



DATE: January 23, 2018

CATEGORY: New Business

DEPT.: City Manager's Office

TITLE: **Work Plan for Possible Revenue Measures**

RECOMMENDATION

1. Adopt a work plan to explore possible revenue measures for the November 2018 ballot (Attachment 1 to the Council report).
2. Appoint a Council subcommittee of three members to serve in an advisory role to staff in implementing the work plan.
3. Appropriate and transfer \$72,000 from the General Fund Reserve to the City Manager's Office for a preliminary poll and temporary staffing to manage this project. (Five votes required).

BACKGROUND

Over the years, from time to time Councilmembers have expressed a desire to secure additional funding to maintain and improve services in the community, including for new transportation projects. On December 5, 2017, the City Council discussed a number of options related to revenue measures and provided direction to staff to explore three possible measures for the November 2018 ballot:

- Taxation of cannabis;
- An increase in the Transient Occupancy Tax (TOT); and
- An employee tax.

Attachment 2 is the staff report from December 5, 2017. Council indicated support for creating a subcommittee to help oversee the project and also supported any cannabis and TOT tax to be general purpose measures, requiring majority support of the voters. The direction on a possible employee tax was more mixed, with some favoring a special

tax dedicated to transportation (which requires a two-thirds vote) and others preferring a general tax.

ANALYSIS

Developing revenue measures for the ballot is a significant undertaking that usually requires more than a year for planning and community outreach leading up to the decision to place a measure on the ballot. Any ballot measure(s) for the November election must be finalized by August 9, 2018. Given the current Council meeting schedule, final action would need to be taken by the June 26, 2018 Council meeting.

Generally, one of the first steps in determining whether to pursue a ballot measure is to poll the community to gauge support. In anticipation of this possibility, staff issued a Request for Proposals for polling firms on January 3, 2018. As of the due date of January 16, 2018, 3 proposals had been received with professional fees ranging from \$19,750 to \$42,475. The proposals include a wide variety of the length of the survey (15 minutes to 25 minutes), sample sizes (400 to 600), and whether the survey is conducted in multiple languages. Staff recommends that the Council appoint a subcommittee to select a firm and initiate a preliminary poll. In most cases, a secondary poll is done before finalizing and placing any measure on the ballot. Funding for a second poll is not requested at this time.

Community outreach is often a critical component of developing a revenue measure. For a TOT, outreach to the hospitality industry would be appropriate. For a tax on the sale of cannabis, there are a number of stakeholders to reach out to. For an employee tax, the business community is a key stakeholder. Staff would recommend a combination of targeted and general outreach to engage the community in the conversation. Various methods of outreach could include online communication and surveys, community meetings, focus groups, stakeholder meetings, and development of fact sheets.

Should Council continue to be interested in an employee tax, developing the methodology will be one of the primary challenges. The City's current Business License Tax is very low, generating approximately \$250,000 per year with most businesses paying a flat \$30 (plus an additional \$4 for SB1186). This tax has not been updated since 1985. There are a number of different ways to structure an employee tax and determine how it will be applied (for example, to address potential objectives like minimizing the impact on smaller businesses). One item that will have to be decided in the coming months is the amount of the revenue needed and whether or not revenue from the tax would be targeted to transportation (or any other specific funding need) or if it should be a general revenue source. Working through these issues will be the task of the

subcommittee, based on staff research and analysis of various options and community input. The subcommittee will make recommendations to the full Council.

Undertaking this effort will have significant workload implications. The research, outreach, and planning needed to support a decision about placing a measure on the ballot is estimated to take 15 hours per week through June (see Attachment 1 for a draft work plan). The project could be managed with existing staff from the City Manager's Office (CMO), Finance and Administrative Services (FASD), the City Attorney's Office (CAO), and the City Clerk's Office (CCO). If staffed by current staff, it would be necessary to reprioritize established priority projects.

In the CMO, which will be the project lead, Council could consider postponing the analysis of public service levels, development of a pilot project to apply a human rights analysis framework, and regional collaboration to fund and/or improve access to immigrant resources. In FASD, staff would recommend postponing the current work plan item to conduct a Cost of Services Study for Development Services. While such a study is needed, the timing is not urgent. The CAO would have to integrate this time-sensitive project with other Council priorities led by various departments and there might be some delays in one or more of those as a result. In addition, the workload increases with each additional ballot measure as an impartial analysis will need to be done for each one. And the CCO would have an added responsibility of ensuring additional ballot measures are properly processed and presented to the Registrar of Voters in the correct format by the appropriate deadline.

To minimize the workload, the hiring of additional temporary, part-time staff could be done for the assistance in the CMO, the project lead. However, it is anticipated that current staffing would be impacted in the CAO, FASD, and the CCO. The CMO would still be involved, but the impact would be significantly reduced if a part-time project manager is utilized.

If the Council places one or more measures on the ballot, once that is done, the City's role ends other than providing factual information. An independent campaign must take on the role of advocating for the measure(s).

FISCAL IMPACT

In December, it was estimated that the cost of a ballot measure would be \$165,000 to \$230,000. At this point, updated estimated costs, based on a more narrow scope, are:

Polling Survey assuming one split survey:	\$37,000
Temporary Help:	\$20,000

Placing measures(s) on the ballot	\$60,000 to \$70,000
Misc. outside expertise (legal, etc.)...	\$10,000
Contingency...	\$5,000

Staff is not asking for appropriations for the placement on the ballot or more than one poll at this time. Should those items be needed, staff will return to Council as the process unfolds. Thus, the financial request of this item is \$72,000.

ALTERNATIVES

1. Discontinue efforts on any revenue measures.
2. Focus the effort on only one or two revenue measures.
3. Appropriate additional funding at this time.
4. Provide other direction.

PUBLIC NOTICING

Agenda posting and a link to the report sent to the Chamber of Commerce and posted on social media.

Prepared and Approved by:

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DHR/PJK/5/CAM
546-01-23-18CR-E

- Attachments:
1. Draft Work Plan
 2. December 5, 2017 Staff Report