



FY 2014/15

Revenue Measures



January 28th, 2014

Where are we?

- The City needs money to fund ongoing GF services.
 - *70+% of GF is Safety/Parks and Rec/Infrastructure*
- The funding gap is approximately \$5.1 M
 - GF reduction 12.5% or 25% with Safety held harmless

How did we get here?

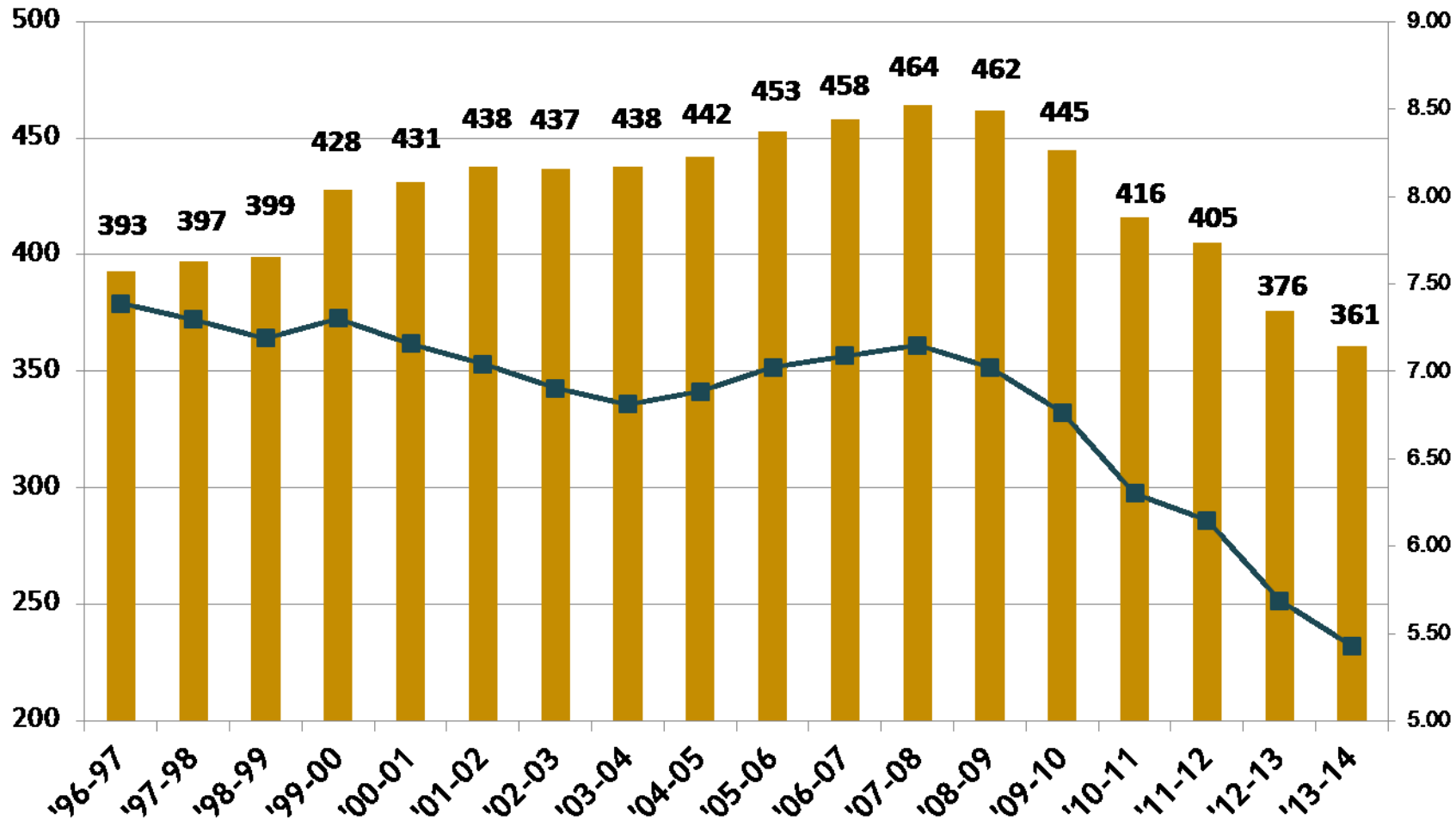
- Costs are rising faster than revenue despite the City's efforts to control them.
 - Labor concessions and 103 position reductions will save approximately \$17.6 M (Total GF savings \$11 M) total of avoided costs/reductions.
 - Revenue projected to rise 14.0% while expenditures go up 29.4% over five years.

