

Office of the City Manager

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ACTION CALENDAR

October 21, 2003

To: Honorable Mayor and  
Members of the City Council

From: Weldon Bunker, City Manager

Subject: REPORT FROM MAYOR'S REVENUE TASK FORCE AND MARCH 2004  
BALLOT MEASURES

RECOMMENDATION

It is recommended that the City Council:

- 1) Concur with the recommendations from the Mayor's Revenue Task Force to  
a) place a Special Tax measure on the March 2004 ballot aimed at raising \$10 million per year b) develop a five-year balanced approach to address the structural budget problem, and c) include in the measure a sunset provision, low-income exemption and designate a citizen's oversight body.
- 2) Dedicate the Special Tax for Fire Services, with a guarantee of maintaining existing staffing levels at fire stations; and
- 3) Include a provision to increase the tax annually by the cost-of-living (CPI) or five percent (5%), to provide for inflation; and
- 4) Use Council study sessions to discuss specific ballot measures, which may be placed on the March 2004 ballot, and to finalize the measure(s) by the Council's meeting of November 25, 2003.

BACKGROUND

The Mayor's Revenue Task Force was convened to evaluate options for raising new revenues given the City's looming budget deficits and need for aggressive budget balancing measures. Over the past five months, the Task Force reviewed the City's budget, financial outlook, and existing and potential revenues.

The recommendations of the Mayor's Revenue Task Force are included in a separate report. Staff supports the following recommendations:

- Placing a \$10 million Special Tax on the March 2004 ballot;
- Provide for a "balanced" approach to addressing the City's budget deficits over the next five years;
- Dedicate new tax revenues to preserve a specific service. I recommend Fire Services--with guarantee of maintaining existing staffing levels at the fire stations. The Task Force did not specify the program or service to be included in the tax measure. There are single subject ballot restrictions that limit the number of services that can be included in a measure.
- Provide for a sunset provision;
- Provide for a low-income exemption; and
- Designate a citizen's oversight body.

Additionally, staff recommends the inclusion of an annual inflator:

- Annual Inflator – The measure needs to provide annual cost of living increases, based on Bay Area Consumer Price Index (CPI) or five percent (5%), whichever is greater. The measure could then maintain its "value" in subsequent years, providing service-level commitments with expected inflationary cost increases;

### FISCAL IMPLICATIONS

If approved, this measure would generate \$10 million in new tax revenues through a parcel tax assessed on square footage of property improvements. The rate would be set at approximately 13.2 cents per square foot, or approximately \$250 per year for the average (1,900 square foot) residence.

The new tax revenues will be dedicated to maintain existing staffing and services within the City's fire suppression programs, and allow for an equivalent amount of existing General Fund monies to be re-allocated to other programs to minimize program reductions, facility closures, and staff lay-offs over the next five years. The City's ability to minimize budget reductions will depend on future economic conditions, impacts from the State's ongoing fiscal crisis, and future cost of City labor contracts.

Attached are several scenarios showing five-year General Fund projections with and without a \$10 million ballot measure and the possible elimination of the vehicle license fee. Even in the best case, new revenue and no State cuts, reductions will have to be made over the next five years. The worst-case scenario, no new revenue and State cuts of \$6 million will require the elimination of 272 positions, the vast majority of cuts required over the next two years.

Should the measure include an annual cost-of-living adjustment, the second year cost increase (assuming five percent (5%) inflation) would be \$12.50 (from \$250 to \$262.50), or roughly \$1.00 per month for the average (1,900 square foot) residence.

