



City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: February 2, 2010

SUBJECT: Resolution to add a Sales Tax Measure and Advisory Measures on
the June 2010 Ballot

Report in Brief

During the City Council meeting of January 19, the Council directed staff to place an item on the February 2 agenda wherein the Council would consider adoption of a resolution to place a sales tax measure and companion advisory measures on the June 2010 ballot. This direction is intended to offer the Woodland community an alternative to budget reductions of approximately \$3 million projected for FY 2011 by generating revenue through a quarter-cent or half-cent sales tax.

Staff has drafted a resolution for the Council's consideration with companion advisory measures focusing on the allocation of resources to public safety, libraries and parks and recreation programs. The attached resolution specifies a quarter-cent sales tax for a period of four years unless reauthorized by the voters. Council discussion during the February 2 meeting could result in changes to the resolution; however, the California Constitution requires the approval of a two-thirds Council majority to place a general tax measure on a general election ballot. Therefore, placement of the measure on the ballot requires at least four affirmative votes.

Staff recommends that the City Council adopt Resolution No. ____ calling an election, directing the consolidation of the election with the statewide primary election and placing a proposition for a quarter-cent sales tax measure and three advisory measures on the June 8, 2010 ballot.

Background

On December 15, the City Council received an update on fiscal issues. This update included the unfortunate news that the City is facing an FY 2010 General Fund deficit of approximately \$2 million and may need to consider total reductions for FY 2011 of up to \$3 million. The December 15 report summarized potential funding mechanisms such as revenue measures that could be considered by the voters in order to mitigate the revenue loss and further reduction of programs and services.

On January 19, the City Council received a report on the June 2010 election and adopted a resolution calling for an election on June 8, 2010 to fill two vacancies on the City Council. The staff report which facilitated the Council's action included a discussion of possible general tax measures that could help address the City's projected FY 2011 General Fund shortfall. Staff provided the City Council with this information in response to inquiries from Council members and because the deadline to place measures on the June 2010 general election ballot was approaching.

In response to this information, the Council directed staff to return on February 2 with a resolution calling for the placement of a sales tax and companion advisory measures on the June 8, 2010 ballot. Staff has drafted the attached resolution which would authorize the placement of a quarter-cent sales tax on the June ballot with companion advisory measures. The advisory measures would allocate the resources to public safety, the Woodland Public Library and Parks and Recreation programs. The resolution proposes a four-year term for the sales tax measure unless reauthorized by the voters.

The provisions of the proposed sales tax measure and companion advisory measures were developed by staff in response to the discussion that occurred during the January 19 meeting. The City Council may wish to change the provisions based on discussion during the February 2 meeting. However, it is important for the City Council to note that sections of the California Constitution enacted by Proposition 218 require the Council to adopt the resolution with a two-thirds majority in order to place the measure on the June 8 ballot. Therefore, the action required to adopt the resolution requires four affirmative votes.

The following section of the report will review the options available to the City Council in association with the sales tax measure and the companion advisory measures.

Discussion

During the January 19 Council meeting, the Council discussed a general sales tax measure at rates of either a quarter-cent or a half-cent. The following information summarizes the impact of the two rates. Please note that revenue generated by either rate in the first year is estimated at 25% lower than the succeeding years to account for the time required by the State Board of Equalization to process and implement the new sales tax rate.

Quarter-Cent Sales Tax

If incorporated into the resolution and approved by the voters, a quarter-cent sales tax measure would generate estimated additional General Fund annual revenue of \$1.5 million in the first year and \$2 million in the succeeding years; a total of \$7.5 million is estimated over the four-year term assuming a flat rate without any growth in sales tax or inflation.

As discussed on December 15, staff estimates that \$3 million in expenditure reductions are necessary to balance the General Fund in FY 2011. This amount may be reduced if the FY 2010 mid-year adjustments under consideration by the City Council on February 2 are "structural", meaning that the reductions will be maintained into the next fiscal year and are not "one-time" strategies. Therefore,

additional revenue of \$1.5 million in the first year would still require expenditure reductions although the level of reductions would not be nearly as severe. The reductions could be further mitigated if staff could develop efficiencies or other strategies that would decrease the City's future liabilities for operating costs and employee compensation.

