



2024 – 2026

**CITY SPONSORED FUTURE FUNDING MECHANISMS:
City Council Policy Evaluation, Feasibility, and Community
Education/Outreach**

San Pablo City Council Meeting

February 5, 2024

Purpose & Overview



Purpose & Overview:

(1) NEW CITY FINANCIAL CONDITION AND LONG-RANGE FINANCIAL FORECAST PLAN: (Presented on 12/13/23)

Highlights include:

- LRFFP indicated **(-\$40.1M)** cumulative GF Operating deficit over next 10-year period
- LRFFP indicated **(-\$ 8.7M)** cumulative GF Operating deficit over next 2025-2027 period

As City Manager proceeds with development of the new Multi-Year (3-year) GF Budget for upcoming FY 2025 - 2027 period, the City Council authorized the City Manager to use **eight (8) Strategic Budget Initiatives** to eliminate the forecasted a **(-\$8.7M) cumulative** deficit for period 2025 – 2027 (CC Resolution No. #2023-067).

(2) 2023 ANNUAL YEAR-END SURVEY RESULTS (SRI):

Presentation of the recent 2023 Annual Year-end Survey Results by SRI, Inc. identified **three (3) potential City funding mechanisms** and their recent feedback from the community at-large.

These three (3) City funding mechanisms under policy consideration include:

- **Commercial Cannabis Retail Business License Tax (5%)**
- **City-wide Landscape and Lighting District (LLAD) Property Assessment Annual Increase: (TBD)**
- **College/Youth Scholarship Program Funding: (Future 1/4 cent sales tax measure)**

Current Issues: New City Financial Condition & Fiscal Sustainability



ISSUE #1: NEW CITY FINANCIAL CONDITION & CITY MANAGER STRATEGIC BUDGET INITIATIVES

On 12/13/24, City Council adoption of new eight (8) Strategic Budget Initiatives by the City Manager to address the (-\$8.7M) forecasted cumulative deficit for period 2025-2027.

- ❖ **Response:** New City-sponsored funding mechanisms will generate **new fiscal and revenue capacity** and **eliminate GF subsidies** to the City's Annual GF Operating Budget during 2024 – 2026 period.

ISSUE #2: EXPLORE NEW REVENUE CAPACITY ENHANCEMENTS & ELIMINATE GF SUBSIDIES

In addition to implementing all or some of the CM Strategic Budget Initiatives for FY 2025-2027 period, three (3) new City-sponsored funding mechanisms may generate significant additional fiscal and revenue capacity, as follows:

- ❖ **Response:**
 - (1) **Commercial Cannabis Retail Business License Tax:** **New 5% Business License Tax on specific retail businesses (+\$2.0-2.4M annually)**
 - (2) **City-wide LLAD Property Assessment Increase (TBD):** **Any new property/parcel assessment would eliminate (-\$1.5M) GF Annual Subsidy in FY 2024-25; No property assessment (TBD) since early 1990s (pre-Prop. 218)**
 - (3) **College/Youth Scholarship Program Funding:** **Future 1/4 cent sales tax measure supplants current funded program after 12/31/2026**

ISSUE #3: EXTEND FISCAL SUSTAINABILITY OF EXISTING CITY PROGRAMS

Following depletion of former ARPA/Fund #120 funds by December 31, 2026, a new funding source adopted by local voters will financial sustain the City's viable College Youth Scholarship Program beyond this depletion date.

- ❖ **Response:** Former ARPA/Fund #120 funds will deplete on December 31, 2026. A new replacement funding source must be identified prior to expiration of current funds available to sustain program into future.