Staffing Trends

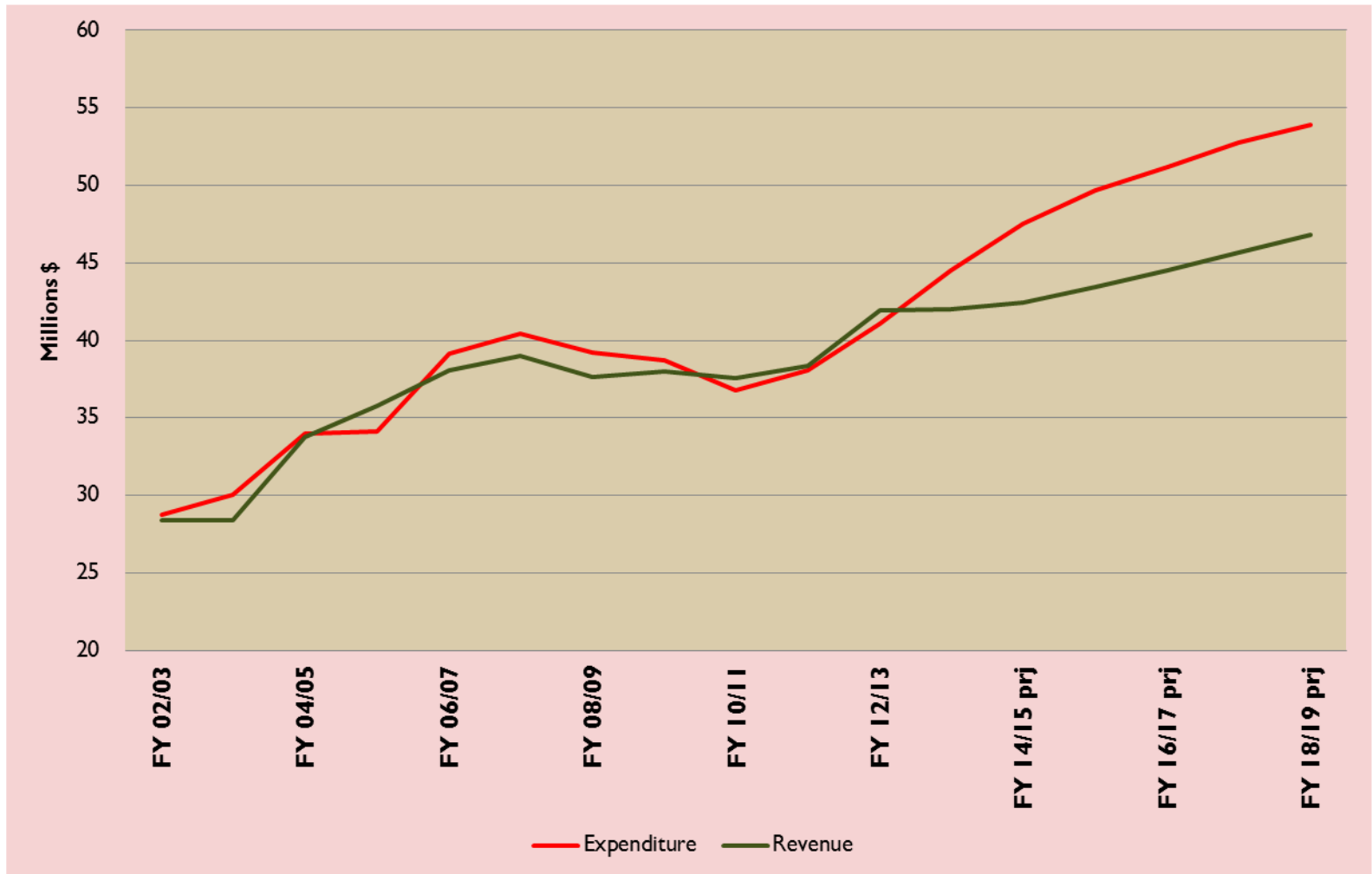
Permanent Employees (FTE) – Regular Authorized Positions

*Reduction of 22.2% from
FY07-08 to FY13-14*

Employees per capita:
7.39 in FY 96-97
5.43 in FY 13-14



History of GF Revenue and Expenditures Actuals and Projected FY 2002-2019



Options moving forward?

