Revenue Enhancements
City Council Study Session

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City Manager

Keith DeMartini
Finance Director
OBJECTIVE

- Provide an update to the City Council on revenue initiatives currently underway, planned and being considered for an upcoming ballot initiative.

- Introduce the option of a Community Priorities Survey to assist in developing strategies.

- Review potential revenue measures for the ballot.

- Obtain City Council feedback.
AGENDA

1. Comprehensive Fiscal Sustainability Project Overview
2. FY2018-19 Budget Overview and Challenges
3. Revenue Initiatives Currently Underway
4. Planned Revenue Initiatives
5. Community Priorities Survey
6. Planning for a Revenue Measure on the Ballot
7. City Council Feedback and Discussion
8. Questions
Comprehensive Fiscal Sustainability Project Overview
Three goals...

1. Understand Our Fiscal Challenge
2. Articulate Our Fiscal Challenge
3. Develop & Implement Strategies
Timeline

- 24 Month Project

Focus of tonight’s discussion
FY2018-19 Budget Overview
FY2018-19 GENERAL FUND BUDGET SUMMARY

### Revenue
- Property Tax: 28%
- Sales Tax: 20%
- Transient Occ Tax (TOT): 9%
- Motor Veh Lic Tax: 12%
- Charges for Svcs: 9%
- Business Taxes: 7%
- Other: 15%

### Expenditures
- Police: 39%
- Fire: 23%
- Community Svcs: 12%
- Community Dev: 8%
- PW Eng & Streets: 8%
- General Admin: 10%
- Fire: 23%
- Other: 15%
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>$46,308,409</td>
</tr>
<tr>
<td>Expenditures</td>
<td>47,984,836</td>
</tr>
<tr>
<td>Deficit</td>
<td>(1,676,427)</td>
</tr>
<tr>
<td>Use of Fund Balance</td>
<td>1,676,427</td>
</tr>
<tr>
<td>Balanced Budget</td>
<td>$0</td>
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</tbody>
</table>
BUDGET CHALLENGES

- Infrastructure Upgrades
  - Fire stations 51 and 52
  - Roads (PCI to decrease at current funding levels)
  - Stormwater system
  - Streetlight poles
  - Library upgrade/expansion
  - Curb ramps
  - Irrigation controller replacements
City Operations
- Facility maintenance staffing and projects
- Economic development personnel
- Urban forestry management and wildfire prevention
- Technology upgrades
- City’s share of pension cost is projected to increase by $5.6 million by FY 2024-25
Revenue Initiatives Currently Underway
DEVELOPMENT IMPACT FEE PROGRAM

- 1-time fee on new development to pay for infrastructure improvements
- Fees cannot fund existing deficiencies
- Can only fund new development’s “fair share” of total project cost
- Other funding sources include the City’s General Fund, Federal and State grants, and debt financing, among other sources.
- Projected fee revenue through General Plan (2040)
  - High estimate: $141,400,000
  - Low Estimate: $130,800,000
## Development Impact Fee Program

<table>
<thead>
<tr>
<th>Land Use</th>
<th>Community</th>
<th>Public Safety</th>
<th>General Gov’t</th>
<th>Transportation</th>
<th>Utilities</th>
<th>Total</th>
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<tbody>
<tr>
<td><strong>Residential (per Unit)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Single Family</td>
<td>$15,424</td>
<td>$1,145</td>
<td>$1,621</td>
<td>$3,374</td>
<td>$2,219</td>
<td>$23,783</td>
</tr>
<tr>
<td>Multi-Family</td>
<td>$14,479</td>
<td>$1,144</td>
<td>$1,521</td>
<td>$2,610</td>
<td>$2,083</td>
<td>$21,838</td>
</tr>
<tr>
<td><strong>Non-Residential (per Sq.Ft. or Room)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office (per Sq.Ft.)</td>
<td>$8.63</td>
<td>$0.58</td>
<td>$0.93</td>
<td>$6.95</td>
<td>$1.72</td>
<td>$18.79</td>
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<tr>
<td>Industrial (per Sq.Ft.)</td>
<td>$3.43</td>
<td>$0.23</td>
<td>$0.37</td>
<td>$2.78</td>
<td>$1.08</td>
<td>$7.89</td>
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<tr>
<td>Retail (per Sq.Ft.)</td>
<td>$5.57</td>
<td>$0.61</td>
<td>$0.60</td>
<td>$8.95</td>
<td>$10.69</td>
<td>$26.43</td>
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<tr>
<td>Hotel (per Room)</td>
<td>$1,413</td>
<td>$95</td>
<td>$152</td>
<td>$1,527</td>
<td>$1,223</td>
<td>$4,410</td>
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</tbody>
</table>
COST ALLOCATION PLAN & USER FEE STUDY

- **Cost Allocation Plan (CAP)**
  - Model to determine the appropriate allocation of costs from central service departments to operating departments.
  - Ensures full cost recovery of costs not directly associated to a service being provided.

