

## Funding Options for Deferred Maintenance and Other City needs

### Why do we need additional revenue:

The City has several funding issues we are facing that need to be addressed. These include the following:

- Public Safety Building Construction
- PERS Unfunded Liability
- Measure J and Keeping up with salaries.
- Park/Trail Maintenance
- Town Hall Remodel
- Garage Refurbish/Addition

Other issues the City could be faced with:

- Salaries – Specifically Public Safety
- Cemeteries
- Urban Forest Management
- Downtown Parking/Event Areas
- Creek Beautification
- Other Projects/Facilities

### Potential Solutions

1. Cut Expenditures
2. Utility User Tax
3. Parcel Tax
4. Increase Transient Occupancy Tax
5. Developer Fee
6. Sales Tax

Following is an analysis of each of the above potential solutions and the pros and cons of each.

<b>Solution</b>	<b>Process</b>	<b>Description</b>	<b>Pros vs. Cons</b>
Cut Expenditures	Through detailed analysis during the budget process, determine potential savings.	This should always be the first step in addressing revenue shortfalls. Prior to 2023, the City was forced to cut projects and defer maintenance on infrastructure and	Pros: No additional revenue measures required. Cons: Not likely to achieve the necessary revenue needs.

		facilities. In 2023 the City's sales tax was up and allowed us to do some one-time projects. But we still fall way short in being able to keep up with maintenance. This would require major cutbacks of services to meet revenue requirements.	
Utility User Tax	Requires Voter Approval.	This would come in the form of % tax on certain utilities. Can be placed on any utility from Electricity to water to Sewer.	Pros: Mechanism in place to administer  Cons: Probably would not achieve the necessary revenue. Not a popular tax to the public.
Parcel Tax	Requires Voter Approval	Parcel taxes require a ballot measure to approve. Normally these taxes are presented as a dollar amount per \$100,000 of property value. Example: \$30/\$100,000. For a \$600,000 property the tax would be \$180 per year.	Pros: Potential to raise sufficient revenue  Cons: Not popular. Could require a large tax to reach desired revenue goals.
Transient Occupancy Tax	Requires Voter Approval	Parcel taxes require a ballot measure to approve. Current TOT is 10%. Statewide TOT % varies from 8% - 15%	Pros: More Simple to gain approval. Primarily taxes out of town visitors who use local hotels.  Cons: Currently 1% of TOT equals approximately \$252,500 per year. So even a 5% increase would only raise Approximately \$126,250 per year.
Developer Fee	These fees can be adopted by the Council	Fee would apply for new development of	Pros: Does not require vote ballot measure.

	after a nexus study to demonstrate the need.	homes and business. Can only reflect new development not existing development. Fee would be applied to permits on new development.	Does not tax existing residents and businesses.  Cons: Difficult to calculate revenues as it is based on future development which is unknown. Works well in high-growth areas. Can create problems during recession and other economy downturns.
Sales Tax	Requires Voter approval through a ballot measure. General Tax requires majority vote, Special Tax requires a 2/3 Majority.	If approved on the ballot measure, tax added to purchases within the City limits and vehicle purchases outside the City by residents of the City.	Pros: Most potential to obtain desired revenues. Taxes citizens and visitors. Last estimate shows as much as 70% of Sales tax comes from people living outside the City.  City is not the highest in the region.(See attached comparison. However, if we were to add more we would be higher than the average for our area.  Cons: City already has 3 tax measures totaling 1%. Requires vote and extensive campaign to approve. Fluctuates with the Economy

Project Analysis:

1. The highest priority currently is our Public Safety Building. The Public Safety Building Feasibility Study is attached to this report and clearly outlines the need for a new facility to address needs at both the Police Station, 730 Main Street, and the Fire Station, 3034 Sacramento Street. Specific concerns outlined in the report include the following:

#### Police Station:

- Current site cannot meet the needs of both Police and Fire.
- Could possibly meet the needs of Police only but not an ideal site.
- Built in 1978, is not appropriate for current day Police operations.
- Lacks Safety features to protect the public and employees (CPTED Principles)
- Built for a smaller population, 6,739, almost half the current population, 11,039.
- Narrow Hallways, restricted workspaces, small lobby and lack of adequate storage.
- No Female locker rooms.