- *Reduce General Fund expenditures*
- *Revenue Enhancements*
 - *Tax Measures*
 - *Sales Tax*
 - *Parcel Tax*
 - *Ad-Valorem Tax*
 - *Economic Development*

Revenue Focus Group

- Comprised of a range of community members.
- Met January 7, and January 23, 2014
- Discussed various options and viewpoints

Revenue Sub-Committee Suggestions

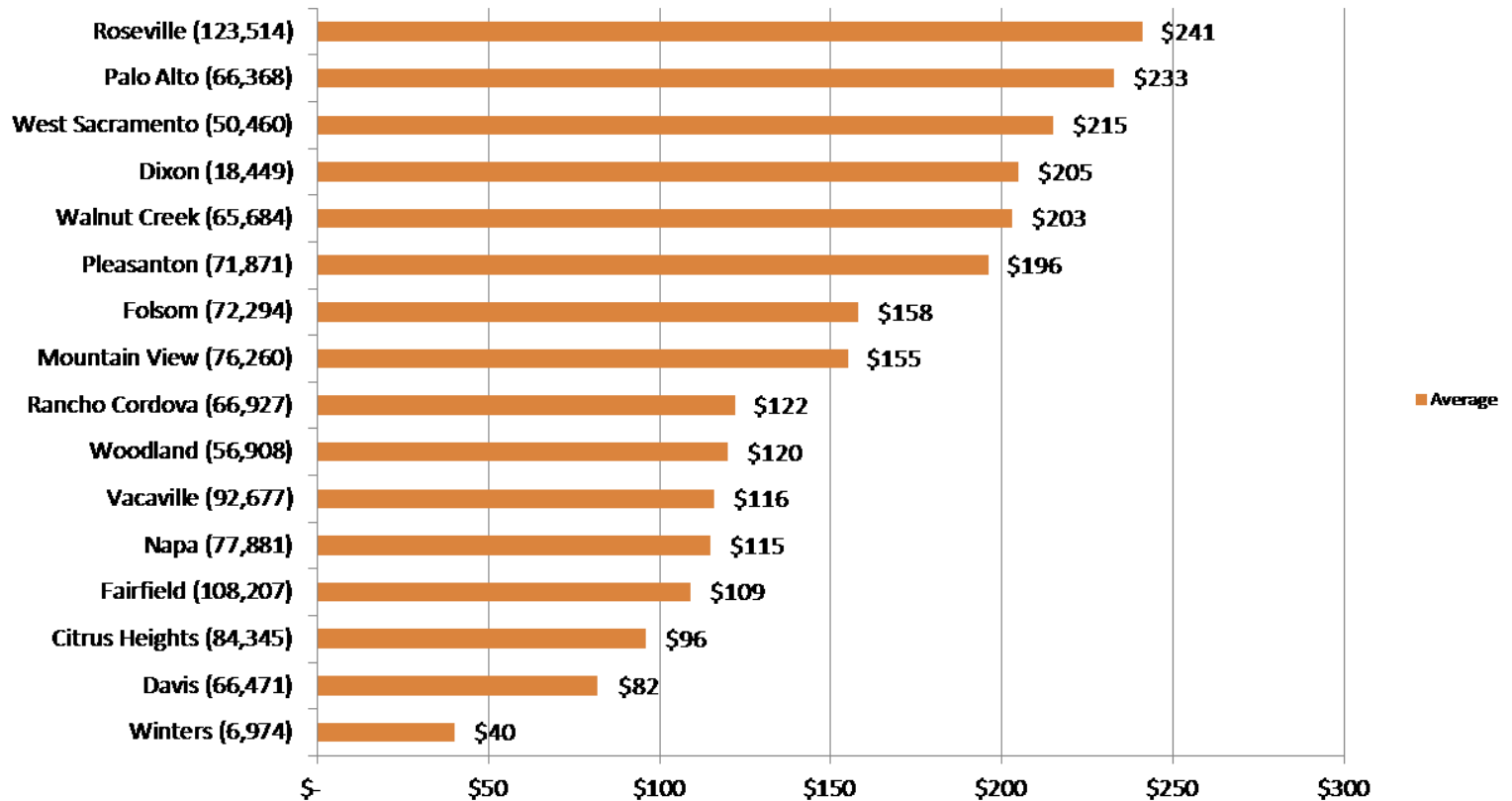
- *General Understanding that the City needs additional Revenue*
 - *Community wants a revenue measure to be part of a larger economic development effort compatible with Davis values.*
 - *Need to invest in infrastructure*
 - *Need to shore up City's long-term financial position*
 - *Citizens do not want the City to come back again in a couple of years to ask for money*
 - *Time Frames. February deadline for June Sales Tax measure and Economic Development can take 6+ years*