- **User Fee Study (UF)**
  - Fee study to re-baseline fees in the master fee schedule based on accurate, fully-loaded costs.
  - Re-align fees to City services.
  - Increases transparency in fees and those adjusted for policy considerations.

- Annual updates during the budget process.
- Fee changes proposed to City Council after the FY2019-20 budget.
COST ALLOCATION PLAN & USER FEE STUDY

Direct Costs
- Direct Labor
- 3rd Party Costs
- Material Costs

Central Service Overhead
- City Clerk
- Finance

Department Overhead
- Operational Costs
- Administrative
PROCESS IMPROVEMENTS & AUDITS

- **Water & Wastewater Utility Billing Improvements**
  - Standardized delinquency procedures and bringing delinquent accounts into compliance
  - Offering payment plans, low income assistance and other services
  - Number of accounts with no payments in last 65 days decreased from 890 to 163 in last 3 months
  - Total delinquency balance has decreased by $460,000
  - Hang tag compliance rate – 93%

- **Business License Tax Audit – Internal**
  - Compliance review of all vendors doing business with the City
  - Prioritize by payment amounts and invoice frequency
  - 1099 data for 2018

- **Sales Tax Audit – on-going effort**
PROCESS IMPROVEMENTS & AUDITS

- **Property Tax Audit**
  - Matching business licenses to property owners so property leased to businesses is taxed to the lessor of the property
  - Identify owners of rented residential, commercial or industrial property that don’t have a business license and may be required
  - Review miscoded parcels to other jurisdictions
  - Ensure parcels are coded to appropriate taxing entity

- **Transient Occupancy Tax Audit**
  - Audit of 12 hotels in San Bruno
  - Compare accuracy of filed lodging tax returns with activity summaries
  - Revenue recovery reporting, notices of deficiency determination, warning letters and recommendations

- **Business License Tax Audit - External**
  - Compliance review of all business doing business in San Bruno
Planned Revenue Initiatives
ADDITIONAL PLANNED REVENUE INITIATIVES

- **Short-term Rental Ordinance**
  - Planning staff to formally initiate effort in April 2019

- **Analysis of Possible Parking Meters**
  - Likely Areas: San Mateo Avenue, City-owned lots near Downtown, portions of El Camino Real within the Transit Corridor

- **Sale City-owned Property**
  - 1.5 acre site near I-380 and El Camino Real for Potential Hotel Develop or another use
    - Public Listing March 2019

- **Voter-approved Revenue Measure**
Community Priorities Survey
29 years of conducting community priorities surveys, revenue measure feasibility surveys, and other public policy surveys for California local government agencies.

Extensive San Mateo County Experience
- City of Burlingame
- City of South San Francisco
- City of Belmont
- City of San Mateo
- County of San Mateo
- City of San Bruno (Measure N)

93% win rate for all revenue measures in which we have advised a client to move forward.
IMPORTANCE OF THE SURVEY

- Quality of Life/Community Satisfaction
- Determine Issues of Importance
- Evaluation of Perceived Financial Situation
- Alignment of City Needs/Community Expectations
- Evaluate Revenue Measure Feasibility
COMMUNITY PRIORITIES SURVEY PROCESS

Kick-Off Meeting

Review Existing Data

Draft Survey

Develop Sample Design

Pretest, Program & Translate

Field Survey

Analysis & Reporting

Presentation of Findings

Post-Survey Support
Contact Information for Voters in the City of San Bruno - (est. 22,654 total voters)

- Voter Landlines = 44%
- Voter Emails = 40%
- Voter Cell Phones = 30%

HYBRID INTERNET AND TELEPHONE SURVEY APPROACH
Planning for a Revenue Measure on the Ballot
## POTENTIAL REVENUE MEASURES – GENERAL OR SPECIAL TAXES

