


11/5/19


Item # 3



**Council and Authorities Concurrent Meeting**

**Item #3. 19-1104 - Discussion and Review of Potential General Fund Revenue Opportunities for the November 2020 Ballot**

**November 5, 2019**



**City of Santa Clara**  
The Center of What's Possible

## **Agenda**

- Overview and Background
- Considerations for November 2020 Ballot
  - Transient Occupancy Tax increase
  - General Obligation Bond
  - Infrastructure Parcel Tax
- Timeline

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**POST MEETING MATERIAL**



## Overview

- Discussion of three revenue strategies
- Council to provide direction for developing ballot measures
- Authorization on community research and outreach
- Critical dates in June/July 2020 to meet ballot measure timeline

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## Background

- In May 2018, the City Council discussed and considered five revenue options:
  1. Increase the Transient Occupancy Tax (TOT) rate
  2. Increase the Documentary Transfer Tax
  3. Establishment of a Utility Users Tax (UUT)
  4. Establishment of a Cannabis Tax
  5. Establishment of an GO Bond or Infrastructure Parcel Tax
- Cannabis Tax (approved November 2018) – program development underway

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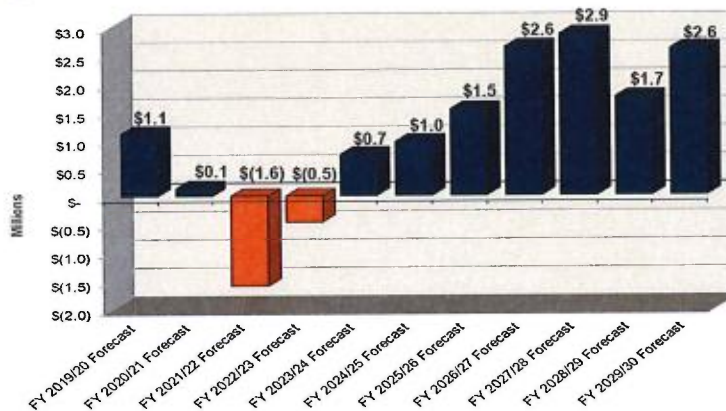
## Background

- January/February 2019 Strategic Priority Setting Sessions:
  - Staff presented the Ten-Year General Fund Financial Forecast
  - Council direction given to explore TOT and UUT revenue options
- Revenue opportunities are critical to address projected shortfall

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## Ten-Year Financial Forecast – January 2019



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## Risk Factors

- Decrease in Stadium Authority revenue (approximately \$2.7m ongoing loss)
- Labor negotiations and expenditures beyond assumptions
- CalPERS actuarial changes or any CalPERS reform actions
- Downturn in economy / decline in revenues
- Infrastructure operating budget impacts
- State and federal legislative changes
- Further refinement of major tax revenue projections (example: commercial cannabis deferred implementation, \$600,000 - \$2.4 million potential loss)
- Revenue and staffing impacts of development projects

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## Unfunded Projects and Infrastructure

- **Public Facilities and Other Infrastructure**
  - New Utilities Building and Civic Center Campus
  - Civic Center Repairs
  - Corporation Yard/Rehabilitation
  - Fire Station Repair/Reconstruction
  - Convention Center Repair/Rehabilitation
  - Cemetery Repair/Rehabilitation
  - Historical Homes Rehabilitation
  - Triton Museum Maintenance
  - Citywide Projects from ADA Transition Plan
  - Parking Lot Maintenance
  - CityPlace Multimodal Improvement Plan
  - Library Addition/Expansion

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## Unfunded Projects and Infrastructure

- **Streets and Other Infrastructure**
  - Storm Pump Station Repair/Rehabilitation
  - Storm Drain Sewer Repair/Rehabilitation
  - Street Pavement
  - Traffic Signal Maintenance
  - Bridge Maintenance
  - Trails and Bike Lanes Improvements
  - Projects from the Bike, Pedestrian, and Trail Master Plans
- **Parks and Recreation**
  - International Swim Center and Central Park Master Plan
  - Sports Facilities, Fields, and Land Acquisition
  - Park Infrastructure Rehabilitation/Reconstruction
  - Community Park – North
  - CityPlace Neighborhood Parks
  - Public Art

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## Revenue Opportunities

- Revenue opportunities are needed to:
  - Continue to deliver key city services
  - Preserve quality of day-to-day life and ensure safety for our community in times of emergency
  - Address critical infrastructure backlog

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## Revenue Opportunities

- Consideration of the following:
  1. Increase the Transient Occupancy Tax (TOT) rate
  2. Issue a General Obligation Bond
  3. Establish an Infrastructure Parcel Tax

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## Revenue Opportunities

- Increasing the Transient Occupancy Tax rate:
  - TOT accounts for 9% or approximately \$23m of General Fund revenues
  - Current TOT rate is 9.5%, one of lowest in the County
  - Additional 2% special tax (CFD) applied to 9 (*2 more being proposed*) hotels near Stadium

