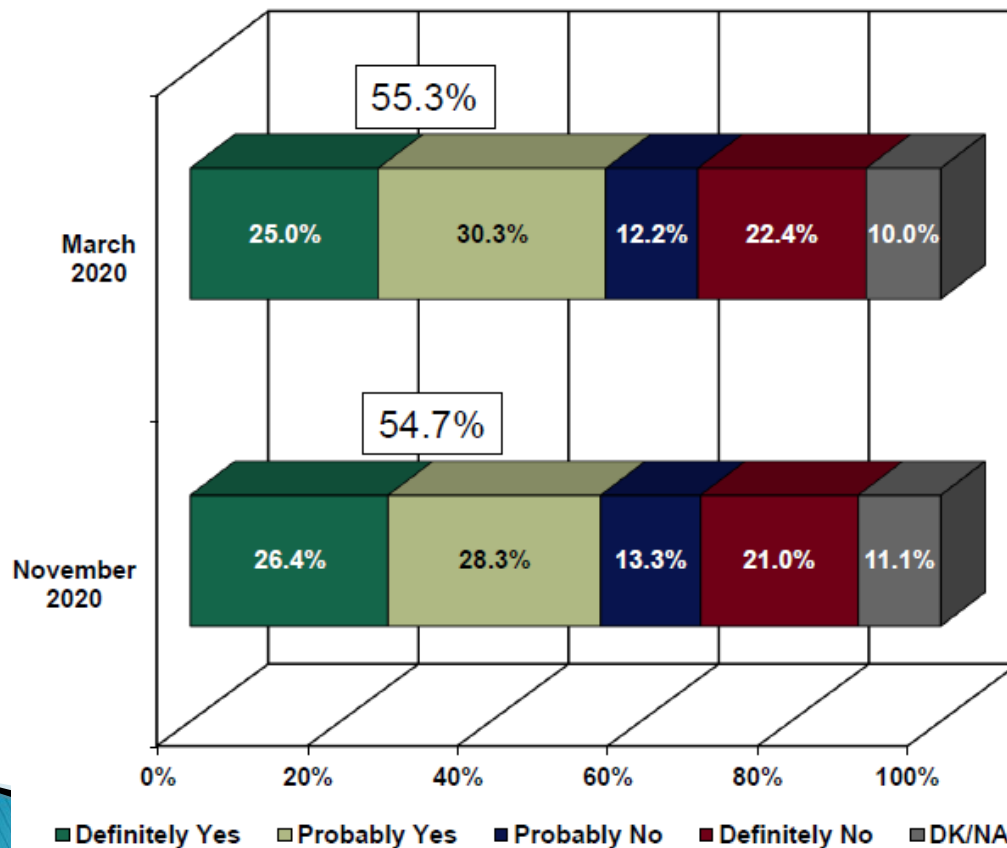
- maintaining 911 emergency response;
- neighborhood police patrols;
- maintaining adequate anti-gang enforcement;
- repairing and renovating fire stations;
- maintaining fire prevention services;
- improving traffic enforcement; and
- other public safety services;

shall San Leandro levy a public safety tax, at \$150 dollars per single-family residence and other rates for other property types, providing \$7 million dollars annually for 9 years, requiring citizen's oversight?

2019 Parcel Tax polling (cont'd)

Q10. Support for Alternative \$98 Special Parcel Tax Rate Sample B

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Gain Insight



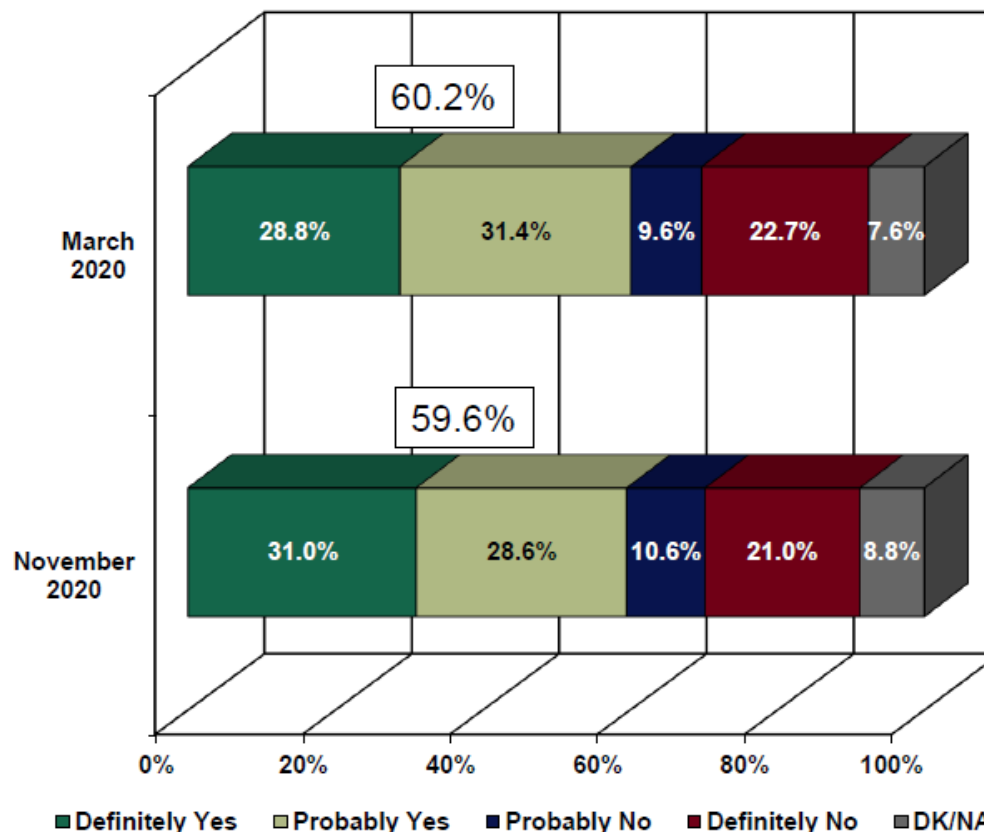
Instead of setting public safety tax, at an average rate of \$150 dollars per residential housing unit, what if the rate was set at \$98 dollars per single-family residence?