Half-Cent Sales Tax

If incorporated into the resolution and approved by the voters, a half-cent sales tax measure would generate estimated additional General Fund annual revenue of \$3 million in the first year and \$4 million in the succeeding years; a total of \$15 million would be generated over the four-year term assuming a flat rate without any growth in sales tax or inflation.

The injection of an additional estimated \$3 million in General Fund revenue would stabilize the City to the point that further General Fund expenditure reduction would be minimal or not necessary. Staff would urge the Council to be cautious regarding "adding back" any of the services that were reduced with the FY 2010 budget and the mid-year adjustments until there is some sign that the economy is in a sustained recovery. Also, staff believes that the fiscal issues identified in the December 15 report would need to be addressed before any consideration is provided to restore services. It is important to remember that most economic forecasts suggest that the economy will recover slowly with incremental gains over the next 5-10 years. Adding back services to the level prior to the current recession would not be a fiscally responsible strategy.

Staff has drafted the attached resolution at the quarter-cent rate based on the discussion during the January 19 meeting. The City Council did not provide staff with specific direction as to the exact rate for the proposed measure.

Advisory Measures

Staff has drafted information for three advisory measures that the Council may wish to consider in association with the sales tax measure. These measures would, if the sales tax measure is approved by the voters, help guide the allocation of resources to the Woodland Public Library, Parks & Recreation activities and public safety. The following information summarizes the advisory measures.

Woodland Public Library: Staff proposes to allocate 30% of the resources generated by an approved sales tax measure to the Woodland Public Library to restore library operating hours to 54 hours per week and provide circulation materials, literacy programs, educational activities and other community events that have been provided at the historic facility. This level of allocation would generate an estimated \$450,000 in the first year and \$600,000 in succeeding years with a quarter-cent sales tax measure and \$900,000 in the first year and \$1.2 million in succeeding years with a half-cent measure.

This level of allocation is based on the fact that the Library absorbed over \$200,000 in reductions for the FY 2010 budget; this year, two employees have accepted "Golden Handshakes" which reduces library staffing to five employees. The proposed funding would allow the library to restore services

to the level offered to the community two years ago and provide a dedicated revenue stream through the quarter-cent measure. If the half-cent measure was approved, the library could expand its services over time as the economy improves.

The proposed language for the Woodland Public Library Advisory Measure based on a quarter-cent tax is presented as follows:

Advisory Vote Only. This measure does not increase taxes. Shall any voter approved sales tax in the City of Woodland provide 30% of the sales tax received to the Woodland Public Library to restore educational and literacy programs and maintain library operating hours at 54 hours per week?

Parks & Recreation: Staff proposes to allocate 30% of the resources generated by an approved sales tax measure to Parks & Recreation that would be utilized to maintain parks, recreation facilities, public landscape, equipment and senior programs. This level of allocation would generate an estimated \$450,000 in the first year and \$600,000 in succeeding years with a quarter-cent sales tax measure and \$900,000 in the first year and \$1.2 million in succeeding years with a half-cent measure.

This level of allocation is based on the fact that the Parks & Recreation Department was reduced over \$1.8 million in the FY 2010 budget and lost 17 positions. The mid-year adjustments include the transfer of five Parks Maintenance employees to vacant non-General Fund positions in utilities and transportation in order to address the projected current year shortfall. The proposed funding would stabilize the Parks & Recreation Department based on a quarter-cent measure and maintain certain park maintenance activities and senior center programs. If the half-cent measure was approved, Parks & Recreation would be restored to 67% of the funding allocation that was lost in FY 2010.

The proposed language for the Parks & Recreation Advisory Measure based on a quarter-cent tax is presented as follows:

Advisory Vote Only. This measure does not increase taxes. Shall any voter approved sales tax in the City of Woodland provide 30% of the sales tax received to the Woodland Parks & Recreation Department to maintain current levels of park and public landscape maintenance and senior citizen programs?