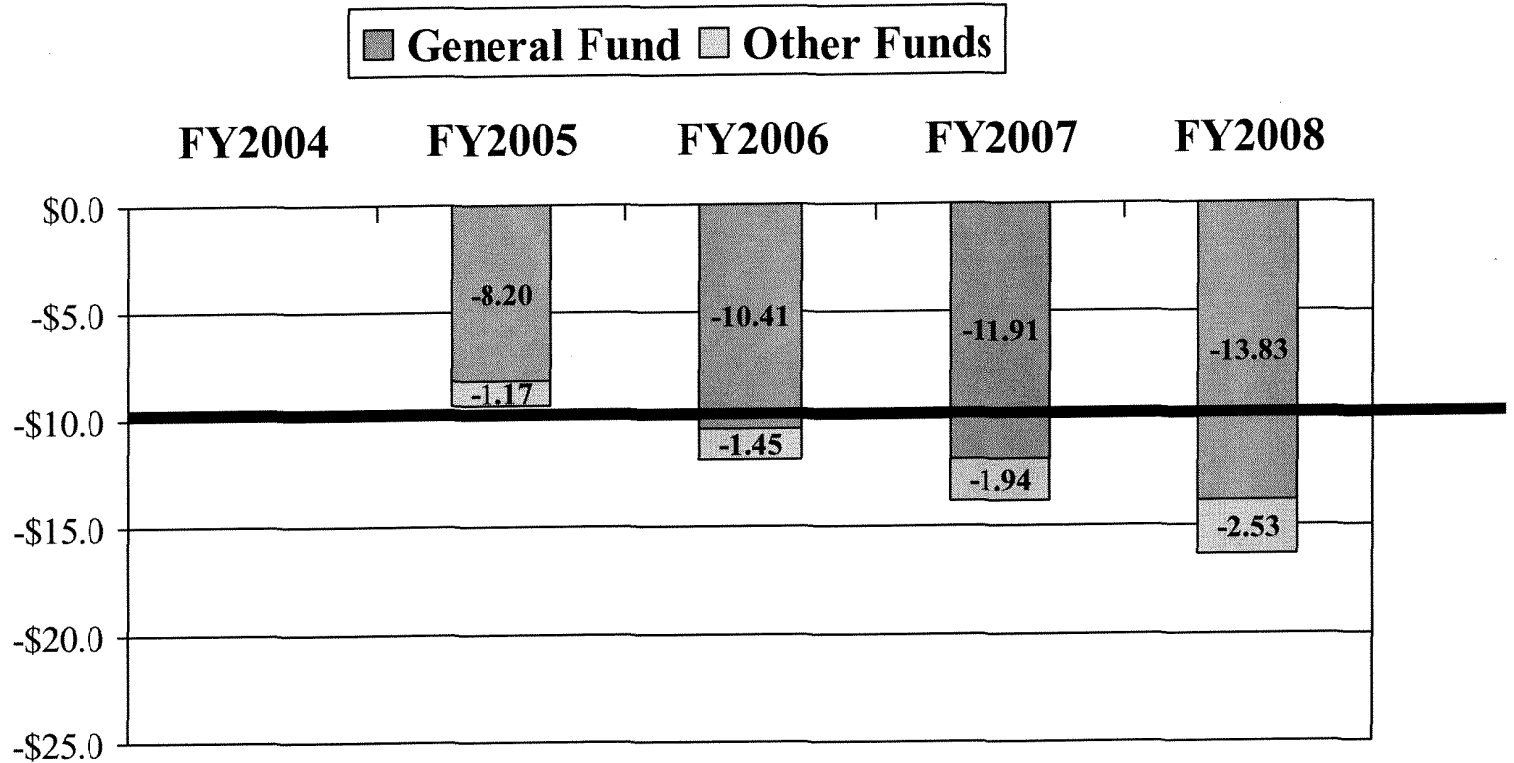
### CONCLUSION

If the Council approves the recommendations of the Mayor's Revenue Task Force and places a Special Tax Measure on the March 2004 ballot, significant staff work needs to be completed in the next six weeks. To finalize ballot language by November 25, 2003, the Council should dedicate the upcoming Study Sessions of October 21, November 4, 18 and 25, 2003 to continue discussion and provide direction to staff.

I would like to thank the members of the Mayor's Revenue Task Force for their comprehensive and thoughtful report and recommendations. The Task Force exhibited great care and focus in absorbing a vast amount of background information and developing its recommendations in a relatively short timeframe. Task Force meetings were characterized by extensive fact-finding, challenging staff assumptions, and thoughtful discussions, including participation by members of the public and the press.