Revenue Sub-Committee Suggestions

- *Three main components*
 - *Sales Tax measure on June Ballot*
 - *0.75% (\$5.4 M)*
 - *Parcel Tax measure on the November Ballot*
 - *Up to \$150 per year (\$4.1 M)*
 - *Pursue Economic Development as long term revenue source*

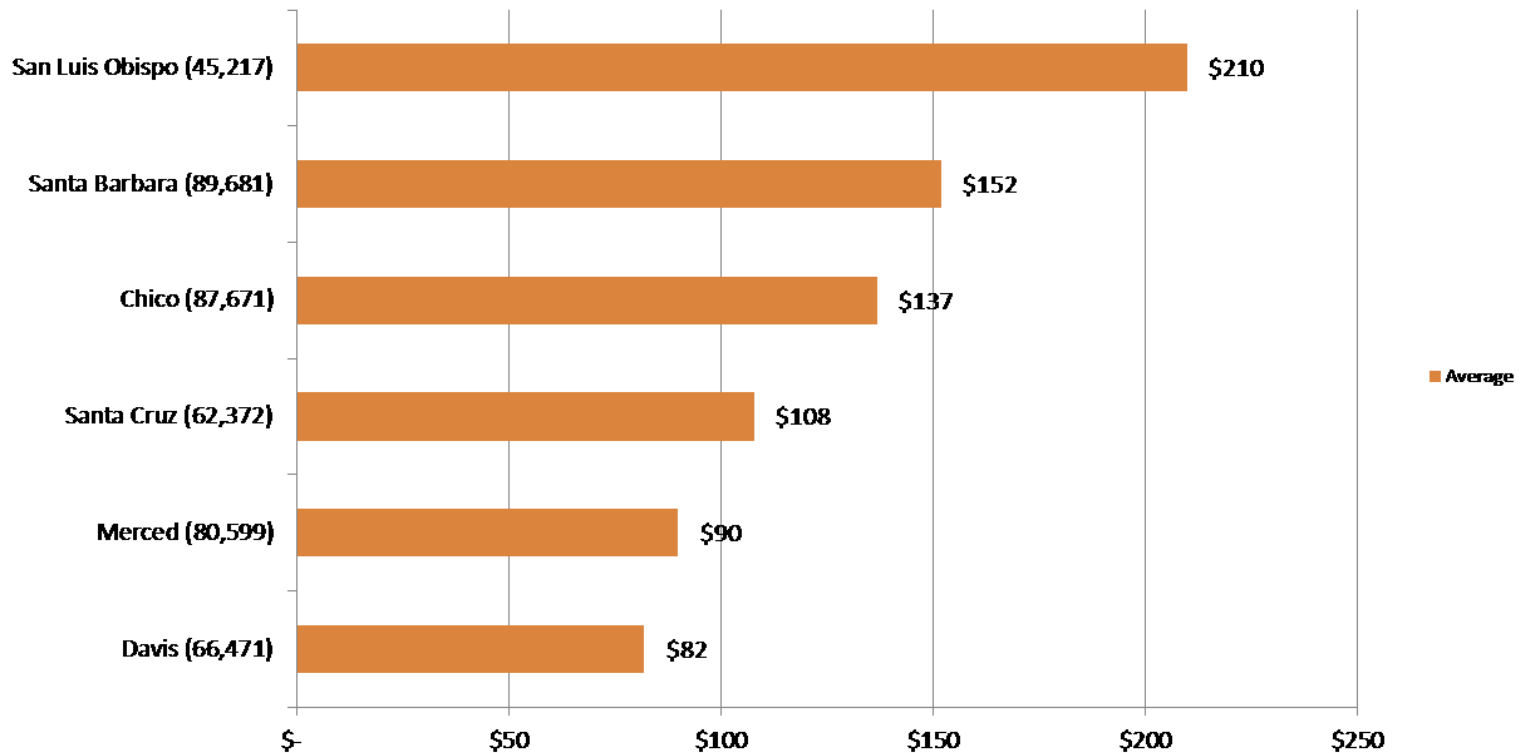
Potential Revenue Options

**Sales and Use Tax Revenues Per Capita
5 Year Average 2008-2012**



Potential Revenue Options

**Sales and Use Tax Revenues Per Capita
5 Year Average 2008-2012
Similar Size UC College Communities**



Potential Revenue Options

Sales Tax

- **Simple Majority (50% + 1)**
- **June ballot** (otherwise 2 more yrs. w/out emergency finding)
- **Term – up to 10 Years** (Anticipated time required to realize income from Economic Development)
- **Increase current rate by 0.75% to 1.25%** (8.75% effective rate)

Approx. Yields of Sales Tax Increments (based on most recent sales tax revenues) Sales tax can be increased in 1/8 cent increments.

- 1/8% – \$ 902,500
- 0.25% \$1,805,00
- 0.5% – \$3,610,000
- 0.75%- \$5,415,000

Current 0.5 cent Sales Tax on \$5,000 of purchases = \$25

- Additional 0.75% = \$37.50 for a total of \$62.50

Revenue Focus Group

Sales Tax – What it would be used for:

- Infrastructure (also proposed for Parcel Tax)
 - Investment in water saving measures and additional \$2.5 million per year for roads/bike lanes
- Pay for rising utility costs
 - \$1.7M overall increase by FY18/19
- Retiree Medical Costs
 - \$723K increase by FY18/19
- PERS Pension costs
 - \$2.3M increase by FY18/19
- Medical Insurance increases
- Fund Fleet Replacement and unfunded Leave balances
 - Additional \$770K and \$2.1M overall increase

Revenue Focus Group

Sales Tax – What it would be used for:

- Building back up City Reserve. Currently about half of 15% policy. \$3.6 M vs. \$7.2 M
- Sales Tax could be scaled back in the future if circumstances warrant

Revenue Focus Group

Parcel Tax

- Two-Thirds Vote
- November 2014 ballot
- Up to \$150 per year
- May be Tied to General Obligation Bond
- Term and Items to be funded –to be determined