Previous City Council Action: March 14, 2016



Previous City Council Policy Consideration (City Funding Mechanisms):

On March 14, 2016, following presentation of 2016 Annual City Survey results by SRI, the City Council adopted Resolution No. #2016-139 which authorized further policy consideration, evaluation, feasibility and prioritization of the following previously considered City funding mechanisms (See Table A below):

**TABLE A:
PREVIOUS CITY FUNDING MECHANISM/PROGRAMS AUTHORIZED
(In Sequential Order)
(2016-2020)**

City Funding Mechanism/Program (Period: 2016-2020)	Result of Policy Evaluation/Feasibility/Community Outreach:
(1) Municipal Broadband Fiber Optic Project Funding Mechanism (TBD)	No ballot measure required; City GFDR Budget Allocation (Phase I - \$1M Completed in September 2021); Phase II – \$3M Federal Earmark for 2023-24 (Pending March 2024)
(2) Local Sales Tax Measure Funding Mechanism (1/2 and 1/4 cent Local Sales Tax Measure)	Measure S Adopted by Local Voters on 11/05/20 (with +79.19% Support); Sunsets in September 30, 2032 (Extension of Measure Q)
(3) Childhood Obesity Prevention Funding Mechanism (1/4 cent Local Sales Tax Measure)	No ballot measure required; Funded under existing Measure Q/S Allocation since July 1, 2018 (CC Reso. #2018-047); Plus, up to \$200K from Annual City Digital Billboard Revenue (CC Reso. #2018-059)

Figure 7
San Pablo Community Survey
Year-end 2023

Support for... Allow the Sale of Cannabis in San Pablo

Question 12.0 At the present time, the City's General Fund is facing a looming general fund deficit of \$8.7 million for the next three consecutive fiscal years, and it must be eliminated by generating additional revenue sources to fund City services. The sale of retail commercial cannabis (meaning marijuana) is presently prohibited in the City of San Pablo. That said, in order to generate revenue thru a new Commercial Retail Business License Cannabis Tax, which will be used to provide local residents a host of services through local government, City officials are considering amending the City's Business License Ordinance in order to allow for the regulated sale of marijuana for a maximum of three cannabis retail businesses to be permitted by the City, which would generate between \$2.2 million to \$2.4 million annually in new revenue to the City. Do you support or oppose allowing the sale of marijuana within City limits?

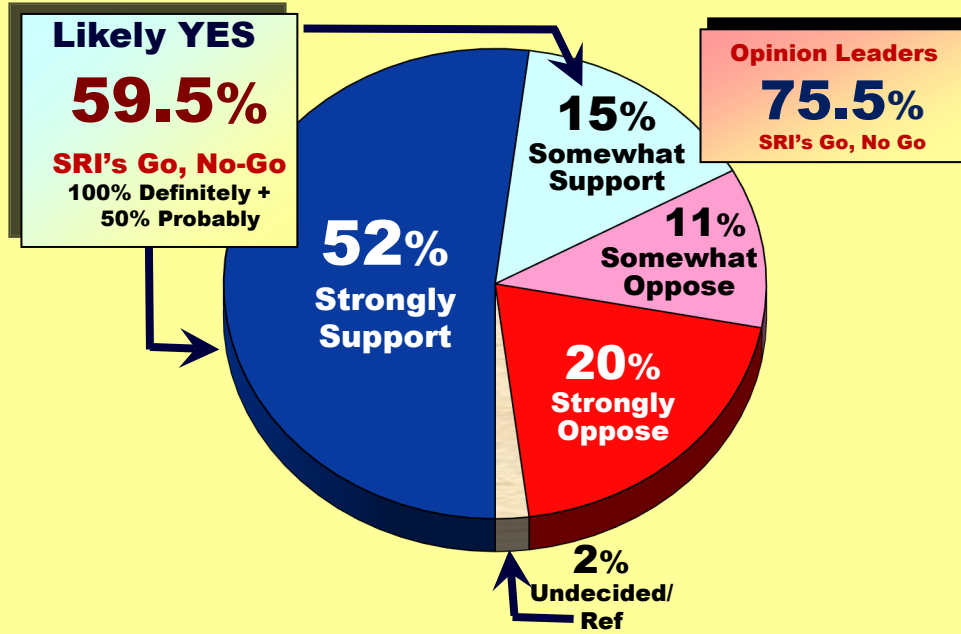


Figure 5
San Pablo Community Survey
Year-end 2023

Support for...
**Increasing Annual Assessment
for the City's LLAD**

Question 11.0 For nearly the past three decades, the City of San Pablo has experienced a shortfall in the City's Landscape and Lighting District. The monies generated through this funding mechanism are dedicated to maintaining and enhancing public street lighting, landscaped medians, street trees, park and recreation improvements throughout the City. At the present time, the average annual assessment is \$72.00/parcel of property owned...City officials are considering asking to authorize increasing this to