Public Safety: Staff proposes to allocate 40% of the resources generated by an approved sales tax measure to public safety services primarily associated with the Woodland Police and Fire Departments. This level of allocation would generate an estimated \$600,000 in the first year and \$800,00 in succeeding years with a quarter-cent sales tax measure and \$1.2 million in the first year and \$1.6 million in succeeding years with a half-cent measure.

The level of allocation is based on the fact that the FY 2010 budget included over \$2 million of expenditure reductions in the Police and Fire Departments. Staffing reductions included five firefighter positions and three police officer positions. Both departments lost staff dedicated to outreach, education and other activities focused on preventing crime and property loss due to fires.

The addition of \$600,000 to \$800,000 through a quarter-cent sales tax measure would allow the current level of sworn police officer and firefighter positions to be maintained. If a half-cent sales tax measure was enacted, staff believes that some outreach and education public safety programs could be restored.

The proposed language for the Public Safety Advisory Measure based on a quarter-cent tax is presented as follows:

Advisory Vote Only. This measure does not increase taxes. Shall any voter approved sales tax in the City of Woodland provide 40% of the sales tax received to Public Safety services within the Woodland Police Department and Woodland Fire Department to maintain the current number of sworn police officers and firefighters?

The Council's approval of the attached resolution will allow the City to submit the ballot language for the sales tax measure and advisory measures prior to the Suggested Last Day to Call Election for Ballot Measures which must be acted on by the Board of Supervisors on February 16. Council action on February 2 will allow County staff to prepare the information for the February 16 Board agenda. As discussed on January 19, information from the ***Your City, Your Voice*** community engagement initiative will become available in late February or early March. The City Council may wish to consider this information in deciding whether or not to keep the measures on the June ballot. If the information from the ***Your City, Your Voice*** initiative suggests that a general tax would not be favorably received by the voters, the City Council could consider a resolution to withdraw the measures from the ballot on March 16, 2010 in order to comply with the March 17 deadline as the Last Day to Withdraw Measures from the Ballot. The Board of Supervisors would not need to take formal action to withdraw the measures so the County's agenda preparation timelines would not apply.

Fiscal Impact

If the attached resolution is approved by the City Council, placed on the June 2010 ballot and approved by the voters, the quarter-cent sales tax would generate estimated annual revenue of \$1.5 million in the first year and \$2 million in succeeding years; approximately \$7.5 million would be generated over the four-year term. If the Council modified the resolution to offer a half-cent sales tax, estimated annual revenue of \$3 million in the first year and \$4 million in succeeding years would be generated; approximately \$15 million would be generated over the four-year term. The revenue generated by either sales tax rate would mitigate at least a portion of the projected \$3 million shortfall for FY 2011.

Public Contact

Posting of the City Council agenda.

Alternative Courses of Action

1. Adopt Resolution No. ____ calling an election, directing the consolidation of the election with the statewide primary election and placing a proposition for a quarter-cent sales tax measure and three advisory measures on the June 8, 2010 ballot.
2. Modify the sales tax rate and adopt Resolution No. _____ calling an election, directing the consolidation of the election with the statewide primary election and placing a proposition for a half-cent sales tax measure and three advisory measures on the June 8, 2010 ballot.
3. Cease further consideration of sales tax measure.

Recommendation for Action

Staff recommends that the City Council approve Alternative No. 1.

