

Office of the City Manager

## SUPPLEMENTAL AGENDA MATERIAL

**Meeting Date:** February 25, 2014

**Item Number:** 20

**Item Description:** Discussion and Direction Regarding Potential Ballot Measures for the November 4, 2014 General Municipal Election

**Supplemental/Revision Submitted By:** William Rogers, Deputy City Manager

**“Good of the City” Analysis:**

*The analysis below must demonstrate how accepting this supplement/revision is for the “good of the City” and outweighs the lack of time for citizen review or evaluation by the Council.*

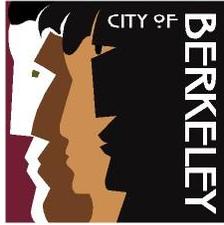
This report provides additional information concerning revenue figures and tax rates for possible ballot measures related to Parks that could be placed on the November 4, 2014 ballot, as well as a draft outline of the community survey. This information is critical to the Council’s decision-making and direction regarding the community survey.

***Consideration of supplemental or revised agenda material is subject to approval by a two-thirds vote of the City Council. (BMC 2.06.070)***

A minimum of **42 copies** must be submitted to the City Clerk for distribution at the Council meeting. This completed cover page must accompany every copy.

Copies of the supplemental/revised agenda material may be delivered to the City Clerk Department by 12:00 p.m. the day of the meeting. Copies that are ready after 12:00 p.m. must be delivered directly to the City Clerk at Council Chambers prior to the start of the meeting.

Supplements or Revisions submitted pursuant to BMC § 2.06.070 may only be revisions of the original report included in the Agenda Packet.



Office of the City Manager

## **ACTION CALENDAR**

February 25, 2014

To: Honorable Mayor and Members of the City Council

From: Christine Daniel, City Manager

Submitted by: William Rogers, Deputy City Manager

Subject: Item 20; Discussion and Direction Regarding Potential Ballot Measure for the November 4, 2014 General Municipal Election; Supplemental Information Regarding Revenue Figures and Tax Rates for Parks Taxes and Bonds; Survey Outline

### **INTRODUCTION**

The purpose of this report is to provide additional information to assist Council in its discussions regarding potential revenue measures for the November 2014 ballot and questions for a community survey. The Council directed that several different measures be included in a community survey. This report provides information about potential tax rates and associated revenues as they pertain to an increase in the existing Parks Tax and a possible Community Facilities District (CFD) for Parks purposes, both of which were discussed at the February 11, 2014 Council meeting. Additionally, attached to the report is a draft outline of the community survey to assist in the Council's further discussion of the survey.

### **CURRENT SITUATION AND ITS EFFECTS**

At its February 11, 2014 meeting, Council explored the possibility of a CFD for Parks purposes which would include a \$30 million bond and an operational tax. The Council preliminarily identified an operational tax amount of \$1 million. In creating a CFD ballot measure, the Council needs to determine both the bond amount and the amount of operational tax amount to put before the voters.

### **Community Facilities District**

A Community Facilities District allows the City to pay for both capital expenses and operational expenses. Table 1 below denotes the cost to the average Berkeley homeowner of a \$30M CFD Bond. Table 2 below depicts three tiers of operational tax amounts and the associated cost to the average Berkeley homeowner. The total impact to the average homeowner would combine the projected maximum tax for the Bond, found in Table 1, with one of the operational tax amounts found in Table 2.

The operational tax amount preliminarily identified by the City Council for testing during the survey was \$1million. As discussed at the February 11, 2014 meeting, the Parks Tax Fund is currently facing a \$500,000 per year structural deficit. Additionally, the Parks Tax Fund revenues are insufficient to fund repairs and replacements necessary for parks upkeep, and the major maintenance needed for parks buildings. Staff

estimated that an additional \$1.2 million in operational tax amounts would be needed for those purposes. Thus, the total need for support of existing operations and facilities is estimated to be \$1.7 million.

Also as discussed at the February 11, 2014 meeting, should the capital Bond include the rebuilding of Willard Pool, the costs of operating the pool would need to be included in the operational tax amount. Those costs are estimated to be approximately \$300,000 per year. Thus, the operational tax amount would need to include that amount as well. Combined with the estimate above, that would yield a need of \$2 million for the operational tax.