# Five-Year Balancing Plan

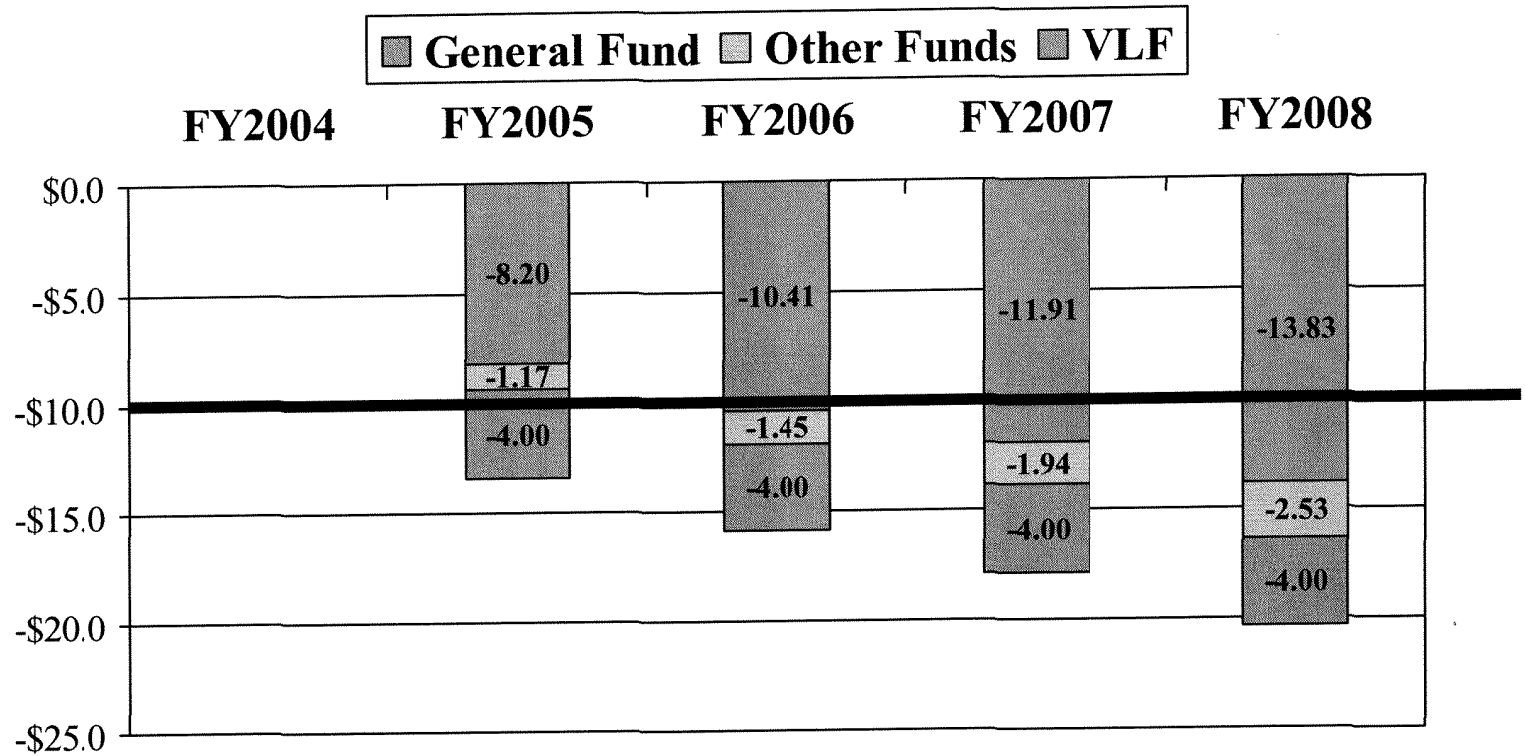
*Best Case: New \$10M Revenue Measure*



	FY04	FY05	FY06	FY07	FY08	TOT
Cuts (\$M)			\$ 1.9	\$ 2.0	\$ 2.5	\$ 6.4
FTE (est.)			24	25	31	86