<table>
<thead>
<tr>
<th>Revenue Measure Type</th>
<th>General or Special Tax</th>
<th>Potential Funding Amount per Year</th>
<th>Other Agencies with Similar Measures</th>
<th>Voting Electorate</th>
<th>Election Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction &amp; Use Tax (Sales Tax)</td>
<td>General Tax @ 50% + 1 OR Special Tax @ 66.7%</td>
<td>$2,000,000 per year @ 1/4-cent. $4,000,000 per year @ 1/2-cent</td>
<td>County of San Mateo, Redwood City, Burlingame, San Mateo, South San Francisco, East Palo Alto (all general taxes). County of San Mateo, SAMTRANS (special taxes)</td>
<td>Registered Voters</td>
<td>November 2019, November 2020 (San Bruno Council Elections) for a General Tax. Any election cycle for a Special Tax.</td>
</tr>
<tr>
<td>Utility Users Tax (UUT)</td>
<td>General Tax @ 50% + 1 OR Special Tax @ 66.7%</td>
<td>Varies based on UUT structure</td>
<td>Menlo Park, Portola Valley, Sunnyvale, Palo Alto, Mountain View, Albany, Hayward, Alameda, El Cerrito, Newark, Salinas</td>
<td>Registered Voters</td>
<td>November 2019, November 2020 for a General Tax. Any election cycle for a Special Tax.</td>
</tr>
<tr>
<td>Transient Occupancy Tax (TOT)</td>
<td>General Tax @ 50% + 1 OR Special Tax @ 66.7%</td>
<td>$550,000 per year w/ 2% Increase</td>
<td>Colma, San Carlos, Belmont, Daly City, Foster City, South San Francisco, Burlingame, Millbrae, Pacifica, (all general taxes)</td>
<td>Registered Voters</td>
<td>November 2019, November 2020 for a General Tax. Any election cycle for a Special Tax.</td>
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<td>Revenue Measure Type</td>
<td>General or Special Tax</td>
<td>Potential Funding Amount per Year</td>
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<td>Voting Electorate</td>
<td>Election Opportunities</td>
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<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Business License Tax (BLT)</td>
<td>General Tax @ 50% + 1 OR Special Tax @ 66.7%</td>
<td>$500,000 per year</td>
<td>Daly City, Brisbane, Foster City, Redwood City, Campbell, San Leandro</td>
<td>Registered Voters</td>
<td>November 2019, November 2020 for a General Tax. Any election cycle for a Special Tax.</td>
</tr>
<tr>
<td>Real Property Transfer Tax (RPTT)</td>
<td>General Tax @ 50% + 1 OR Special Tax @ 66.7%</td>
<td>$1,300,000 per year</td>
<td>Hayward, Berkeley, El Cerrito, Richmond MUST BE A CHARTER CITY</td>
<td>Registered Voters</td>
<td>November 2019, November 2020 for a General Tax. Any election cycle for a Special Tax.</td>
</tr>
<tr>
<td>Business License Tax (BLT) - Cannabis Focused</td>
<td>General Tax @ 50% + 1 OR Special Tax @ 66.7%</td>
<td>Varies</td>
<td>Redwood City, San Carlos, Daly City, South San Francisco, Mountain View, Morgan Hill, Santa Clara</td>
<td>Registered Voters</td>
<td>November 2019, November 2020 for a General Tax. Any election cycle for a Special Tax.</td>
</tr>
</tbody>
</table>
## POTENTIAL REVENUE MEASURES – SPECIAL TAXES ONLY

<table>
<thead>
<tr>
<th>Revenue Measure Type</th>
<th>General or Special Tax</th>
<th>Potential Funding Amount per Year</th>
<th>Other Agencies with Similar Measures</th>
<th>Voting Electorate</th>
<th>Election Opportunities</th>
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</thead>
<tbody>
<tr>
<td>Parcel Tax</td>
<td>Special Tax Only</td>
<td>Varies <em>Sample: $1,000,000 per year @ $100 per parcel</em></td>
<td>East Palo Alto, Union City, Albany, Corte Madera, San Rafael, Orinda, Davis</td>
<td>Registered Voters</td>
<td>Any Election Cycle</td>
</tr>
<tr>
<td>General Obligation Bond</td>
<td>Special Tax Only</td>
<td>Varies</td>
<td>Foster City, Campbell, Berkeley, Albany, Martinez</td>
<td>Registered Voters</td>
<td>Any Election Cycle</td>
</tr>
<tr>
<td>Revenue Measure Type</td>
<td>General or Special Tax</td>
<td>Potential Funding Amount per Year</td>
<td>Other Agencies with Similar Measures</td>
<td>Voting Electorate</td>
<td>Election Opportunities</td>
</tr>
<tr>
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<td>-------------------------------------------------------------------------------------------------------</td>
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<td>--------------------------------------------------</td>
</tr>
<tr>
<td>Lighting and Landscaping District (LLAD)</td>
<td>General Tax @ 50% + 1 of Property Owners Based on Assessed Valuation</td>
<td>$400,000</td>
<td>Brisbane, Saratoga, Richmond, Hercules, Concord, San Ramon, Dublin, Hayward, Novato</td>
<td>San Bruno Property Owners</td>
<td>City Can Call Assessment Proceedings at Any Time</td>
</tr>
</tbody>
</table>


WHY TEST A SALES TAX MEASURE?