Table 1

<b>Special Tax (Parcel) Bond Sizing</b>	<b>\$30,000,000</b>
Annual Debt Service	\$2,179,467
Square Footage Tax Requirement	\$0.03
<b>Projected Maximum Tax for 1,900 Sq. Ft. Home</b>	<b>\$52.51</b>

Table 2

<b>Operational Tax Amounts</b>	<b>\$1,000,000</b>	<b>\$1,700,000</b>	<b>\$2,000,000</b>
Cost Per Square Foot	\$0.01	\$0.02	\$0.03
<b>Projected Cost for 1,900 Sq. Ft. Home</b>	<b>\$24.09</b>	<b>\$40.96</b>	<b>\$48.19</b>

In addition to the CFD option, Council discussed various estimates for a Parks Tax increase. Table 3 below shows the revenues and property tax impact of a 7.75%, 10% and 16% Parks Tax increase. Table 3 shows the impact of the property tax increase on FY 2016 taxes and operational revenues. The earliest date a Parks Tax increase would take effect would be FY 2016.

Table 3

	<b>FY 2016</b>	<b>7.75% increase</b>	<b>10% increase</b>	<b>16% increase</b>
tax on 1900 sq foot building	\$241.62	\$22	\$29	\$43
revenues		\$950,000	\$1,191,000	\$1,700,000

The current Parks Tax includes a moderate escalator based on the Consumer Price Index (CPI) for the San Francisco Bay Area. Using the model for the City's current Library Tax and Measures E and GG, the Parks Tax escalator could be amended to include either CPI or the Personal Income Growth (PIG).

Attachment 1 to the report is a draft outline for the community survey prepared by Lake Research, the firm staff selected to conduct the survey. The outline reflects the structure of the survey which is able to include questions regarding each of the four topic areas that the Council identified at its February 11, 2014 meeting: Commercial Vacancy Tax; Sugar Sweetened Beverage Tax; Business License Tax increase on rental housing; Parks taxes (CFD or increase in existing Parks Tax).

**CONTACT PERSON**

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Attachment 1: Outline for Berkeley Community Survey for Testing Ballot Measure Viability

**Berkeley Community Survey for testing ballot measure viability**

**David Mermin and Liesl Newton, Lake Research Partners**

**February 25, 2014**

- I. Vote Likelihood
- II. Context/issues
  - a. Right track/wrong track
  - b. Views on current city services
  - c. Issues to focus on/areas of investment
- III. Gubernatorial ballot
- IV. Berkeley Ballot (all with support/oppose with intensity and option for undecided/lean; order randomized)
  - a. Commercial Vacancy Tax of 50 cents/square foot after two years of vacancy
  - b. Sugar Sweetened Beverage tax on distributors of one cent/ounce
    - i. tested as tax for general fund (at 50%) and special tax to fund health programs (at 2/3)
    - ii. retested after minimal arguments in favor and lengthy arguments against to simulate well-funded campaign from beverage industry
  - c. Business license tax increase from 1% to 3% on rental housing of more than three units exempting those built in last 20 years – tested as tax for general fund (at 50%) and special tax to fund affordable housing (at 2/3)
  - d. \$30M Bonds (inc. \$4.7M for Willard pool) to improve city parks and pools + \$XM in operations (including \$300K for Willard pool) to fund operations of city parks and pools
    - i. Test with bond and operations, test operations
    - ii. Test operations at \$1M and \$2M
  - e. (tested with d.) Parcel tax increase for parks maintenance– tested at 10% (\$28.90 per homeowner, \$1,190,865 revenue) and 16% (\$43 per homeowner, \$1.7M revenue), linked to PIG or CPI.
- V. Demographics
  - a. Ideology
  - b. Local news sources
  - c. Education
  - d. Work status
  - e. Have children
  - f. Children in school system/type of school
  - g. Own/Rent
  - h. Length of residence in Berkeley
  - i. Ethnicity