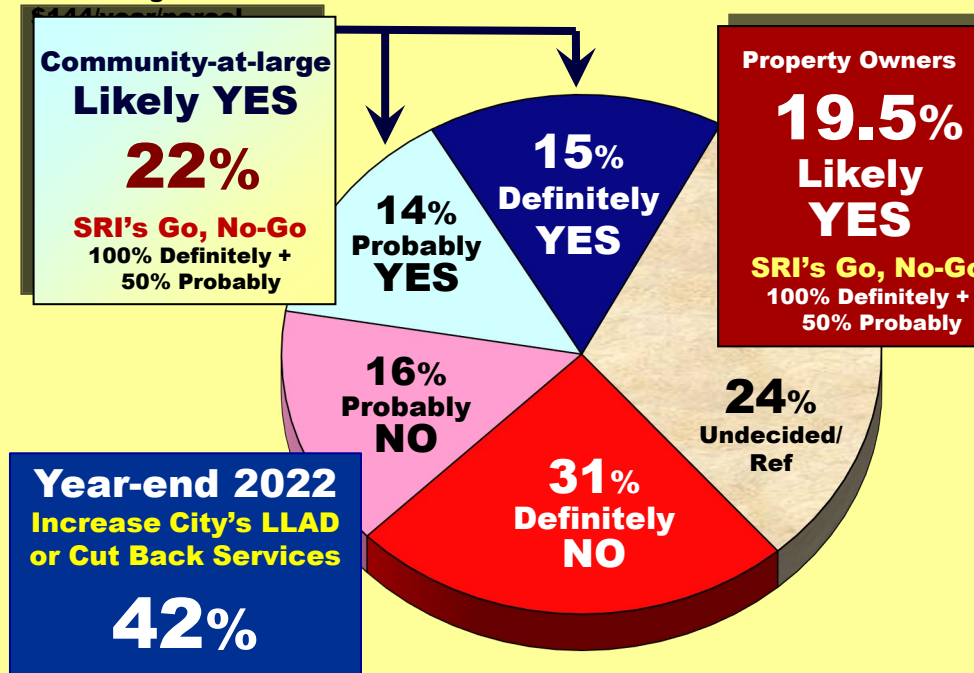
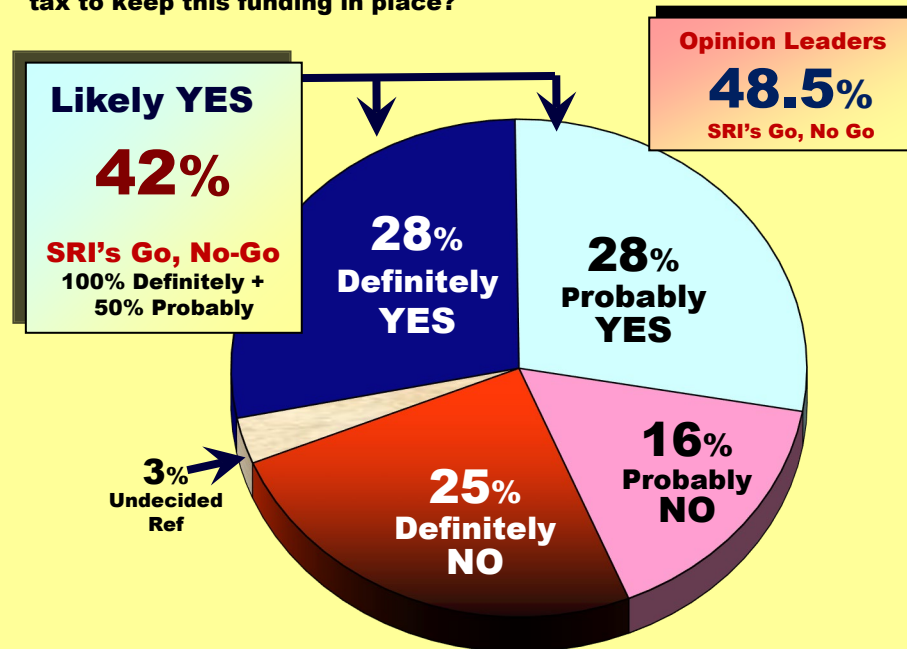