Mark G. Deven
City Manager

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WOODLAND CALLING AN ELECTION,
DIRECTING THE CONSOLIDATION OF THE ELECTION WITH THE STATEWIDE PRIMARY
ELECTION, AND PLACING A PROPOSITION AND THREE ADVISORY MEASURES ON THE
JUNE 8, 2010 BALLOT

WHEREAS, on October 6, 1997, Assembly Bill 1472 became law, adding Chapter 2.93 (commencing with Section 7286.52) to Part 1.7 of Division 2 of the Revenue and Taxation Code; and

WHEREAS, Assembly Bill 1472 authorizes the City of Woodland (hereinafter "the City"), subject to approval by a majority vote of the qualified voters of the City voting in an election on the issue, to levy a transactions and use tax pursuant to the Transactions and Use Tax Law at a rate of 0.25%, not to exceed a total of 2.0% in any County, for general revenue purposes; and

WHEREAS, Section 2(b) of Article XIII C of the California Constitution, added by Proposition 218 effective November, 1996, requires that the measure proposing a general tax be submitted to the voters at an election consolidated with a regularly scheduled general election for members of the governing body of the local government; and

WHEREAS, pursuant to California Constitution Article XIII C, Section 2(b) and Elections Code section 10201, the City has determined to submit a proposition to enact an Ordinance establishing a transactions and use tax to the voters at the City's next regular election; and

WHEREAS, the City Council of the City of Woodland, by adoption of Ordinance 1299 on December 16, 1997, established that the City's regular, municipal election would be consolidated with the Statewide primary election; and

WHEREAS, pursuant to Elections Code section 9603, the City has determined to submit to the voters, concurrent with the proposed Ordinance enacting a transactions and use tax in the City, three advisory measures concerning the City services, programs and facilities which could be funded by the transactions and use tax fund, if approved; and

WHEREAS, the City may request the Yolo County Board of Supervisors to direct the County Elections Official to render services to the City relating to the conduct of an election.

NOW, BE IT RESOLVED, that pursuant to Elections Code section 9222, a measure to enact an Ordinance establishing a transactions and use tax, and related advisory measures, shall be submitted to the voters at the City's next regular municipal election on June 8, 2010.

BE IT FURTHER RESOLVED, that the City requests the Yolo County Board of Supervisors to consolidate the election on the proposition and the advisory measures with the Statewide election on June 8, 2010.

BE IT FURTHER RESOLVED, that pursuant to Elections Code section 10002, the City requests and authorizes the Yolo County elections official to provide the services necessary to implement the election and to consolidate the election on the June 8, 2010 Election Ballot for the County of Yolo.

BE IT FURTHER RESOLVED, that pursuant to Elections Code section 9280, the City Elections Official shall transmit a copy of the measure to the City Attorney, who shall prepare an impartial analysis of the measure showing the effect of the measure on existing law and the operation of the measure.

BE IT FURTHER RESOLVED, that the City hereby adopts the provisions of Elections Code sections 9220(a) and 9285(a), regarding the acceptance of rebuttal arguments.

BE IT FURTHER RESOLVED, that pursuant to Elections Code section 10403, the ballot forms shall have printed on them the following words with regard to the measures:

Measure A. Advisory Vote Only. This measure does not increase taxes. Shall any voter approved sales tax in the City of Woodland provide 30% of the sales tax received to the Woodland Public Library to restore educational and literacy programs and maintain library operating hours at 54 hours per week?

Measure B. Advisory Vote Only. This measure does not increase taxes. Shall any voter approved sales tax in the City of Woodland provide 30% of the sales tax received to the Woodland Parks & Recreation Department to maintain current levels of park and public landscape maintenance and senior citizen programs?

Measure C. Advisory Vote Only. This measure does not increase taxes. Shall any voter approved sales tax in the City of Woodland provide 40% of the sales tax received to Public Safety services within the Woodland Police Department and Woodland Fire Department to maintain the current number of sworn police officers and firefighters?

Measure D. Shall the Woodland City Council implement a one-quarter cent sales tax for general CITY SERVICES, PROGRAMS AND FACILITIES, with the following mandatory restrictions?

- The sales tax will expire after four years, unless reauthorized by the voters.
- A detailed spending plan and report will be presented to the public and published in newspapers.

PASSED AND ADOPTED this ____ day of _____, 2010, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Marlin H. Davies, Mayor

ATTEST:

APPROVED AS TO FORM:

Sue Vannucci, City Clerk

Andrew J. Morris, City Attorney