Parcel Tax Yield Increments (based on current households)

- \$135/Yr – \$3.68 Million (Approx. \$50M Bond)
- \$150/Yr – \$4.09 Million (Approx. \$55M Bond)
- \$246/Yr – \$6.70 Million (Approx. \$85M Bond)

Parcel Tax – What it could be used for:

- **Increased Street Maintenance and Infrastructure improvements (listed under Sales Tax, too)**
 - Estimated to cost up to \$7.6M per year
 - Additional \$2.4 for sidewalks and bike paths
- **Water Conservation Efforts (listed under Sales Tax, too)**
 - Controller and Sprinkler head improvements
 - Irrigation alternatives

Parcel Tax – What it could be used for:

- Improvements to Parks amenities and infrastructure
 - Potential pool replacement/upgrades
 - Turf improvement other infrastructure
- Facility Repair/Improvement (can't be used for maintenance with a Bond)
- Purchase of Nugget Field
- Veteran's Memorial Building
- Playground equipment replacement
- Tennis court reconstruction at Walnut Park

Long -Term Revenue

- **Focus on Economic Development:**
 - Working to attract new companies that fit with Davis values and opportunities offered by synergy w/ UCD
 - Identifying ways for existing high-growth companies to expand
 - Work with local groups to foster entrepreneurship
 - Develop Innovation Park
- Recognition that these efforts will take time to deliver additional revenues to the City. It can take up to 10 years to get an Innovation Park online and generating revenue.

Why combination of Sales and Parcel Tax?

- Some people believe Sales Tax is regressive; however,
 - All people who buy things in Davis pay it (students, visitors, residents, businesses).
- Parcel Tax is paid by property owners (cost may be passed along to renters)
- Combination may affect broadest group of people.

Summary

- General agreement revenue measures need to be taken. Current option:
 - Sales Tax (Simple Majority With 10 yr. Term)
 - Goes to voters in June 2014
 - Advisory measure?
 - 0.75% Sales Tax = \$5.4 M
 - Parcel Tax (2/3 Majority)
 - Goes to voters in November 2014
 - \$150 Flat Parcel Tax = \$4.1 M

Total raised approx. = \$9.6 M