If the election were held today, would you definitely vote yes, probably vote yes, probably vote no, or definitely vote no on this measure?

2019 Parcel Tax polling (cont'd)

Q11. Support for Alternative \$79 Special Parcel Tax Rate Sample B

GODBE RESEARCH
Gain Insight



Instead of setting public safety tax, at a rate of \$98 per residential housing unit, what if the rate was set at \$79 dollars per single-family residence?

If the election were held today, would you definitely vote yes, probably vote yes, probably vote no, or definitely vote no on this measure?

Business License Tax Changes

- ▶ May be based on usage of City services
- ▶ Gross receipts could be applied to certain business types
- ▶ Risks:
 - May disincentivize economic investment
 - Complex administration
 - May require additional staffing or consulting services

Established Election Dates

Traditional Election

- ▶ **March 5, 2024 Statewide Primary**
 - (ineligible for revenue measure w/out fiscal emergency declaration)
- ▶ **November 5, 2024 Presidential election**
 - (expected filing deadline: early August 2024)

Recommended Project Timeline

Assumption	November 2024 Election
July – Oct 2023	Phase 1 – Project Launch, Priority Setting, Assessment Due Diligence & Early Listening.
July 10, 2023	City Council Discussion – Revenue measure history, current needs, provide direction to staff
	1. Launch and start-up Due Diligence. Early assessment/diagnostics, current needs, options etc.
	2. Commence Communications Strategy Development (including preliminary listening)
Aug – Fall 2023	3. Early Listening with opinion leaders. Initiate 2-way conversations re: the City’s “story of need”
	4. Conduct public opinion poll. Prepare/conduct/analyze poll. Determine 2024 feasibility
	5. <u>If Feasibility Results show November 2024 election is electorally feasible, begin preparing</u>
Late Fall 2023	6. Strategic Update to City Council – Poll results and Early Listening results.
Dec 2023	7. Communications planning for robust public engagement leading to Council Action (July 2024).

Recommended Project Timeline (Cont'd)

With Feasibility RESULTS and Council approval – prepare for Nov 2024 ballot
Phase 2 – Pivot to INFORMED Public Engagement & Ballot Measure Preparation

Jan – Aug 2024

Jan – May 2024

8. **Broad Public Engagement Work accelerates** (informed by earlier steps of listening).

Shift to INFORMED outreach push:

- **Mail + Digital**
- More/continuing Opinion Leader “Strategic Conversations” + stakeholder meetings
- Speakers Bureau – service clubs, civic and community groups, etc.
- Accelerate digital communications (web, email, online PSAs, social media).

By May 31, 2024

Core ballot measure package defined – informed by opinion research (poll) + needs, City Council, community input

Late May/Early June

9. **Communications and Listening Work – CONTINUES.**

10. If needed – conduct tracking poll

Late June 2024

11. **Council work session.** Review tracking poll results, ballot language + “package” + Q&A.

By Mid/End of July

12. **Council Action** calling for the election.

August 9, 2024

13/14. **Final document preparation and filing.**

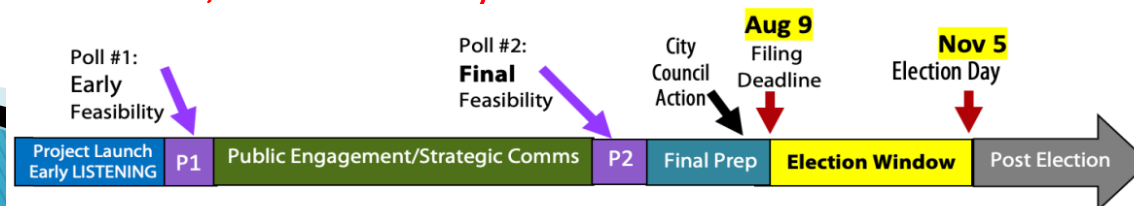
After Aug 9, 2024

15. **Public INFO-ONLY** – ballot measure facts shared with community

Aug 9 – Nov 5, 2024

Phase 3 – Election Window, for a November 2024 Election

- Oct. 7: Ballots mailed out
- **Nov. 5, 2024: Election Day!**



Estimated Project–Related Costs

Type of Election	Cost Per Voter*	Est. Local Cost*
Standalone	\$19 – \$21	up to ~\$987K**
Standalone Vote by Mail ballot	\$9 – \$11	up to ~\$517K**
Countywide Consolidated	\$4 – \$6	up to ~\$282K**

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

**excludes ballot translation costs

Other Anticipated One–Time Ancillary Costs

Public affairs consultant (exploration phase):	\$55,000
Public affairs public outreach (\$7,500/month; Jan–Oct):	\$75,000
Public opinion survey (\$42K each):	\$84,000
3 informational mailers (includes postage):	\$65,000
Online informational messaging:	\$50,000
 Estimated Total:	 \$329,000

Other Factors to Consider

- ▶ Two-thirds super-majority is a very difficult threshold
- ▶ City resources / staff time can't be used for advocacy
- ▶ Robust “yes” campaign organization is key to success
- ▶ Unified Council support is key
- ▶ Public must understand the proposed tax structure
- ▶ Any other competing measures on ballot?
- ▶ Public perceptions regarding budget challenges
- ▶ Public engagement on service level desires & priorities
- ▶ Community & stakeholder involvement is key

Feedback or Questions?