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## Revenue Opportunities

- Four jurisdictions passed TOT rate increases:
  - Los Altos (11% to 14%, phased over three years)
  - Sunnyvale (10.5% to 12.5%)
  - Milpitas (10.0% to 14.0%)
  - Palo Alto (14.0% to 15.5%)

Transient Occupancy Tax by City

City	Rate
Gilroy	9.0%
<b>Santa Clara (w/o CFD)</b>	<b>9.5%</b>
Morgan Hill	10.0%
Saratoga	10.0%
Fremont	10.0%
Mountain View	10.0%
San Jose	10.0%
<b>Santa Clara (w/ CFD)</b>	<b>11.5%</b>
Los Altos	12.0%
Campbell	12.0%
Cupertino	12.0%
Los Gatos	12.0%
Sunnyvale	12.5%
Milpitas	14.0%
Palo Alto	15.5%

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## Revenue Opportunities

- Options to increase TOT rate by:
  - 1.0%, generating over \$2.4m annually
  - 2.0%, generating over \$4.7m annually
- Requires 50% + 1 voter approval

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## Revenue Opportunities

- **May 2018 Discussion on Projects:**
  - Two options at \$200m presented in May 2018 (Parks and Recreation and Safety projects)
  - Council selected a modified option for polling
  - Explored General Obligation Bond or Infrastructure Parcel Tax

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## Infrastructure Revenue Measure

Recreation	Cost	Notes
ISC/CRC	\$90	Construct new ISC. Upgrade existing CRC with aesthetic improvements. Incorporate new ISC buildings into CRC to maximize space and operations. Any additional funds (such as donations) would be added to project budget for additional amenities.
Parks and Trails	\$50	Develop projects based on sites that are currently considered critical or poor.
Library	\$20	Explore addition to the back area and expand Central library or expand Northside Library - (up to 20,000 SF Addition)
Safety		
Fire Station	\$20	Reconstruct Fire Station 5 (\$10 million) and upgrade (HVAC, roof, plumbing, bathrooms, etc.) fire station 7, 9, and 1 (\$3-4 million each)
Flood Protection	\$20	Reconstruct 2 year flood pipes and pump stations

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## Revenue Opportunities

- **Issue a General Obligation (GO) Bond:**
  - \$200m presented in May 2018 (Parks and Safety projects)
  - Used for long-term capital project financing
  - Requires two-thirds supermajority vote
  - Secured by levying ad valorem property taxes in addition to the 1% general ad valorem property tax

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## Revenue Opportunities

- GO Bonds are based on assessed values – four options below assume 30 year amortization

	Bond Issuance Amount	Interest (5%)	Total Debt	Secured & Unsecured - Rate / \$ 1 M	Estimated Annual Debt Service Payment
Option 1	\$ 100 M	\$ 95.2 M	\$ 195.2 M	\$ 142	\$ 6.6 M
Option 2	\$ 200 M	\$ 190.3 M	\$ 390.3 M	\$ 283	\$ 13.1 M
Option 3	\$ 300 M	\$ 285.5 M	\$ 585.5 M	\$ 424	\$ 19.6 M
Option 4	\$ 400 M	\$ 380.6 M	\$ 780.6 M	\$ 565	\$ 26.1 M

Cost to resident

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## Revenue Opportunities

- **Infrastructure Parcel Tax Key Features:**
  - Could be used for infrastructure, operations and programs
  - Requires two-thirds supermajority vote
  - Levied on property owner's property tax bill – as a fixed amount or based on square footage

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## Revenue Opportunities

- To generate the same annual revenue to cover the annual debt for the same four options

	Bond Issuance Amount	Fixed Rate Per Taxable Parcel	Parcel Tax Revenue
Option 1	\$100 M	\$ 230	\$ 6.6 M
Option 2	\$200 M	\$ 455	\$ 13.1 M
Option 3	\$300 M	\$ 680	\$ 19.6 M
Option 4	\$400 M	\$ 905	\$ 26.1 M

Cost to resident

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## Revenue Opportunities

- Comparing GO Bond with Infrastructure Parcel Tax

	GO Bond	Parcel Tax (fixed)
Expenditure Use	Capital infrastructure	Capital and Programs
Approval needed	2/3 <sup>rd</sup> super majority	2/3 <sup>rd</sup> super majority
Cost to Property Owner (Sample \$200M Bond Issuance)		
Single Family Home Assessed @ \$1M	\$283	\$455
Commercial Property Assessed @ \$5M	\$1,415	\$455

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## Timeline

- December 2020 – Execute agreement for voter research and community engagement activities
- January 2020 - Data collection and research including updating list of critical projects for infrastructure measure
- March 2020 - Public outreach/engagement including focus groups and community meetings
- May 2020 - Evaluate engagement results and develop recommendations

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## Timeline

- June 2020 - Council decision on ballot measures
- July 2020 - Present proposed ballot language to Council
- August 1, 2020 - Final ballot title and summary due

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## Recommendations

1. Review and provide direction on the Potential General Fund Revenue Opportunities for the November 2020 Ballot
2. Authorize the City Manager to negotiate and execute agreements with contractors to conduct the required community research and outreach

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