- Brings San Bruno Inline with Peer Communities in San Mateo County
  - The Cities of Belmont, Burlingame, Redwood City, San Mateo, and South San Francisco have add-on sales taxes.
  - Other San Mateo County cities are considering sales taxes for 2020.

- Broadest and Most Equitable Tax Base
  - Sales tax is paid by all San Bruno residents and visitors on applicable transactions vs. most other tax types.

- Significant Revenue Generation
  - $2,000,000 to $4,000,000 per year vs. $1,500,000 or less for most other revenue measure types.
## SALES & USE TAX RATE COMPONENTS

<table>
<thead>
<tr>
<th>Rate</th>
<th>Jurisdiction</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>3.9375%</td>
<td>State</td>
<td>General Fund</td>
</tr>
<tr>
<td>0.5000%</td>
<td>State</td>
<td>Local Public Safety Fund to support local health and social services programs</td>
</tr>
<tr>
<td>0.5000%</td>
<td>State</td>
<td>Local Revenue Fund to support local health and social service programs</td>
</tr>
<tr>
<td>1.0625%</td>
<td>State</td>
<td>Local Revenue Fund 2011</td>
</tr>
<tr>
<td>0.2500%</td>
<td>Local</td>
<td>County Transportation Funds</td>
</tr>
<tr>
<td><strong>1.0000%</strong></td>
<td><strong>Local</strong></td>
<td><strong>City or County Operations</strong></td>
</tr>
<tr>
<td>0.5000%</td>
<td>District</td>
<td>San Mateo County Retail Transactions and Use Tax (SMGT)</td>
</tr>
<tr>
<td>0.5000%</td>
<td>District</td>
<td>San Mateo County Transit District</td>
</tr>
<tr>
<td>0.5000%</td>
<td>District</td>
<td>San Mateo County Transportation Authority</td>
</tr>
<tr>
<td><strong>8.7500%</strong></td>
<td><strong>Total</strong></td>
<td><strong>Total Sales &amp; Use Tax Rate</strong></td>
</tr>
</tbody>
</table>
WHY TEST A SALES TAX MEASURE?

- **Dedicated Local Funding**
  - The funding from any sales tax would be entirely local to San Bruno and not subject to County or State raids.

- **San Bruno Voters Have Been Supportive of County Sales Taxes**
  - Voters have supported recent County sales taxes (Measure W and Measure K) at rates needed to pass a local sales tax in San Bruno.

- **A Sales Tax Allows San Bruno Voters to Decide the Future of San Bruno**
  - Ultimately the Council can only place a revenue measure on the ballot. Whether a revenue measure passes is up to the San Bruno community.
TIMELINE FOR THE NOVEMBER 2019 ELECTION CYCLE

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>February – April 2019</td>
<td>Conduct community priorities survey</td>
</tr>
<tr>
<td>April 23, 2019</td>
<td>Present community priorities survey results at City Council Meeting</td>
</tr>
<tr>
<td>April 23, 2019</td>
<td>City Council makes “go/no go” decision to proceed with education and planning</td>
</tr>
<tr>
<td>May – July 2019</td>
<td>Public education and outreach to San Bruno community</td>
</tr>
<tr>
<td>June – July 2019</td>
<td>Internal ballot measure planning and preparation</td>
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<tr>
<td>July 9, 2019</td>
<td>1st reading of the ballot resolution (discussion item)</td>
</tr>
<tr>
<td>July 23, 2019</td>
<td>2nd reading of the ballot resolution (action item)</td>
</tr>
<tr>
<td>August 8, 2019</td>
<td>Last day to place a measure on the ballot for November 2019</td>
</tr>
<tr>
<td>November 5, 2019</td>
<td>Election day (absentee ballots mailed week of October 7th)</td>
</tr>
<tr>
<td>January 2020</td>
<td>New tax takes effect if ballot measure passes</td>
</tr>
</tbody>
</table>

January 2020
New tax takes effect if ballot measure passes
City Council
Feedback & Discussion