Figure 6A
San Pablo Community Survey
Year-end 2023

Support for...

1/4-cent Increase in Sales Tax to Keep College & Trade School Scholarships Sustainable

Question 8.0 Since April 2021, the City Council has been funding college and trade school scholarships for local youth by using the City's General Fund provided through the former American Rescue Plan Act (ARPA). ARPA funding runs out in 2026; thus in order to keep this program in place, the City needs to find a sustainable source of funding before it terminates. Would you be willing to authorize a quarter-cent increase in the local sales tax to keep this funding in place?



City Council Policy Consideration: 2024 – 2026 Period



CITY COUNCIL POLICY AUTHORIZATION:

The City Manager seeks formal support from the City Council to proceed with further policy evaluation, feasibility, prioritization and community education/outreach efforts for all potential future funding mechanisms (in sequential order) to coincide with future upcoming election cycles or timeframes during the 2024-2026 period (See Table B below), as follows:

TABLE B: NEW FUTURE FUNDING MECHANISMS UNDER POLICY CONSIDERATION (IN SEQUENTIAL RANK-ORDER) (2024 – 2026)		
FUTURE FUNDING MECHANISM (RANK-ORDER)	CITY COUNCIL WORKPLAN/STRATEGIC BUDGET INITIATIVE GOAL	TARGET ELECTION CYCLE OR TIMEFRAME
(1) Commercial Cannabis Retail Business License Tax	New GF revenue on Special Business Tax Uses (i.e. Max: 3 Commercial Retail Cannabis Retailers); Amount: \$2.0 - \$2.4M Annually	November 2024 Ballot Measure; (Add +5% City Business Tax to City Business License Tax Ordinance)
(2) City-wide Landscape and Lighting District Property Assessment Increase (TBD – parcel tax assessment)	Eliminate or Reduce Annual GF Subsidy to LLAD; Eliminates or Reduces (-\$1.5M) annual GF Subsidy (forecasted)	Spring 2025 Property Protest Ballot Measure; Will consider increase in Annual Property Assessments (TBD)
(3) College & Trade Youth Scholarship Funding Mechanism**	Extends existing GF-funded program beyond 12/31/26 for a period of 10 years until September 2036; Amount: \$1M annually	March or November 2026 Ballot Measure; (i.e. Future 1/4 cent sales tax measure; sunsets in 10 years)

Future Policy Action & City Council Recommendation



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FUTURE CITY COUNCIL POLICY ACTION:

Future City ordinances or actions are required to formally establish a new funding mechanism, or to extend an existing City funding mechanism (i.e. sales tax, parcel tax, property assessment, etc.).

This will require formal and separate City Council action for formal placement on a future local municipal ballot in accordance with State law. All funding mechanisms considered by local voters must meet all applicable State law and election statute requirements.

CITY MANAGER RECOMMENDATION:

- (1) Receive presentation;
- (2) Adopt said Resolution to authorize the City Manager to formally implement policy evaluation, feasibility, prioritization, and community education/outreach efforts for all three (3) designated future funding mechanisms (in sequential order) under Table B to coincide with future upcoming election cycles or timeframes during 2024-2026 period



QUESTIONS ?