#### Fire Station:

- Built in 1951 to serve a Volunteer Fire Department
  - Interior walls cannot be moved (load bearing)
  - Lack of appropriate living quarters
  - Original design did not have showers.
  - Not appropriate for current larger apparatus. Must back in and when in front blocks pedestrian traffic.
  - Station 25 lacks the necessary spaces and layout, to provide adequate mitigation and exposure reductions to meet current standards, as well as a workstation for firefighters.
- 2022 Potential Sales Tax Measure
- The estimated cost of the Public Safety Facility, based on preliminary design, is \$43,458,493. The breakdown for the facility is 59% Police and 41% Fire. Also, based on initial review, we could potentially receive 33% in Grant funds, lowering the amount to \$28,248,020. Annual loan payments on these amounts based on current USDA Loan rates of approximately 4% are as follows:
    - \$43,458,493 – \$2,300,000
    - \$28,248,020 - \$1,430,000
    - Based on a 40 year term, meaning the sunset would need to be 40 years.

2. CalPERS Unfunded Liability: The City has made progress in addressing this however there is a long way to go. This year the City contributed \$500,000 toward this in addition to annual additional contributions of 1% of payroll. The current unfunded liability is approximately \$XXXX.
3. Measure J and Keeping up with salaries. Measure J was adopted to address increasing salary and benefit costs for Police employees. It was anticipated that the growth in sales tax would keep up with the growth in salary and benefits for police employees. However, it has not. Over the past several years the City has had to contribute general fund money to augment Measure J.
4. Park and Trail Maintenance: Deferred maintenance in our parks and on our trails is increasingly becoming a problem. Some of our parks are very old, such as Lion's Park, Benham Park and Rotary Park. \$137,500 was budgeted to replace an aging irrigation system at Lion's Park this year but that is only a fraction of the need to keep facilities from deteriorating further.

5. Town Hall refurbishment/repair. Town Hall is another example of deferred maintenance that needs to be addressed. Although some issues have been addressed it is really only a band aid approach to the need.
6. Garage Maintenance: The downtown garage is in need of repairs and eventually a major remodel to address maintenance issues and ADA requirements. In addition, consideration could be given to adding additional parking.

#### Sales Tax Option:

The City's current sales tax rate = 8.25% - Bradley Burns 7.25%, Measure J .25%, Measure H .25% and Measure L .5%. The total amount the City actually receives of the 8.25% is 2%. The remaining amount goes to the State.

Measure J is restricted to Police Salary and benefits and has no sunset.

Measure H is restricted to Water and Sewer Projects and Debt Service was adopted in 2010 and has a 30 year sunset.

Measure L is restricted to Water, Sewer, Storm Drain and Streets was adopted in 2016 and has a 20 year sunset.

In comparison to other agencies the City's Sales Tax (8.25%) is at the approximate average. See attached chart.

#### Potential Measure

1% = \$6 M

½% = \$3 M

Purpose: To provide benefit to local residents by increasing amenities and decreasing costs of certain services.

Sunset: 40 years

General Tax: 51% or Majority vote

Special Tax: 66.7% or Super Majority Vote

Expenditure Plan: Required for a Special Tax. Must be very general for a General Tax

Pluses: Estimated 70% of Sales Tax comes from out of City Limits. Residents benefit from sales tax paid by others.

Potential Projects: See attached Spreadsheet.

- Discount cost of recreation programs and classes including aquatics for citizens
- Increased trail and park amenities and maintenance
- Discounted/Free Parking for citizens.
- Funding to remodel/construct Public Safety Facility for Police and Fire
- Amenities for Downtown ie New sidewalks
- Fund Pension Unfunded Liability
- Modernize City Equipment
- Provide competitive salary for city employees.
- Marketing/Business attraction program.

Timing: Most Polling places who assist jurisdictions with these measures recommend that they be done during a Presidential Election. This would mean either November 2024, or November 2028. Waiting five years to fund the Public Safety Facility is not ideal given the Grand Jury recommendation and the present condition of the facilities. The next best time would be during a Gubernatorial Election that will occur in November of 2026.

Other options for ballot measures include a Primary Election and a Special Election. However, these are not recommended.

If it is decided that we want to pursue a Sales Tax Measure in November of 2024, we should proceed immediately. If not, we can take more time to plan. Either way, we should try to put forth a plan to pursue a Public Safety Facility as planned. Or look at other options for these facilities, such as remodel of existing facilities.