# Five Year Balancing Plan

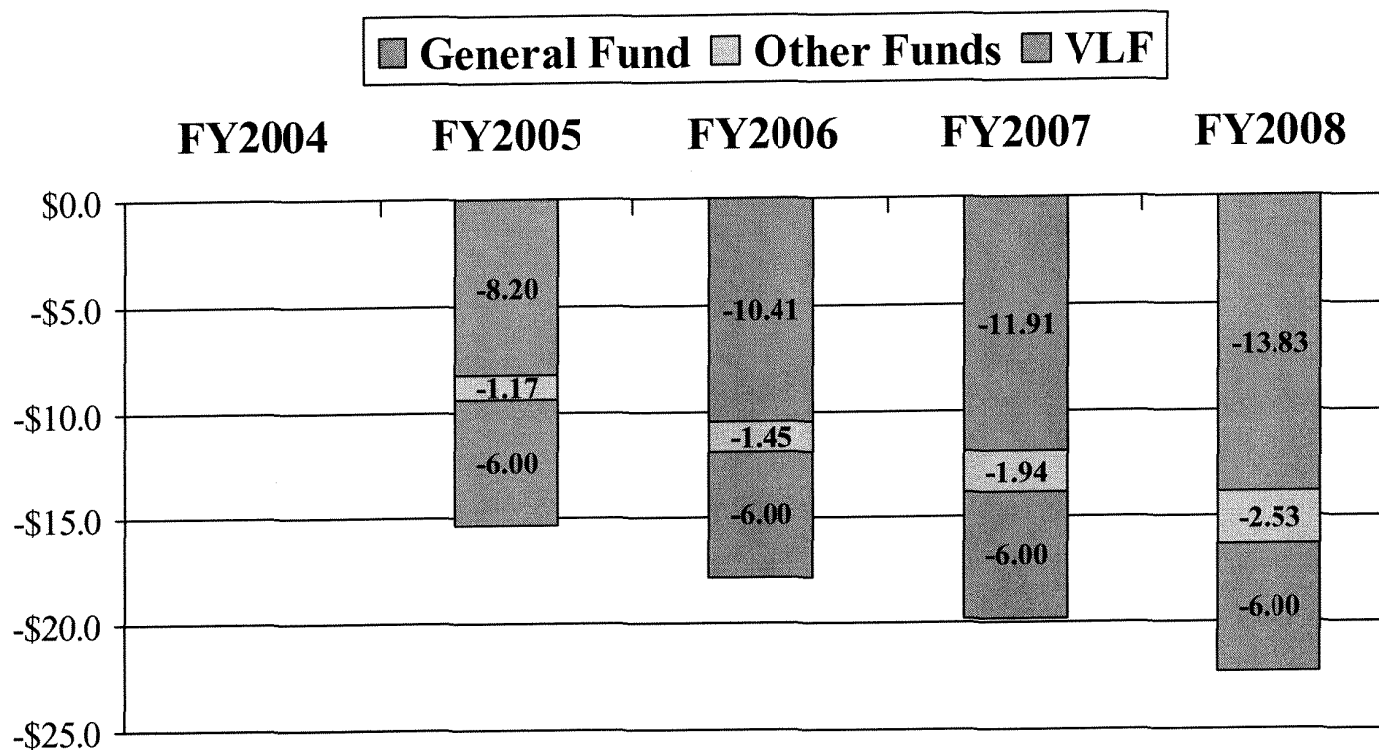
*Likely Case: New Revenue Measure / Lose VLF Backfill*



	FY04	FY05	FY06	FY07	FY08	TOT
Cuts (\$M)		\$ 3.4	\$ 1.9	\$ 2.0	\$ 2.5	\$ 9.8
FTE (est.)		42	24	25	31	128

# Five Year Balancing Plan

*Worst Case: No New Revenue Measure / Loss of 100% VLF*



	FY04	FY05	FY06	FY07	FY08	TOT
Cuts (\$M)		\$15.4	\$1.9	\$2.0	\$2.5	\$21.8
FTE (est.)		192	24	25	31	272